

Insights into Emerging Economies

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Perspective on... COP21

Beyond the obvious



Our Assessment of COP21: Towards New Global Industrial Alliances

By Fanny Costes and Joël Ruet

COP21 did not bring forth a mouse. This is a first victory. To the regret of some people facing the lack of quantitative targets, the mere mention of a riposte aiming to “keep the increase in global average temperature to well below to 2°C” by 2100, and of a national contribution to the efforts revised upwards every five years, already involve 195 countries in an ambitious business cycle. But the Paris Agreement of December, 12th 2015 was only the outward appearance and well covered part of a general movement involving several actors to align economic progress and the fight against climate change. At The Bridge Tank, we note an industrial turning point in which emerging countries have not only a key role to play, but will become central actors as their economies’ growth drivers are opportunities of transition and, even more importantly, co-innovation.

“...As a result, considering the range of issues, the Countries prefer alliance rather than mistrust. But above all, industrials follow the way, aware of the economic interest...”

A Shift in Paradigm: from Public to Public-Private and to Private

The ambition of the Paris Agreement is to be concretised in April, in New York, when Countries will be called to ratify it to trigger a second round in the fight against global warming and in the implementation of a sustainable development, beyond the cycle of awareness and action enabled by Kyoto. However, if the Countries have and will have a key role to play, the huge climatic challenge will not be successful without the other actors, the "non-Parties". In parallel to state meetings and discussions in the Bourget, numerous initiatives announced by politicians – due to COP – but supported or developed by industrialists for example, have, according to us, meant a definite change in paradigm.

The announcement, on the first day of COP21, of the International Solar Alliance's creation is a first example. The aim of this platform initiated by the Indian Prime Minister Narendra Modi and which should involve 120 countries situated "between the Tropic of Cancer and the Tropic of Capricorn" according to a release, is to "federate the efforts of developing countries to attract investments and technologies in this sector and develop the uses of solar energy", to create a huge market to accelerate the implementation of solar parks – 1 terawatt by 2030 – and significantly lower the price of this energy.

As a result, considering the range of issues, the Countries prefer alliance rather than mistrust. But above all, industrialists follow this way, aware of the economic interest... Thus Engie immediately answered and launched the Terrawatt initiative whose members – Blackrock for example, first asset manager worldwide with more than 4,500 billion dollars in its portfolio – will have to bring the majority of the 1,000 billion dollars required to reach the 2030 objective.

A week later, 36 Countries, including Iceland, France, Countries in the region of the Rift Valley in Africa (Kenya, Tanzania, etc.), in South-East Asia (Malaysia and Philippines) and in Latin America (Mexico, Guatemala, etc.) launched the Global Geothermal Alliance, in which industrialists and investors are invited to share experiences and to ally themselves to overcome the obstacles, especially linked to drilling costs.

Another commitment, this time entirely initiated by companies, is the Business Alliance for water and climate which reasserts the key role of companies in sustainable management of water resources. In this alliance, 39 French companies (Danone, Suez, Alstom, Schneider Electric, EDF, Eiffage...) representing a turnover of 1,200 billion euros worldwide, are committed to invest and share the best skills. "From 2016 to 2020, our companies expect at least 45 billion euros of industrial investments and R&D in renewable energies, in energy efficiency and other low carbon energies and at least 80 billion euros of fundings for projects contributing to the fight against climate change", they wrote in their release.

Co-innovating

But it must not be about "selling of solutions" to the South that were initially developed by the North. The outcome of COP21 is also, according to our think tank, the advent of an industrial era in which co-investment and co-innovation will be in full swing. Beyond negotiations on the reduction of greenhouse gas emissions, this huge global meeting has finally unveiled the implementation of a new industrial strategy, a strategy in which the competitive advantage is sought by everybody. We might call this new time "the era of new industrial alliances" in which we can easily imagine that new geographies which did not express themselves or little expressed in Paris will eventually do it. The closing speech of the Minister for Environment from Morocco which will host the COP22, and labeled it in her speech as the "COP of innovation", is undoubtedly clear about the ambitions of means to be deployed to concretise objectives and silence critical voices.

The framework of the international solar alliance invites us to think that Northern manufacturers will glean new markets especially situated in the South, but we argue it should be in cooperation with Southern players. But that is not all. The cooperations between China and Southern countries are already in full swing and there are signs of a marked cooperation between India and Africa, both by public and private sector. One can also think that large internationalised groups, such as the French groups of the Business Alliance for water and climate will know how to rely more on local ecosystems in which they are implemented to experiment and then deploy their low-carbon solutions.

And because markets will largely be in the South, especially in South-East Asia or in Africa, it is now necessary not to neglect emerging players from developing countries. One can for example mention Solektra International, a company which initiated the Akon Lighting Africa programme, founded by Samba Bathily, Akon and Thione Niang. It is now part of the new generation of initiatives and of African companies which invest in growth and employment in the continent, while focusing on two strategic positions for the development of Africa: supplying of quality water and supplying of energy using solar technologies. It is now present in 15 African countries (Mali, Senegal, Nigeria, Benin, Sierra Leone, Ivory Coast, Burkina Faso, Republic of Guinea, Equatorial Guinea, Gabon, Congo-Brazzaville, Nigeria, Madagascar, Namibia, Kenya). This is the sign of the deployment of an industrial vision that is primarily sub-regional but soon panafrikan and which has already built partnerships with Chinese and Indian companies, as well as with technological funds based in Europe.

“The key issue is rather in the successful transfer of technologies, in their adaptation to the local context and above all in their control by local players through incremental innovation and the control of new know-how around existing patents...”

Local, Regional and Global Ecosystems

Beyond technologies that already exist or will be invented, it is also important to think about the way in which these technologies will penetrate the various environments of the planet. As we regularly highlight it at The Bridge Tank, the current globalisation must be thought-off and activated by including local ecosystems to bring a sustainable growth. The issue of intellectual property must be reviewed. “Contrary to some assertions, patents are not an obstacle to technological transfers, and especially to sustainable technologies, to developing countries, because the majority of patents are not applied for in these countries, so the technologies are freely accessible at no charge”, wrote Joël Ruet, in a report¹ created for the INPI and presented during COP21, with Guillaume Henry, expert on intellectual property and Matthieu Wemaëre who was furthermore the Moroccan “sherpa” during COP21.

The key issue is rather in the successful transfer of these technologies, in their adaptation to the local context and above all in their control by local players through incremental innovation and the control of new know-how around existing patents. As a result, the diffusion of the know-how's control is the true issue. And once again, it is necessary to rely on and act with local players. As a result, Solektra international inaugurated, a few days after COP21, the Solektra Solar Academy in Bamako, Mali. Another older initiative is the “Solar Mamas” of the Barefoot College NGO which is aimed at training illiterate women to turn them into engineers able to build, implement and manage solar power plants in their villages.

Under a few conditions, a new industrial trajectory seems to be now taken, that is conducive to support and amplify the ambition of the Paris Agreement. To commit companies which are not yet involved and increase the orientation of investments towards low-carbon and clean technologies, services or goods, it remains necessary to provide a strong global signal based on carbon price. However, the difficulty to implement a global price invites us to focus on the establishment of a carbon cost by regional economic zone. Several examples have already been deployed such as the system tested by China. It will be necessary to quickly define them well and to intensify them.

¹ *Sustainable development and intellectual property : access to technologies in developing countries*, by Guillaume Henry, Joël Ruet et Matthieu Wemaëre.

Perspective on... COP21

Press review



What to do about debt ?

Read on Project Syndicate

Much of the concern about debt has been focused on the potential for defaults in the eurozone. But heavily indebted companies in emerging markets may be an even greater danger. (...)As consensus grows regarding the need for better ways to restructure debt, three options have emerged.

THE BRIDGE TANK TAKE

This article reports on excellent and innovative proposals on public finance. The Bridge Tank is working on a complementary topic: a global currency reserve geared into projects.



Today's politics carry on with a bygone world

Read in Libération

We can think it all over in the light of the dramatic changes induced by this drastic transformation – the digital revolution. Banks financing the economy? It is no longer relevant in today's world when it is about financing new companies rather than old ones and disruptions rather than optimisation.

THE BRIDGE TANK TAKE

Let us not forget that the main source of growth in this field is Africa with FinTech – information and mobile phones technologies.



Roof top solar will succeed and MW size solar plants shall face acute problems in India.

As of now, I am quite sceptical of Grid connected high capacity (>200-500< MWp) size single location, cluster of solar power generation plants, succeeding in India (i) without destroying grid operation every day, (ii) very expensive third party investment being made for Battery banks or Green Corridors put-up with Indian tax payers money.

THE BRIDGE TANK TAKE

This article seems quite pessimistic to us but it highlights the emergence of great solar energy projects in India. We indeed believe it is important not to turn our backs to solutions like mini-grids that connect communities and are an opportunity to create new jobs.



Focus on... India-Africa and China-Africa 2015 Forum Summits

Pointers to Emerging Trends

Joël Ruet could take part to the side events of the India-Africa Forum Summit co-organized by the Confederation of Indian Industry, the Federation of Indian Chambers of Commerce and Industry, the Exim Bank and the Observer Research Foundation. He could also exclusively hear the new message from China to Africa during the inaugural dinner of the MEDays in Tangier attended by Paul Kagame and Biao Ma, Vice chairman of the National Committee of the Chinese People's Political Consultative Conference. Read the text and sub-text below.

Are India and China pragmatic flatterers of Africa?

Emerging countries are impacting the world and globalization to an even greater extent than globalization is impacting them. Our think tank is built upon this belief.

The latest Summits (India-Africa, October 2015 and China-Africa, December 2015) have shed light on the role that Africa, which ought to become the most populated continent in the world, will play in 21st century's globalization. China being Africa's first trading partner was already a sign of the markets shift and the overhaul of traditional alliances. But with this third very ambitious Summit, India has proved its intention to enter a new economic and political game with Africa. As of China, it has confirmed its determination to be a pillar of Africa's development. Although China and India's approaches are dissimilar, their implication in Africa is building up and confirms that South-South relations are flourishing and diversifying the erstwhile 20th century's globalization, then led by Northern countries alone.

More than 40 African Heads of States accepted the invitation of Indian Prime Minister Narendra Modi to the third India-Africa Forum Summit held from the 26th to the 29th of October, 2015 in New Delhi, India. This was a first, as the previous Summits had historically gathered African leaders from the non-aligned countries only. Topics discussed during the Summit put aside, this change is already a strong sign of India's interest in Africa as it is looking for new trading and political partners. It is also a sign of African States responsiveness to India, an old flatterer who made a political comeback after leaving the global political scene for several years, while still remaining a constant actor in the field by attending 15 Annual "Africa" Conferences of the Confederation of Indian Industry.

The rapprochement processes between these Southern territories have caught our attention. Of course, India, just like China, wishes to make the most of Africa's resources to support its own emergence. PM Modi is gathering strengthened affinities to finally give India a seat at the United Nations Security Council. But the relationships India is trying to establish and develop have clearly been discussed in views of mutual benefits. At the eve of the Summit, an Indian senior official expert on African Affairs talked to us in a private conversation about a "qualitative change" in India's commitment in Africa. And this is precisely what we think these four days of discussions have shown.

This conducive atmosphere led Rwandan Minister for East African Community Affairs Valentine Rugwabiza to insist at a dinner that "capacity for innovation is not the sole privilege of developed countries" and that India and Africa, gathering one third of the global population and two thirds of the under-25, have tremendous resources in this sense. But she also insisted that India had to get more of its inspiration from certain East-African innovations, particularly by sharing successful experiences like the toll-free roaming interconnection between Rwanda, Tanzania and Kenya. The Ministry seized the opportunity to point out that these tolls still exist across Indian states.



Her views were broadly shared by Indian elites present at the dinner who believe India has long overlooked Africa and is now leaning towards an increased knowledge for both territories of one another. Very subtly, the third India-Africa Forum Summit outlined a balanced partnership between India and Africa that differs from the partnership powered by China. India is, off the record, pretty aware of its incapacity to really compete with China in terms of infrastructure; but India wanted to show that it too could enter Africa with projects contributing not only to industrialize the continent but to bring up mutual tools for a resilient and agile mutual development. A senior official close to the case off the record declared to us that (provided Africa acts smart) "China will make Africa rich; India can make it agile" and that with that in mind he "[hoped his] fellow citizens will think about what they can learn from Africa."

China's bold role in Africa

India's approach of Africa is based on a common inspiration – and very much appreciated by the Africans. China however made a recent step forward, using in official speeches, testing them in Forums such as MEDays 2015 in Tangiers. Officials continued with the words "partnership" and even introduced the concept of "alliance" – including the idea of a "military alliance"- to ensure peace in Africa. China is trying to strengthen its role as a regional power. It started a new bold strategy and set aside the old powers present in Africa to foster a new security partnership with Africa during the 2015 China-Africa Summit last December in South-Africa. To China, stability ensures collaboration between China and African territories.

The Chinese President pledged a \$60 million support to African Union without responding obligations. This money should support the building and operation of the African Standby Force and the African Capacity for the Immediate Response to Crisis. President Xi also reassured States currently depending on China's demand for raw material and announced loans to a tune of \$60 billion meant to finance programs for agricultural modernization, industrialization, poverty reduction and security. Industries like the car-making industry and aeronautics could also benefit from China's financial support and African authorities pointed out that China has become *the* leading country for high-speed trains and nuclear power. That says it all.

News and events

The Bridge Tank voice

The Bridge Tank in the media

- “According to Joël Ruet, even in a context of economic downturn, many of tomorrow’s markets are still originating in emerging countries. New technologies or system innovations are bound to be developed in those countries. South-South cooperation will increase too, as the western countries are not the sole international actors anymore.”

Extract from “L’histoire continue...” by Pierre-Olivier Rouaud In: L’Usine Nouvelle n°3449, December 17, 2015

- “Africa is seeking to reduce the vulnerability of its poorest countries; China is trying to reassure the world about its commitment to curb climate change; what is India trying to achieve with its “climate justice”? India’s position towards environment seems not to be entirely deprived of industrial interests as we could interpret from its decisions of the past months.”

Extract from the opinion column “Cette opportune justice climatique” published on December 9, 2015 on www.telos-eu.com and cosigned by Joël Ruet and Sophia Semlali.

THE BRIDGE TANK TOUR

20 – 23 January 2016: Davos World Economic Forum (Davos, Switzerland) – Fourth Industrial Revolution

“Non-aligned capitalisms” – by Joël Ruet



“This book promotes the idea that an emergence does exist and that it is tinkered with notable regularities – which are not the mainstreamed low cost principle dear to outsourcers nor the desired homogeneity the middle classes would hope as the relays of consumption for wild “marketers”, but are regularities arising from industrial processes that make the existence of an “emergence category” possible and real. Starting from the very diversity of actors and by focusing not on normalization but on the new balances in active poles that individually imprint the countries: that is how one discovers “emergence”. If you accept to enter into the factory, you will see the emergence.”

Extract from the book “Des capitalismes non-alignés” (“non-aligned capitalisms”) by Joël Ruet, ed. Raison D’agir Eds, published on 01/14/2016 <http://livre.fnac.com/a8634606/Joel-Ruet-Les-capitalismes-non-alignes>