

CHINA -ANGOLA RELATIONSHIP WITH REFERENCE TO THE
CONSTRUCTION SECTOR

BY

PHILIPPE ASANZI MBEY ATA

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ABSTRACT

The People's Republic of China first developed an interest in Africa during the late 1950's, a few years after the end of the Chinese civil war. Chinese interests in Africa occurred at a time when the Communist regime led by Chairman Mao Tse-Tung was facing serious threats from the United States of America (US) and its allies. As such, the objective of China's policy on Africa at the time was to seek the support of African countries in a bid to resist isolation from the US and its allies as well as to foster revolutions in Africa aimed at depriving the West of African's raw materials and access to African markets.

During the 1970's, China's policy on Africa changed significantly as the result of China's admission into the UN and the relative success achieved by that country in getting recognition from African countries. Consequently, China's policy on Africa became less aggressive toward the West. During the 1980's, the normalisation of China's relations with the US as well as the arrival of new leadership in China, prompted the country to adopt a foreign policy centred on economic development. As such, Africa became less important for China.

Over the last two decades China has achieved a robust economic growth that averaged 9.5%. In order to sustain its formidable economic growth, China needs access to raw materials, notably oil and minerals. Therefore, in the beginning of this new century China renewed its interest in Africa. Nevertheless, compared to the 1950's when China's interest in Africa was mainly driven by ideological factors, the current strong Chinese interest in Africa is driven by economic factors, namely, access to African oil and minerals.

This study investigates the partnership between China and Angola, with a particular interest on the impact of trade between China and Angola and Chinese investments on the Angolan economy as well as on the Angolan population. Concerning Chinese investments in Angola, this study focuses on the Angolan construction sector.

This study attempts to gauge whether Chinese involvement in Angola is a positive factor for the country's economic development given the fact that Chinese involvement in Angola is not altruistic.

CHAPTER 1: WHY INVESTIGATE CHINA'S INVOLVEMENT IN ANGOLA?

INTRODUCTION

One of the most important developments in the beginning of the twenty-first century has surely been the progressive emergence of China as a world power. Actually, the market based economic reforms initiated by Chinese former president Teng Hsiao-P'ing (Deng Xiaoping) upon his rise to power in 1978 have triggered positive effects in the last two to three decades. Indeed, Chinese economic growth has averaged 9.5% annually over the past two decades. Between 1980 and 2000, Chinese GDP rose from Rmb 451.8 billion to Rmb 8,946.8 trillion, an increase of 1880.2%.¹ In addition to that, during the same period, real per capita income rose by more than 400%.² As a result, in 2006 China became the world's fourth largest economy, surpassing France and Britain.³ This formidable economic growth saw the number of people living in extreme poverty in China decline by 220 million between 1978 and 1999.⁴

Despite this strong economic growth, China is still a developing country, since there are as many as 200 million unemployed or underemployed people in the countryside.⁵ Moreover, the number of Chinese living below the poverty line (less than one dollar a day) was estimated between 120 to 130 million in 2006.⁶ Given that poverty and unemployment are still rampant in China, the main priority for the Chinese leadership is to maintain the robust economic growth at least over the next two decades in a bid to drastically reduce poverty and unemployment in China.⁷ In order to maintain its robust economic growth, China desperately needs access not only to raw materials such as oil and minerals but also to markets for its manufactured goods.

¹ National Bureau of Statistics, China Statistical Yearbook 2004.

² Sally Razeen. China's Trade Policies and its Integration into the World Economy. P26

³ Pei Minxin. The Dark Side of China's Rise.

⁴ Sally Razeen. Op.cit.P28

⁵ Ibid.P28

⁶ Xinhua. Official: China's poverty too low.

⁷ Shelton Garth. Post – Jiang China: Challenges for a New Leadership. P83

However, given the limited amount of oil and some raw materials in China, coupled with the sustained robust economic growth, the country has to import some minerals and oil from foreign countries. Actually, China has become a net importer of crude oil since 1993, and since then it has been increasingly dependent on foreign oil imports.⁸ China currently consumes 6 534 000 barrels of crude oil per day while it locally produces approximately 4 000 000 barrels of crude oil per day.⁹ In addition, China has also become dependent on foreign supply of minerals to sustain its economic growth. China consumes 22% of world copper output, 21% of world aluminum production, 35% of global coal production and 20% of magnesium production.¹⁰

As a result of China's high demand for raw materials coupled with the need to find markets, two main objectives of China's foreign policy lately have been the access to oil and minerals as well as the access to foreign markets, especially those of Europe, Japan and North America.¹¹ However, a detailed analysis conducted by Chinese officials has proved the viability of African markets for a range of low cost manufactured goods.¹²

Given the increasing importance and strength China is acquiring due to its formidable and sustained economic growth and social transformation, the Chinese leadership believes that time has come for China to play a prominent role in world affairs and thus, promote Chinese principles and values.¹³ Therefore, the expansion of China's influence throughout the world can also be viewed as the third most important objective of China's foreign policy.¹⁴

That being the case, there are three main factors that shape China's foreign policy in my view, which are:

⁸ Xuewu Gu Von. China Returns to Africa. P18

⁹ Clough Langdon D. Energy Profile of China. January 30, 2007 & CIA World Factbook. Energy Statistics, June 14, 2007

¹⁰ Hale David. How China Need for Commodities will Change Global Geopolitics. P120

¹¹ Garth Shelton. Afro – Chinese Relations in an Era of Globalisation. P238

¹² Ibid. P238

¹³ Xuewu Gu Von. Op.cit. P8

¹⁴ Ibid. P8

- Access to key raw materials such as oil, timber and copper and cobalt;
- Access to foreign markets, particularly those of developed countries, and
- Increase the influence of China across the globe.

1.1 CHINA IN AFRICA

In light of the three main objectives of China's foreign policy mentioned above, it is clear that Africa is of vital importance in the eyes of Chinese policy makers.

Firstly, since Africa possesses huge amounts of unexploited raw materials such as oil, copper, cobalt, timber and others, it is perceived as a strategic continent by Chinese policy makers.¹⁵ Although China is interested in a variety of raw materials, priority is given to the exploitation of oil.¹⁶ Various Chinese leaders have devoted their energy to the oil business with Africa and in the process accelerated the establishment of Chinese oil companies in Africa.¹⁷ In fact, Chinese state owned oil companies such as China Petroleum and Chemical Corporation (Sinopec) and China National Petroleum Corporation (CNPC) have invested US\$ billions in the acquisition of oil blocks in Nigeria, Sudan, Angola, Gabon and Libya.¹⁸ Besides the oil sector, Chinese companies have also invested US\$ hundreds of millions in the mining sector in countries such as Zambia, Zimbabwe and the Democratic Republic of Congo (DRC).¹⁹

As mentioned already, Africa is also important to China as it represents an important market for Chinese manufactured goods. Although far from wealthy, many African consumers are increasingly able to afford Chinese manufactured goods as these are relatively cheaper compared to European or United States of America (US) manufactured goods.²⁰

¹⁵ Vines Alex. *The Scramble for Resources : African Case Studies*. P63 & Lyman Princeton. China's Involvement in Africa: A View from the US. P131

¹⁶ Xuewu Gu Von.op.cit.P15

¹⁷ Ibid.P15

¹⁸ Vines Alex.op.cit. P68-71& Xuewu Gu Von.op.cit.P17& AFP.Sinopec deepens oil investments in Angola. June 2006

¹⁹ Chunying An. *Mining Industry Cooperation between China and Africa*. P316-320

²⁰ Center For Chinese Studies. *China's Engagement of Africa: Preliminary Scoping of African Case Studies*. P27& Chaponnière Jean Raphaël. *Les échanges entre la Chine et l'Afrique*. P 159

The increasing purchasing power of many African consumers is fuelled by high economic growth that many African countries are enjoying, partially fuelled by China's strong demand for raw materials.²¹ However, Chinese exports of manufactured goods remain concentrated in a few African countries such as South Africa, Sudan and Nigeria.²²

Finally, Africa is important in the eyes of Chinese policy makers as they believe that it will be much easier to establish Chinese influence in Africa than in other regions of the world. Much as China wants to expand its influence all over the world, it is aware of the challenges that it has to face as a late industrializing nation in competing with well established powers for influence in the world.²³ It is evident that European countries, the US and Japan consider Africa as a less strategic continent since Africa is besieged by wars, disease, poverty and hunger.²⁴ Therefore, Chinese policy makers view Africa as a strategic location where China can quickly establish its influence as it will not have to compete with Western countries.²⁵

In an attempt to expand its influence over Africa, China has been using various tools including rhetoric and development assistance. In fact, as it will be discussed in this study, Chinese officials usually seek to seduce African leaders by reminding them that China has always been a sincere ally of Africa in its fight against colonialism and imperialism, implying that China cannot have imperialist tendencies toward Africa.²⁶ Also, to rally African support on specific issues such as human rights or the principle of non interference in state internal affairs, Chinese leaders have regularly claimed that China is still a member of developing countries and as such, China and African countries share common interests with a shared view on major international issues.²⁷

²¹ Center for Chinese studies. China's Engagement of Africa.op.cit.P27

²² Chaponnière Jean Raphael.op.cit.P158

²³ Xuewu Gu Von.op.cit. P8

²⁴ Ibid.P8

²⁵ Ibid.P8

²⁶ Yongpeng Zhang. Reality and Strategy Construction. P278

²⁷ Yongpeng Zhang.op.cit.P274& Le Pere Garth& Shelton Garth. Afro-Chinese Relations: An Evolving South-South Partnership. P34

Consequently, they assert that China and Africa have to support each other in order to face the challenges of globalization and create a new world order.²⁸

Development assistance from the People's Republic of China usually takes various forms such as concessional loans, debt relief and grants.²⁹ Concessional loans are usually given with the intention of contributing to the development of the recipient countries.³⁰ Chinese concessional loans are usually given to resource rich countries, thereby providing China easy access to strategic resources such as oil, copper and cobalt.³¹ Nevertheless, Chinese concessional loans are well appreciated by African leaders, not only for their favorable terms but also because China sets minimal conditions on the delivery of concessional loans as well as grants.³² Chinese grants are usually extended for social projects (hospitals, recreational centers and schools), material assistance and technical assistance (training).³³ The Chinese government has built various infrastructure such as hospitals, government buildings, power plants and football stadiums in almost all African countries and such gestures seem to convince some African leaders of the sincere friendship between China and Africa.³⁴

Finally, China has also undertaken significant actions with regard to debt relief. During the first Sino-African forum, Beijing (2000), China pledged to write off 10 billion yuan of debt owed by 56 African countries within a period of 2 years.³⁵ China respected its promise as by June 2002, it had cancelled debts totaling 10.5 billion yuan.³⁶ It is important to note that China cancelled a portion of African debts at a moment when developed countries were resisting such a proposal.³⁷ It is obvious that such a measure increased China's credibility in Africa.

²⁸ Yongpeng Zhang.op.cit.P274& Le Pere Garth& Shelton Garth.op.cit.P34

²⁹ Center for Chinese Studies. How China Delivers Development Assistance to Africa. P2

³⁰ Ibid.P12

³¹ Ibid. P5

³² Servant Jean Christophe. China's trade Safari in Africa. Le Monde Diplomatique May 2005

³³ Center for Chinese Studies. How China Delivers Development Assistance to Africa. Op.cit.P15

³⁴ Xuewu Gu Von.op.cit.P13

³⁵ Wenping He. All-Weather Friend. P40

³⁶ Ibid.P40

³⁷ Ibid.P40

1.2 CHINA: AN ALTERNATIVE TO THE WEST?

China's new foray into Africa has created fascination, hope and apprehension as well. Actually, many African leaders such as the chairman of the African Union, the president of Gabon Omar Bongo, Robert Mugabe of Zimbabwe as well as Angola's Jose Eduardo Dos Santos, have appreciated China's willingness to provide loans and grants to African countries without setting conditions related to good governance, transparency and human rights.³⁸ These African leaders also appreciate China's huge investments in the construction of key infrastructure across African countries.³⁹ Therefore, many African leaders perceive China as an alternative to the West since Chinese cooperation with Africa is free of interference in African internal affairs.⁴⁰ Furthermore, some African leaders, such as South African's President Thabo Mbeki, consider China as a strategic partner in joining Africa to fight for the reform of international organizations such as the United Nations (UN) and the World Trade Organization (WTO).⁴¹

On the other hand, many leaders in the West have viewed China's new foray into Africa with skepticism. Several leaders in the west have voiced concerns over the possible impact of Chinese loans and grants on political and economic governance in African countries.⁴² These Western leaders are particularly worried given that most of the African countries China is involved with such as Nigeria, Sudan, Angola, Zimbabwe and the DRC all rank high on foreign policy's states failed index.⁴³ For instance, China has been blamed for the prolongation of the war in Sudan's Darfur province as 80% of revenue generated by Sudan's oil fields have been used to purchase weapons and military materials.⁴⁴

³⁸ Servant Jean Christophe. Op.cit

³⁹ Ibid

⁴⁰ Interview. 2 April 2008.Luanda

⁴¹ Shelton Garth.op.cit. P 259& Alden Chris. China-Africa Relations: The end of the Beginning. P145& Le Pere Garth& Shelton Garth. An Evolving South-South Partnership. P34

⁴² Princeton Lyman. China's Involvement in Africa: A view from the US. P135

⁴³ Alves Philip & Draper Peter. China's growing role in Africa. P24

⁴⁴ Vinex Alex.op.cit.P69

Another example is that just after China's EXIM Bank provided Angola a US\$ 2 billion loan in 2004, the Angolan minister of finance announced that his country was no longer interested in pursuing talks with the International Monetary Fund (IMF), which in part sought to establish more transparency in the country's oil sector.⁴⁵ It comes as no surprise that the IMF, the World Bank as well as European Countries have expressed concern over the recent US\$ 9 billion Chinese loan provided to the DRC, fearing that the loan could worsen economic governance and bring back the country to the old debt trap.⁴⁶

Finally, the diplomatic foray recently engaged by the US in Southern Africa to make sure that no country in the region accepts to offload weapons from a Chinese ship destined to Zimbabwe as the country is facing a serious political crisis, reflects US's ambivalence over China's engagement with controversial African regimes.⁴⁷ Nevertheless, beyond these relevant concerns, it is also evident that many Western countries are not very pleased with the intrusion of China in what they considered as their reserved domain, Africa.⁴⁸ Actually, some Western analysts have even portrayed China's involvement in Africa as pure neocolonialism, claiming China is the only beneficiary from its partnership with African countries as the middle Kingdom imports raw materials from African countries and exports its manufactured goods to Africa.⁴⁹

As China gets more involved in Africa, especially in those countries rich in natural resources, the above concerns expressed by Western critics and academics are pertinent. In fact, African countries cannot afford to go blindly into their new partnership with China as they may not benefit in the short term and particularly in the medium and long term. The researcher sincerely believes that African countries can only benefit from their new partnership with China by having a long term vision.

⁴⁵ Grion Moreso Emilio. *The Political Economy of commercial relations*. P154

⁴⁶ Vandaele John. IPS. *Development: La China l'emporte sur les Europeens au Congo*.

⁴⁷ CNN. *Ship Bound for Zimbabwe may Return Home, says Chinese Officials*.

⁴⁸ Berger Bernt. *China's Engagement in Africa: Can the EU sit Back?* P121

⁴⁹ Vandaele John.op.cit

1.3 PURPOSE OF THE STUDY

The aim of this study is to investigate the impact of China's investments on the Angolan economy as well as the impact of trade between China and Angola on the Angolan economy. This study will take a particular interest in the Angolan construction sector although it will not be limited to this sector. In addition, this study will also assess the impact of trade between China and Angola as well as the impact of Chinese investments on the Angolan population.

This study will explore the following questions:

- i) What is the pattern of trade between China and Angola?
- ii) What are the benefits that Angola gains from trading with China?
- iii) Is the Angolan population benefiting from trade between China and Angola?
- iv) How can Angola maximise its benefits from trading with China?
- v) In which sectors of the Angolan economy have Chinese investments been concentrated?
- vi) Has the Angolan economy benefited from Chinese investments in terms of the transfer of technology, commercialization of new products, and diffusion of skills and creation of jobs?
- vii) How can Angola maximise its benefits from Chinese investments?
- viii) Have Chinese investments improved the daily lives of the Angolan population?

Ultimately this study is assessing whether China's increasing ties with Angola can be a positive force for Angola's economic development.

1.4 RATIONALE OF THE STUDY

1.4.1 Why I have Chosen Angola

The researcher has chosen Angola because China has been very involved in the country lately. For instance, Chinese banks have provided Angola with loans worth several US\$ billions. In addition to that, Chinese companies have secured several US\$ billions' worth of construction work. Also, Angola became China's first trade partner in Africa in 2006. Furthermore, China has also invested substantial amounts of money in the Angolan oil industry.

Given this scenario, Angola will be a good case study since Chinese companies are heavily involved in investments, trade and loans in Angola. Moreover, since Angola is a weak but resource rich state⁵⁰, it is hoped that the conclusion and recommendations that will be drawn from this study may have some relevance concerning the relationship between China and other weak but resource rich countries such as Nigeria, Sudan, Gabon, Zambia and the Democratic Republic of Congo.

1.4.2 Why is the construction sector interesting?

This study will pay particular attention to the Angolan construction sector for two main reasons. First, based on the nature of the researcher's contacts in Angola, it has been easier to have access to information regarding the involvement of Chinese companies operating in the construction sector. Second, as there is a proliferation of Chinese construction companies in Angola, the researcher believes that their presence may benefit Angola in terms of transfer of technology, diffusion of skills and creation of jobs. Also, it is believed that Chinese construction companies may provide Angola with the infrastructure needed to alleviate poverty and to facilitate the emergence of a strong and vibrant private sector.

⁵⁰ I mean by weak state a state which is basically unable to provide basic services such as security, education, health, electricity either to the entire population or to a significant section of the population.

1.4.3 Why is this subject interesting to me?

In light of the observations made so far in this chapter, one believes that China offers an enormous opportunity to Angola in terms of investments and trade. However, it is also borne in mind that if Angola (as well as other African countries) wants to benefit from the opportunity offered by Chinese economic expansion in the medium and long term, it has to know precisely what it wants and how to get what it wants using its strengths and addressing its weakness. The big question is: Does Angola really know what it wants and how to get that?

1.5 STRUCTURE OF THE STUDY

This study has five chapters. The first chapter is the introduction. The second chapter will provide an historical review of China- Africa relations since the 1950's. The third chapter will be devoted to trade between China and Africa. The fourth chapter will be devoted to Chinese investments in Angola. Finally, the fifth chapter will be the conclusion and recommendations.

1.6 RESEARCH METHODOLOGY

The methodology will consist of a mixture of qualitative and quantitative methods. Concerning the qualitative method, it will rely on a combination of books, publications (of institutions such as the IMF, the World Bank and the African Development Bank), newspaper articles, journals, and interviews. The interviews were conducted in Angola, especially in the cities of Huambo, Benguela and Luanda. They targeted businessmen, academics, civil servants and members of the civil society. Most of the respondents requested to remain anonymous. The quantitative method will rely on data collected from the IMF.

CHAPTER TWO: AN HISTORICAL OVERVIEW OF THE CHINA – AFRICA RELATIONSHIP

2.1 INTRODUCTION

In January 2006, China released its first official African policy, in which it emphasized the equal, peaceful, friendly, mutual and beneficial nature of its relationship with African countries. As highlighted in the preceding chapter many African leaders have welcomed the mounting Chinese presence in the continent with enthusiasm as China is perceived as a sincere friend of Africa, while politicians and scholars in the West have been more suspicious concerning the true motivations of the rising Chinese presence in Africa. Therefore, it is important for Angola to fully understand the factors shaping China's Angolan policy in order to implement policies and strategies that will allow Angola to reap maximum benefits from its relations with China. This chapter will attempt to understand the factors shaping China's Angolan policy as it will describe the shifts in China's African policy over five decades and analyze the factors that shaped China's African policy at each particular period. In addition, this chapter will also enable us to fully comprehend the attitudes and impressions of African leaders toward China through analyzing the interactions between China and the African continent since the late 1950's.

2.2 Background of China's African policy

After the victory of the Chinese communists over the Kuomintang (whose leaders fled to Taiwan) in 1949, the new communist regime led by Mao Tse-Tung faced internal and external challenges.⁵¹ On the internal front, the communist regime was preoccupied with consolidating its power and authority inside China. On the external front, the communist regime had to face the hostility of the US which supported the Kuomintang during the Chinese civil war.⁵² US support to the Kuomintang during the Chinese civil war was estimated at over one billion US\$.⁵³

⁵¹ Ogunsanwo Alaba. China's Policy in Africa 1958-71. P1

⁵² Ibid.P4

⁵³ Hutchison Alan. China's African Revolution. P13

In addition, the communist regime had to fight for maximum recognition as Western countries refused to recognize it and also, the communist regime sought to obtain a Chinese seat at the United Nations Security Council.⁵⁴

Thus, the immediate foreign policy of China after the civil war was shaped by internal and external factors. As a result, from 1949 China adopted the policy of international communism, which strongly rejected any neutrality and recognized the leadership of the Soviet Union. Consequently, the Communist regime took a hostile stance toward the US and its protégé, Taiwan.⁵⁵ China also sought to obtain recognition and establish good relations with communist countries. It is therefore evident that initially China did not have a policy on Africa.

In June 1950, the Korean War began between the North Koreans supported by the Soviet Union and South Koreans supported by the West. At the beginning of the war, the North Korean armed forces advanced rapidly as the South Korean armed forces began to collapse. However, the intervention of the US and other countries forced the North Korean forces to begin a strategic retreat.⁵⁶ When it became obvious that the United Nations forces under the command of the US were about to take control of North Korea, China decided to get involved in the war in order to prevent the US from controlling neighboring North Korea.⁵⁷ As a result of China's intervention in the war, the Korean War ended in a stalemate in 1953. The Korean War exacerbated the tension between the US and China.

In 1952, President Eisenhower took office in the White House. His administration embarked on a policy of isolating the communist regime throughout the world.⁵⁸

⁵⁴ Ogunsanwo op.cit. P4

⁵⁵ Ibid.P4

⁵⁶ Ibid.P4

⁵⁷ Ibid.P5

⁵⁸ Ibid.P7

Thus, in addition to the economic and commercial sanctions imposed on China and to the full protection extended to the defeated Chinese government in Taiwan by the previous Truman administration, Eisenhower's administration proceeded to organize military alliances in Asia with the states surrounding China.⁵⁹ As the result of the radicalization of US policy toward China, the communist regime decided to modify its foreign policy.

In order to resist the aggressive US policy aimed at isolating China, the communist regime decided to change its attitude and position toward its neighbors, even toward the non-aligned ones like India. China's new foreign policy intended to reassure its neighbors that they had nothing to fear and China was prepared to have good relations with them, hoping that they would not sign military alliances with the US, which would have facilitated the set up of US military bases around China.⁶⁰

In 1954, Chinese Prime Minister, Chou En-Lai traveled to India where he signed the principles of peaceful coexistence with the Indian Prime Minister, Jawaharlal Nehru.⁶¹ According to the principles of peaceful coexistence, the two countries pledged themselves to "i) Mutual respect for each other's territorial integrity and sovereignty; ii) Mutual non-aggression; iii) Mutual non-interference in each other's internal affairs; iv) Equality and mutual benefit, v) Peaceful co-existence."⁶² In addition, China also signed boundary and friendship treaties with other neighboring countries such as Mongolia, Afghanistan, Nepal, Pakistan and Burma.⁶³

In April 1955, China joined twenty-two Asian and six African states at the Bandung Conference, in Indonesia, aimed at discussing common problems.⁶⁴

⁵⁹ Ibid.P7

⁶⁰ Ibid.P7

⁶¹ Hutchison op.cit. P15

⁶² Ogunsanwo op.cit. P7

⁶³ Hutchison op.cit. P14

⁶⁴ Ibid.P14

The African states represented in Bandung were: Egypt, Ethiopia, Gold Coast, Liberia, Sudan and Libya. Although the Chinese did not go to Bandung with the intention of making contacts with the Africans, China's Prime Minister Chou eventually had talks with Egyptian president Gamal Abdul Nasser.⁶⁵

Soon after the Bandung Conference, Chinese interests in Africa accelerated. In fact, in 1956, Chinese cultural missions visited Egypt, the Sudan, Morocco, Tunisia, and Ethiopia.⁶⁶ More significantly, in May 1956, diplomatic relations between China and Egypt were established, and the assistant minister of China's foreign affairs, Chen Chia-Kang was nominated as ambassador to Egypt.⁶⁷ Just a week after the arrival of the Chinese ambassador to Cairo, President Nasser nationalized the Suez Canal, thus prompting the Anglo-French invasion of Egypt in autumn 1956.⁶⁸ During the crisis, China provided Egypt 1.8 million sterling of loan, and offered a gift of materials estimated at US\$4.7 million coupled with a promise to send volunteers if asked by the Egyptian government.⁶⁹ Egypt genuinely appreciated the support it received from China, and after the Suez crisis, which ended with the withdrawal of the British and French forces, the relationship between China and Egypt matured.⁷⁰

The withdrawal of British and French troops from Egypt came as a surprise to the Chinese leadership as the latter could not imagine that an invasion of an African country by Western powers could fail.⁷¹ Shortly after the Suez crisis, the Chinese leadership realized that liberation movements in Asia, Africa and Latin America fighting European colonialists could win their struggles if they benefited from the support of Communist countries. Thus according to the Chinese leadership then, the prospect of revolution was good in Asia, Africa and Latin America.⁷²

⁶⁵ Ibid.P14

⁶⁶ Ogunsanwo op.cit. P9

⁶⁷ Ibid.P9

⁶⁸ Greig Ian. The Communist Challenge to Africa. P69

⁶⁹ Ibid.P69

⁷⁰ Ogunsanwo op.cit.P9 & Hutchison op.cit.P17

⁷¹ Hutchison op.cit.P17

⁷² Ogunsanwo op.cit.P13

The corollary to this was that in September 1956, Chairman Mao declared, “*We must give active support to the national Independence and Liberation Movements in Asia, Africa and Latin America, as well as to the Peace Movement and righteous struggle in all countries throughout the world.*”⁷³

The decisive change in China’s foreign policy came in the autumn of 1957 when the Soviet Union successfully launched an earth satellite and an intercontinental ballistic missile.⁷⁴ For the Chinese leadership, this new technological development was a sign that the communist world was stronger than the “imperialist” world. Hence whilst addressing the Moscow meeting of communist and workers’ parties in November 1957, Chairman Mao made a famous speech in which he said:

*“It is my opinion that the international situation has now reached a new turning point. There are two winds in the world today, the East wind and the West wind. There is a Chinese saying ‘Either the East wind prevails over the West wind or the West wind prevails over the East wind.’ I believe it is characteristic of the situation today that the East wind prevails over the West wind. That is to say, the forces of socialism have become overwhelmingly superior to the forces of imperialism.”*⁷⁵

Moreover, Mao and Chou argued that the Soviet military superiority would deter the West from undertaking local and general wars against the communist countries. Mao and Chou asserted that China and other communist countries could encourage revolution in colonized countries with little risk to themselves.⁷⁶ As a result of China’s shift toward the left, the Chinese communist party began asserting that peaceful coexistence and independence could only be achieved through struggle.⁷⁷

However, it is important to understand that China’s new revolutionary ambitions in Africa were not altruistic in nature.

⁷³ Ibid.P13

⁷⁴ Ibid.P15

⁷⁵ Greig op.cit.P70

⁷⁶ Hutchison op.cit.P18

⁷⁷ Ibid.P18

The Chinese embraced the Leninist dialectical conception that views human and material relationships in terms of contradictions. According to Lenin the three contradictions of capitalism are i) between labor and capital, ii) between imperialists competing for world markets and raw materials and iii) between colonial people and imperialists.⁷⁸ In addition, Lenin asserts that these three contradictions lead to three kinds of conflict and war; i) between the proletariat and the capitalists, ii) imperialist wars, iii) wars of liberation.⁷⁹ Thus, following this Leninist view, imperialism could be defeated by engaging the imperialists on one of these three fronts. As a result, it is therefore understandable that the Chinese leadership saw the wars of liberation in the colonies as the most effective and safest way of fighting the imperialists, since once the imperialists were deprived of the raw materials from the colonies, their economies and military might would eventually collapse.

Chairman Mao developed a famous theory in which the “imperialist” countries came to be compared with the cities of the world, while revolutionary movements operating in the colonies and semi colonies were compared to the countryside.⁸⁰ Thus, according to Mao, if revolutionary movements could obtain the control of the countryside in a nation, the cities and towns would “be isolated and denuded of vital supplies and surrender, almost of their own accord.”⁸¹ So, in order to support liberation wars in Africa, Chinese diplomats posted in Cairo, started observing the situation on the African continent, studying the situation in some specific African countries and contacting various exiled political leaders who had offices in Cairo.⁸² As the result of their assessment of the situation in Africa, the Chinese diplomats divided their activities in Africa according to three categories of states:

⁷⁸ Ogunsanwo op.cit.P16

⁷⁹ Ibid.P16

⁸⁰ Greig op.cit.P75

⁸¹ Ibid.P75

⁸² Ibid.P69

- i) Politically independent African states, classified either as progressive or as pro-imperialist,
- ii) Advanced colonial areas such as Algeria and Cameroon and
- iii) Colonial territories which were calm at the time although growing in political awareness or even clamoring for independence, such as the Congo.⁸³

Concerning the first category of states, the Chinese objectives were both short and long range. The short range objective was to break through the barriers of suspicion created by “imperialist” propaganda by establishing trade, diplomatic relations and eventually aid while at the same time persuading the newly independent states to adopt an anti-Western brand of neutralism.⁸⁴ The long range objective was to help train, finance and organize indigenous revolutionary cadres who would eventually seize power.⁸⁵

Regarding the second category of states, total Chinese support would be given to African liberation movements to enable them to complete the struggle successfully.⁸⁶

With regard to the last category of states, the Chinese decided to help African liberation movements advance toward the stage of armed struggle. The Chinese also decided to persuade those African countries that had already won political independence to support the “struggle masses” in other African countries.⁸⁷ It is important to note that China’s assessment according to which the US was the biggest enemy of the “struggle masses” was in accordance with China’s strategic interests as it considered the US the biggest threat to its security and survival.

Although of lesser importance, it is also important to note that by getting involved in Africa China hoped to obtain recognition from African countries and their support for a Chinese seat in the UN Security Council.⁸⁸

⁸³ Ogunsanwo op.cit .P18

⁸⁴ Ibid.P18

⁸⁵ Ibid.P18

⁸⁶ Ibid.P18

⁸⁷ Ibid.P18

⁸⁸ Wenping He. “All –Weather Friend” The Evolution of China’s Africa Policy. P25

In addition, as China considers Taiwan part of its territory, China also sought to convince African countries to deny any recognition of Taiwan and to support its exclusion from the UN.⁸⁹

By 1958, there were ten independent African countries, Ethiopia, Egypt, Morocco, Libya, Sudan, Ghana, Liberia, Tunisia, South Africa and Guinea.⁹⁰ Thus, China tried to influence the foreign policy of these newly independent states by using a variety of strategies such as cultural visits, trade, diplomatic relations and even aid, although the last mentioned strategy was minimal in the 1950's. Cultural visits consisted of two kinds of delegations: i) Chinese delegations to Africa dealing with cultural, political and economic affairs ii) African delegations to China composed mostly of politicians, intellectuals and even businessmen.⁹¹

The African delegations to China were usually invited by various Chinese political organizations which also sponsored the visits. The main objective of these cultural visits was to foster friendly ties between China and African countries, in the hope that African countries would recognize China and adopt an anti-Western policy.⁹² Thus, in 1958 alone, more than twenty Chinese delegations visited Ghana, Morocco, Egypt, Tunisia, Guinea and the Sudan where they organized a series of events such as sports demonstrations and drama.⁹³ Forty four African delegations visited China in 1958 alone, ranging from civil society movements to government officials. These delegations were received by Chinese leaders including Chairman Mao.⁹⁴ The African delegates visited many sites such as the people's communes and various industrial plants.

⁸⁹ Ibid.P25

⁹⁰ Ogunsanwo op.cit.P21

⁹¹ Ibid.P31

⁹² Ibid.P31

⁹³ Ibid.P32

⁹⁴ Ibid.P35

To convince their visitors that China's solidarity with Africa and its support for the independence of African countries were real, the Chinese invited their visitors to attend mass rallies to celebrate occasions such as "Algeria Day" and "Congo Week" during which the African delegates were astonished by the thousands of people who turned out for such demonstrations.⁹⁵

As far as trade was concerned, China's trade with African countries did not entirely operate in a political vacuum. China often used trade as a means to consolidate relations or even obtain the favor of some African countries.⁹⁶ A good example of this strategy was China's willingness to buy Egyptian cotton in 1955 when Western countries were refusing to buy it at market price.⁹⁷ Another good example was in 1965, when China agreed to help Tanzania by buying 3 million pounds of surplus tobacco that Tanzania was unable to sell to its normal purchasers.⁹⁸ China made similar gestures toward the government of the Sudan and Zambia. Having said this, it is also important to assert that China's trade with African countries was also motivated by economic gain. In fact, China needed raw materials such as cotton and copper in order to produce manufactured goods such as textile and electric wires.⁹⁹ In addition, Chinese exports of light industrial goods to Africa enabled China to build external reserves which were used to buy advanced industrial goods in Western Europe.¹⁰⁰

In the 1950's Chinese aid to African countries was modest because of three reasons. First, during that period, China was going through a severe economic crisis that limited the capacity of the country to provide substantial economic aid to African countries.¹⁰¹ Second, during that time most African countries were still under colonialism, meaning it made no sense for China to provide aid to those countries.

⁹⁵ Ibid.P35

⁹⁶ Hutchison op.cit.P198

⁹⁷ Ibid.P198

⁹⁸ Ibid.P199

⁹⁹ Ibid.P203

¹⁰⁰ Ogunsanwo op.cit.P38

¹⁰¹ Ibid.P39

Finally, unlike in the 1960's, the conflict between China and the Soviet Union had not erupted. As such, China did not need to compete for influence with the Soviet Union by providing substantial amounts of aid to African countries.¹⁰² Nevertheless, during the 1950's China did provide very limited but effective aid to some African countries which were going through difficult times. We have already mentioned the example of Egypt where China made an immediate US\$ 4.7 million grant to Egypt during the Suez crisis. Another example illustrating the effectiveness of limited Chinese aid during that period was the grant of 10 000 tons of rice to the Republic of Guinea in 1958, just when France had cut all economic aid to Guinea in an effort to punish this country for the premature and unilateral declaration of independence it had taken.¹⁰³

China's effort to gain recognition from African countries was partially rewarded in 1958 by Morocco and in 1959 by the Sudan and Guinea.¹⁰⁴

During the 1950's, China gave its total support to Algerian and Cameroonian liberation movements that were fighting the colonialists. In 1958, the Algerian war which started in November 1954 became the fiercest fighting going on in the colonies. The Algerian nationalists regrouped under the National Liberation Front (FNL) and fought the French forces when France refused to grant independence to Algeria.¹⁰⁵ China saw the war in Algeria as "a classic type of revolution in a colonial or semi colonial country" and as such China was determined to help the FNL achieve total victory over the French forces.¹⁰⁶ In the autumn of 1958, when the FNL announced the formation of a provisional revolutionary government, China recognized it. On top of that, China granted more than US\$ 10 million to the FNL in 1958 alone.¹⁰⁷ Also, China supplied the FLN with US automatic weapons captured during the Korean War as well as Chinese weapons and infantry equipment.¹⁰⁸

¹⁰² Ibid.P39

¹⁰³ Ibid.P40

¹⁰⁴ Weinstein Warren. Chinese and Soviet Aid to Africa.P8

¹⁰⁵ Ogunsanwo op.cit.P47

¹⁰⁶ Hutchison op.cit.P24

¹⁰⁷ Ogunsanwo op.cit.P53

¹⁰⁸ Hutchison op.cit.P26

During the same period, China also extended its total support to the Union des Populations du Cameroun (UPC), which was leading the anti-colonialist struggle in French Cameroon.¹⁰⁹ According to the Chinese, Cameroon's seemed a promising revolutionary situation. Thus, the leader of the UPC, Felix- Roland Moumie, traveled twice to China where he made useful contacts with various political organizations. In addition, the UPC members were trained in China and later in Ghana's Nkrumah's Chinese-run guerilla camps.¹¹⁰

During the end of the 1950's, China encouraged African leaders and national movements to engage in liberation wars against colonial powers. For instance, after the violent demonstrations that broke out in January 1959 in the Congo, China encouraged national movements in the Congo to engage in violent struggles. After the riot that broke out in January 1959 the Chinese commented:

*"the struggle of the people of Congo shows that today there is no longer an 'oasis' of stability in the world for the colonialists... The flame of anti-colonial rule is burning in the oasis of stability. This flame though not so big at the moment will eventually develop into a scorching prairie fire. Patrice Lumunba, delegate of the National Movement Party at the All African People's Conference, said last year: 'After eighty years of colonial rule, we are determined to break with the old regime. We want to bring a new countenance to our country, that of a people free from all yokes.'"*¹¹¹

The Chinese leaders perceived the Congo as central to the achievement of their foreign policy for three main reasons. First, Congo's "strategic" position in the heart of Africa made the Chinese believe that a successful revolution in the Congo would trigger other revolutions in Africa.¹¹² Second, the Chinese considered the Congo as the only African country in which the US could become directly involved.

¹⁰⁹ Ogunsanwo op.cit.P53

¹¹⁰ Ibid.P55

¹¹¹ Ibid.P55

¹¹² Weinstein op.cit. P58

Thus, by instigating a guerilla war in the Congo, the Chinese hoped that the US would get more involved in the Congo and the more involved in the Congo the US became, the less involved it could be in Asian territories close to China.¹¹³ Finally, as the Congo possesses huge reserves of minerals such as uranium, copper and diamonds, the Chinese hoped that a successful revolution in the Congo would deprive the “imperialists” the control of these strategic minerals.¹¹⁴

2.3 China’s African Policy during the 1960’s

During the 1960’s, two new important events happened that had an impact on China’s African policy. The first event was the eruption of an open conflict between China and the Soviet Union, while the second event was the independence of seventeen African countries in 1960 alone.¹¹⁵ Of these seventeen countries that got independence in 1960, only two immediately recognized China and these countries were Mali and Somalia.¹¹⁶ Ghana got independence in 1957 but recognized China in 1960.¹¹⁷

The relations between China and the Soviet Union deteriorated mostly because of ideological and strategic reasons. From the late 1950’s, the Soviet Union under the leadership of Nikita Khrushchev decided to adopt a soft position toward the West in order to achieve a peaceful coexistence between the communist and capitalist countries.¹¹⁸ Khrushchev was actually concerned that a Soviet aggressive foreign policy could lead to a general and devastating war between the Soviet Union and the US.¹¹⁹ On the other hand, the Chinese believed that the peaceful coexistence was impossible as long as the “imperialists” were not destroyed.

¹¹³ Ibid.P57

¹¹⁴ Hutchison op.cit.P203

¹¹⁵ Ogunsanwo op.cit.P61

¹¹⁶ Weinstein op.cit. P8

¹¹⁷ Ogunsanwo op.cit.P73

¹¹⁸ Ibid.P63

¹¹⁹ Hutchison op.cit.P20

Consequently, the Chinese argued that the communist forces had to foster revolutions in colonies and semi colonies in Africa, Asia and Latin America in order to deprive the “imperialists” of markets for their manufactured goods and sources of raw materials and thus, precipitate their collapse.¹²⁰

In addition, the idea of peaceful coexistence was against China’s vital interests as its security was still threatened by the US and it was still isolated from the international community, especially the UN.¹²¹

The conflict between China and the Soviet Union degenerated further in 1963, when the Soviet Union, the US and Britain signed in Moscow the nuclear ban test treaty which forbade other countries to develop or acquire nuclear weapons.¹²² In fact, the nuclear test ban treaty was perceived by China as a “plot to prevent China from acquiring her own means of defense.”¹²³ Therefore, during the 1960’s, China found itself in competition for influence not only with the US but also with the Soviet Union. The increasing number of independent African countries from 1960 meant that China had to mobilize more resources in order to compete against both the US and the Soviet Union. Actually, from 1954 to 1971, China’s aid to Africa amounted to 446 million sterling compared to the Soviet Union’s 867 million sterling.¹²⁴

China continued to support the FNL in Algeria throughout the 1960’s and tried to convince the FNL to reject President de Gaulle’s proposals for a peaceful solution as the Chinese considered it a mere French diversion aimed at deceiving the FNL. For the Chinese, the war had to be waged until the end in order to obtain total victory.¹²⁵

Finally, the independence of Algeria was proclaimed in 1962 after the Evian agreement.¹²⁶

¹²⁰ Ogunsanwo op.cit.P64

¹²¹ Ibid.P65

¹²² Hutchison op.cit.P72

¹²³ Ibid.P72

¹²⁴ Ibid.P206

¹²⁵ Ibid.P27

¹²⁶ Greig op.cit.P74

China also continued to provide its support to the UPC in Cameroon during the first half of the 1960's. After the independence of Cameroon in January 1960, the UPC refused to stop fighting as the new President of Cameroon Ahmadou Ahidjo authorized French troops to remain in the country.¹²⁷ The fact that Ahidjo refused to recognize China and recognized instead Taiwan prompted China to continue supporting the UPC rebels.¹²⁸ Thus, as the Soviet Union ceased to support the UPC, China took over part of the financing and the training of the UPC and more Cameroonians were sent to China for guerilla training.¹²⁹ However, after the assassination of the UPC leader, Felix Roland Moumie in Switzerland in 1964, the UPC broke into many factions and became inefficient both inside and outside Cameroon.¹³⁰

In July 1960, just two weeks after the independence of the Congo, the country plunged into a civil war with the secession of the Katanga province.¹³¹ Prime Minister Patrice Lumumba requested the intervention of UN forces in order to restore peace and unity in his country.¹³² While the Soviet Union and African countries supported the intervention of UN forces in the Congo, China viewed the Soviet and African support of UN actions in the Congo as naïve since according to China UN forces would be used by the “imperialists” to protect their interests in the Congo.¹³³ After the assassination of Patrice Lumumba in January 1961, China decided to support the rebel left wing government based in Stanleyville and led by a close collaborator of Lumumba, Antoine Gizenga.¹³⁴ Five months later, China recognized Gizenga's government and sent an ambassador to Stanleyville. However, when Gizenga and the authorities in Leopoldville formed a coalition government afterwards, the Chinese mission withdrew less than two months after arriving in Stanleyville.¹³⁵

¹²⁷ Hutchison op.cit.P29

¹²⁸ Ogunsanwo op.cit.P105

¹²⁹ Ibid.P105

¹³⁰ Hutchison op.cit.P29

¹³¹ Ibid.P30

¹³² Ibid.P30

¹³³ Weinstein op.cit.P58

¹³⁴ Ibid.P58

¹³⁵ Ibid.P59

As it was unable to operate within the Congolese territory, China sought privileged sanctuaries in neighboring states including Rwanda, Burundi and Congo Brazzaville. Mao is on record for saying: “*Burundi is the stepping stone for reaching the Congo.*”¹³⁶ Hence China used Burundi and Congo-Brazzaville as a base for the support of Congolese rebels such as Pierre Mulele and Soumialot.¹³⁷ However, in 1964, Belgian and American paratroopers totally defeated the Congolese rebels who fled to Sudan.¹³⁸

In the course of fostering revolutions in Africa, China sometimes had to plot against certain African governments. This was the case in Burundi when China supported the actions of some left wing Burundian politicians who planned a coup against the King of Burundi, Mwambutsa IV.¹³⁹ Unfortunately for the Chinese, the coup plot was discovered and diplomatic relations between China and Burundi were suspended in 1965.¹⁴⁰

In the same vein, China also supported some subversive activities of the Tunisian communists against the government of Tunisia. China’s support of Tunisian communists led to the break down of diplomatic relations between the two countries in 1967.¹⁴¹

Finally, in the 1960’s, six coups had happened in Africa: Congo Leopoldville, Dahomey, the Central African Republic, Upper Volta, Nigeria and Ghana.¹⁴² Moreover, the military regimes that rose to power in Ghana, the Central African Republic and Dahomey ceased diplomatic relations with China in 1966.¹⁴³

2.4 Chou En Lai tour in Africa

In December 1963, China’s Prime Minister Chou En Lai accompanied by his foreign Minister, Chen Yi and forty officials toured ten African countries in six weeks.¹⁴⁴

¹³⁶ Ibid.P59

¹³⁷ Hutchison op.cit.P112

¹³⁸ Ibid.P113

¹³⁹ Weinstein op.cit.P64

¹⁴⁰ Ibid.P64

¹⁴¹ Ogunsanwo op.cit.P191

¹⁴² Ibid.P183

¹⁴³ Ibid.P183

¹⁴⁴ Dutt Vidya Prakash. China’s Foreign Policy. P322

The countries visited by Chou were Egypt, Tunisia, Morocco, Algeria, the Sudan, Ethiopia, Somalia, Mali, Guinea and Ghana. The Chou trip to Africa was important not only because it was the first ever trip to Africa by a high position Chinese statesman but also because it marked the expansion of relations between China and Africa. One of the main and obvious objectives of Chou's trip to Africa was to consolidate friendship and cooperation between China and various African countries as well as to portray China as a big power.¹⁴⁵

During his African trip, Chou repeated to his hosts the five principles on which China's African policy rested: i) China's support to African countries in their fight against imperialism, old and new colonialism and for winning and safeguarding national independence, ii) China's support to the governments of African countries in their pursuance of the policy of peace, neutrality and non-alignment, iii) China's support to the African people in their desire to realize solidarity and unity in the form of their choice, iv) China's support to African countries in their efforts to solve their differences through peaceful consultations, v) China's commitment to the sovereignty of all African countries and her opposition to all encroachments and interferences in African countries' internal affairs.¹⁴⁶ Also, during his long African journey, Chou reminded his African hosts of the "long friendship" that existed between China and Africa since the thirteenth century and also emphasized the similarities between China and African countries, because according to him, both China and Africa were victims of colonialism.¹⁴⁷ Furthermore, as argued above, since China wanted to be perceived as a big power, Chou's trip to Africa was important in demonstrating China's ability to conduct an African policy independent of the Soviet Union and the US.¹⁴⁸ Finally, Chou and his delegation hoped that their trip to Africa would enable them to increase their knowledge of Africa and gauge for themselves how effective the Chinese presence in Africa was, in order to elaborate a more effective policy on Africa.¹⁴⁹

¹⁴⁵ Ibid.P322

¹⁴⁶ Ibid.P323

¹⁴⁷ George Stevens Francis, African Consultant Network. The Chinese in Africa-An Historical Perspective.

¹⁴⁸ Dutt op.cit.P322

¹⁴⁹ Hutchison op.cit. P61

Apart from the desire to consolidate friendship between China and African countries and to portray China as a big power, other important factors motivated Chou's long journey to Africa. Chou's trip to Africa occurred at a time when relations between the Soviet Union and China were seriously deteriorating. As such, the second main objective of Chou's trip to Africa was to break the isolation of China which the US and the Soviet Union were trying to achieve.¹⁵⁰ Thus, during his African trip, Chou sought to convince African leaders to agree to the organization of a second Afro-Asian (or second Bandung) conference that would have excluded the Soviet Union.¹⁵¹ The Chinese hoped that such a conference would propagate China's view on international issues such as the call for a larger representation in the decision making bodies of the United Nations and the condemnation of the nuclear test ban treaty.¹⁵² Also, China and Indonesia wanted the second Bandung conference to be held before the second non-aligned conference that was planned by Yugoslavia and Egypt.

The last main objective of Chou's trip to Africa was to explain China's controversial position to African leaders on two hot issues, namely China's position on the nuclear test ban treaty as well as China's position on the Sino-Indian border dispute.¹⁵³ Concerning these two issues, Chou adopted a conciliatory position in order to reassure China's partners. Chou argued that China would never be the first to use a nuclear weapon and also claimed that China had gone beyond the proposals made by the Colombo powers on the resolution of the Sino-Indian dispute.¹⁵⁴

Regarding the outcome of Chou's trip to Africa, it can be argued that it was a relative success. During his visit to Africa, Chou was able to consolidate friendly relations with African countries. For instance, Chou's trip was rewarded with a formal recognition by Tunisia and an implicit one by Ethiopia.¹⁵⁵

¹⁵⁰ Ogunsanwo op.cit.P122

¹⁵¹ Ibid.P122

¹⁵² Dutt op.cit.P325

¹⁵³ Ibid. P323

¹⁵⁴ Hutchison op.cit.P65

¹⁵⁵ Dutt op.cit.P324

Ghana, Mali and Guinea moved closer to China's Leninist ideology as their leaders agreed with Chou that the greatest danger facing mankind derived from imperialism, colonialism and neo-colonialism.¹⁵⁶ Chou also managed to obtain explicit support in Mali, Ghana, Guinea, the Sudan, Somalia and Ethiopia for the organization of a second Bandung Conference that would exclude the Soviet Union. Indeed, for Chou this represented a success.

In spite of Chou's gains, none of the African countries that supported the idea of a second Bandung Conference assured Chou that they would not attend the second non-alignment conference.¹⁵⁷ In addition, Chou was not able to dissipate the concerns of Tunisia, Ethiopia and to a lesser extent Nigeria over the alleged "Chinese subversive activities" in Africa.¹⁵⁸ Chou's attempt to portray China as a great power did not succeed in North Africa. The Chinese leader also learnt that the prevalence of Islam in North Africa rendered the Chinese Leninist ideology less attractive to the people of that region.¹⁵⁹

Moreover, the inability of China to compete with the Soviet Union in the provision of aid to the more developed economies of North Africa further tarnished the image of China as a big power.¹⁶⁰ On top of that, China's incapacity to provide Tunisia, Morocco, Egypt and Algeria with sophisticated capital equipment needed for their industrialization convinced these countries of China's lack of development compared to the Soviet Union and the West.¹⁶¹

As a result of Chou's trip to Africa, China considerably modified its African policy. From 1965, it decided to concentrate its aid, trade and cooperation on Eastern Africa. China understood that its ability to influence North African countries was limited for reasons mentioned above.¹⁶² At the same time, China also noted that as in North Africa, Islam was also an obstacle to the expansion of communism in West Africa.

¹⁵⁶ Ogunsanwo op.cit.P124

¹⁵⁷ Ibid.P124

¹⁵⁸ Hutchison op.cit.P68

¹⁵⁹ Ibid.P62

¹⁶⁰ Ibid.P63

¹⁶¹ Ibid.P64

¹⁶² Hutchison op.cit.P81

China also took into consideration the logistical problems in maintaining trade contacts with West Africa.¹⁶³

Having said that however, China still maintained strong relations with three West African countries – Ghana, Guinea and Mali. This was partly because these countries had diplomatic relations with China and were also more inclined ideologically towards China.¹⁶⁴ In addition, Chinese aid had considerable impact in poor and small economies such as that of Mali and Guinea.¹⁶⁵ Therefore, between 1957 and 1971, China granted Guinea 24 million sterling of aid.¹⁶⁶ In addition, China built in Guinea a hydro-electric plant, factories as well as tobacco plantations.¹⁶⁷ In Mali, China built tea and rice plantations, a textile mill, a “lightning” mach factory, ceramic works, brick factory and a sugar refinery.¹⁶⁸ In Ghana, China gave that country a loan of 84 million sterling in 1964.¹⁶⁹

As I argued above, China chose to concentrate her aid, trade and cooperation in Eastern Africa for the following reasons. Unlike in West Africa, East Africa has an entire coastline exposed to China; that means there were no logistical constraints to the contact between China and East Africa. Moreover, the countries of East Africa also grew cotton and produced copper that could be easily exported to China through the port of Dar es Salaam. Finally, as the Portuguese and the white minorities in South Africa and Rhodesia were not prepared to surrender power, liberation movements emerged in Angola, Mozambique, South Africa and Rhodesia. Soon after, Dar es Salaam, the capital of Tanzania became the headquarters of most Southern African liberation movements. Therefore, China realized that it had to have good relations with East African countries in order to play a greater role in the liberation wars that were about to begin in Southern Africa.¹⁷⁰

¹⁶³ Ibid.P81

¹⁶⁴ Ogunsanwo. Op.cit.P214&216

¹⁶⁵ Hutchison op.cit.P97

¹⁶⁶ Ibid.P97

¹⁶⁷ Ogunsanwo. op.cit.P215

¹⁶⁸ Hutchison.op.cit.P98

¹⁶⁹ Ibid.P98

¹⁷⁰ Ibid.P82

It came as no surprise then that in 1965, China made its biggest financial commitment ever in Africa when it agreed to build the Tanzania - Zambia railway (Tanzam), linking the town of Kapiri Mposhi in central Zambia to the port of Dar es Salaam over a distance of 1850 km.¹⁷¹ The offer to build the Tanzam was made during the visit of President Nyerere of Tanzania to China in February 1965.¹⁷² The total cost of the project was estimated at US\$ 501 million.¹⁷³ China agreed to bring a financial contribution of US\$ 401 million in the form of a loan which was to be divided equally between Tanzania and Zambia.¹⁷⁴ Due to the shortage of foreign currency in China, it was agreed that 60% of China's loan would be repaid through the importation of Chinese goods during the construction period of the railway.¹⁷⁵ This meant that Tanzania and Zambia were required to purchase a total of US\$120 million worth of Chinese goods each.¹⁷⁶

The actual construction of the Tanzam only began in October 1970 and was completed in 1975. By building the Tanzam railway, China sought to lessen the dependency of Zambia on "hostile" Southern African countries, as Zambia could use the port of Dar es Salaam.¹⁷⁷ The construction of Tanzam would also enable China to import copper from Zambia and eventually from Zaire.¹⁷⁸ Finally, by building the Tanzam, China wanted to increase her prestige among African countries. Besides the Tanzam, China was also involved in other important projects in Zambia and Tanzania.¹⁷⁹

During the 1960's, China also provided considerable amounts of aid and technical assistance to countries such as Congo Brazzaville, Somalia and Mauritania.¹⁸⁰

¹⁷¹ Greig op.cit.P98

¹⁷² Ibid.P98

¹⁷³ Ibid.P98

¹⁷⁴ Weinstein op.cit.P39

¹⁷⁵ Ibid.P42

¹⁷⁶ Ibid.P42

¹⁷⁷ Ibid.P51

¹⁷⁸ Ibid.P51

¹⁷⁹ George Stevens Francis, African Consultant Network. The Chinese in Africa-An Historical Perspective.

¹⁸⁰ Ogunsanwo. op.cit.P222, 225, 226.

By the end of the 1960's, China had established diplomatic relations with thirteen African countries including Congo Brazzaville (1964), Kenya (1963), Tanzania (1961), Mauritania (1965) and Zambia (1964).¹⁸¹

2.5 China's African policy during the 1970's

During the early 1970's, many African countries such as Senegal, Sierra Leone, Burundi, Ethiopia, Rwanda, Cameroon, Nigeria and Equatorial Guinea recognized China at a time when its was actively campaigning for membership in the UN. ¹⁸²In 1970, during the annual assembly of the UN, a simple majority of UN members voted for the first time in favor of the inclusion of China in the organization.¹⁸³ The vote represented a large success of China's African policy as the majority of African countries voted in favor of China's admission to the organization.¹⁸⁴ Foreseeing the danger of a possible admission of China into the UN at the expense of Taiwan, the US had developed a proposal that would have allowed the admission of China at the UN while allowing Taiwan to retain its seat in the organization.¹⁸⁵ The US tried to obtain the support of more than 90 countries to back their proposal, while the Taiwanese foreign minister embarked on an African trip in order to convince African countries to vote against the admission of China to the UN.¹⁸⁶

However, on Monday 25 October 1971, when Albania introduced a resolution calling for the expulsion of Taiwan and the admission of China to the UN, 76 countries voted for the Albanian resolution, including 26 African countries while 35 countries voted against the resolution, including 15 African countries.¹⁸⁷ As a result, China was admitted to the UN, and a seat was given to it in the Security Council.¹⁸⁸

¹⁸¹ Weinstein op.cit.P8

¹⁸² Ogunsanwo. op.cit.P242

¹⁸³ Ibid.P252

¹⁸⁴ Ibid.P252

¹⁸⁵ Ibid.P252

¹⁸⁶ Ibid.P253

¹⁸⁷ Wenping. op.cit. P27

¹⁸⁸ Weinstein op.cit.P2

As a result of its admission to the UN, China's African policy changed as it abandoned its subversive activities against established African governments.¹⁸⁹ Failures of past Chinese attempts to foster revolutions as well as the prospect of future normalization of relations between China and the US encouraged China to adopt a more flexible policy on Africa, except in Southern Africa where China continued to support liberation movements. Thus, in the 1970's, China worked to expand its influence through more conventional bilateral trade and aid programs.¹⁹⁰ It seemed that China was also willing to foster good relations with African countries in order to create a "market of tomorrow" as well as to secure future sources of raw materials for the Chinese economy.¹⁹¹ As such, in the 1970's, relations between China and African countries improved. In fact, China even established diplomatic relationships with pro-Western countries such as Zaire, Madagascar and Ethiopia.¹⁹² On top of this, China provided generous amounts of aid to countries with which it previously had bad relations such as Zaire, as well as countries whose relations with the Soviet Union had deteriorated, such as Egypt and the Sudan.¹⁹³

As mentioned above, throughout the 1970's, China continued to support liberation movements operating in Southern Africa. The country provided political and material support to various liberation movements such as UNITA in Angola, ZANU in Rhodesia and PAC in South Africa.¹⁹⁴ Contrary to common belief, China's support to the various liberation movements operating in Southern Africa was actually limited and not substantial as it is thought to have been.¹⁹⁵ The limited Chinese support to the liberation movements in Southern Africa could be explained through ideological, logistical as well as strategic factors. Chairman Mao was of the opinion that the oppressed people had to rely first on their own means in order to continue their struggle and only later on could they get international assistance.¹⁹⁶ It is also clear that China encountered logistical problems in supporting wars that were waged thousands of miles from Chinese territory.

¹⁸⁹ Ibid.P66

¹⁹⁰ Ibid.P66

¹⁹¹ Ibid.P68

¹⁹² Ibid.P68

¹⁹³ Ibid.P13

¹⁹⁴ Greig op.cit.P180

¹⁹⁵ Hutchison.op.cit.P227

¹⁹⁶ Weinstein op.cit.P21

Finally, it is also evident that China feared that a full Chinese support of liberation movements would prompt the Portuguese and the Rhodesians to strike back at Zambia, Tanzania and Congo Brazzaville.¹⁹⁷ Actually, in 1969 China warned Tanzania, Zambia and possibly Congo Brazzaville of the danger of a pre-emptive strike from the South, taking into account that these three countries' armies were incapable of resisting attacks from the Portuguese and Rhodesian armies.¹⁹⁸ China even went further and took some steps to boost the defense of Tanzania, Congo Brazzaville and Zambia. For instance, in addition to the training of the Tanzanian army, China provided Tanzania military aid comprising MIG jets, light tanks, patrol boats as well as infantry and support equipment.¹⁹⁹

2.6 China's African policy during the 1980's

During the late 1970's, China's foreign policy changed partly as a result of important changes that occurred in the international system such as China's admission to the UN, China's recognition by most African countries and China's success in asserting its influence in Africa.²⁰⁰ Internal developments within China also accounted for the changes in the country's foreign policy. In 1978, two years after the death of Mao and Chou, Teng Hsiao-P'ing (Deng Xiaoping) became the new Chinese leader.²⁰¹ Under Teng's leadership, the economic development and modernization of China became top priorities.²⁰² As such, the two key objectives of China's foreign policy became: i) maintain political stability and security in East and Central Asia ii) fostering strong cooperation with Western countries in the field of trade, investments, sciences and security.²⁰³

¹⁹⁷ Hutchison.op.cit.P231

¹⁹⁸ Ibid.P231

¹⁹⁹ Weinstein op.cit.P19

²⁰⁰ Chou David. Peking's Foreign Policy in the 1980's.P379

²⁰¹ Ibid.P374

²⁰² Le Pere Garth& Shelton Garth. Afro-Chinese Relations: An Evolving South-South Partnership.P38

²⁰³ Chou op.cit.P375

This shift in policy saw China making efforts to improve its relations with the US and other Western countries. The result was the establishment of diplomatic relations between China and the US in 1978.²⁰⁴ In addition, China also adopted a moderate position in its dispute with the Soviet Union in a bid to avoid military escalation in Central Asia.²⁰⁵

This important shift in China's foreign policy had some implications for its African policy. In the 1980's, it became clear that Africa was of secondary importance to China. This came from the fact that China had achieved most of its African objectives and that it was now busy modernizing itself.²⁰⁶ Consequently, during the 1980's, the amount of Chinese aid to African countries was smaller compared to aid provided in the 1970's.²⁰⁷ More importantly, during the 1980's Chinese leaders acknowledged the fact that China was still a poor and backward country and therefore, made it clear that it was unwilling and unable to devote its relatively scarce resources to Africa.²⁰⁸ This meant that contrary to the 1960's and 1970's, China was no longer willing to compete with the US and the Soviet Union for supplying aid to Africa. However, during that same period China maintained close relations with African countries. In fact, China still welcomed high-level visits from African countries.²⁰⁹ From 1981 to 1989, 55 African countries visited China, almost six per year.²¹⁰ In addition, as most African countries supported South Africa's African National Congress (ANC), in a bid to please African countries, China provided explicit support to the ANC throughout the 1980's, although in reality it was limited.²¹¹ Finally, China still provided small amounts of aid to specific African countries with an aim to secure its influence over those countries.²¹²

²⁰⁴ Ibid. P377

²⁰⁵ Ibid.P378

²⁰⁶ Ibid.P379

²⁰⁷ Zhibiao Li. Contemporary Economic and Trade Relations between China and Africa.P282

²⁰⁸ Chou.op.cit.P385

²⁰⁹ Zhibiao.op.cit.p283

²¹⁰ Ibid.P283

²¹¹ Chou.op.cit.P385

²¹² Ibid.P385

2.7 China in Africa in the 1990's

As it was argued in Chapter 1, during the 1990's, China went through profound economic and social transformations. As cited previously, in two decades China's per capita income rose by more than 400 percent.²¹³ In addition, over the last couple of years, China has scored an average annual growth of between 7 and 9 percent. Between 1978 and 1999, the number of people in extreme poverty decreased by 220 million in China.²¹⁴

As it was pointed out in Chapter 1, throughout the second half of the 1990's China became suddenly interested in Africa again. The surge of Chinese interest in Africa lies in that country's desire to access African raw materials such as oil and minerals as well as to access promising African markets.²¹⁵ As highlighted also in Chapter 1, China's renewed interest in Africa can also be explained by the desire of Chinese leaders to expand their country's influence throughout the world. Therefore, Chinese leaders perceive Africa as a strategic region for China's outward ambitions.²¹⁶ In brief, the quest for oil and minerals as well as the perception of the world by the new Chinese leaders brought slight changes on China's foreign policy. The subtle modification of China's foreign policy prompted Beijing to adopt a new African policy centered on economic cooperation.

2.8 Jiang Zemin trip to Africa

In May 1996, China's President Jiang Zemin who assumed office in 1989 after the Tiananmen trauma, made an historical trip to six African countries. Jiang Zemin's African trip can be seen as the first step towards the implementation of his new African policy which focused on access to African oil.²¹⁷ During his African trip, the Chinese leader outlined a five point proposal on developing a long and stable Sino-African relationship.²¹⁸

²¹³ Sally Razeen. China's Trade Policies and its Integration into the World Economy .P26

²¹⁴ Ibid.P28

²¹⁵ Garth Shelton. Afro – Chinese Relations in an Era of Globalisaion. P238

²¹⁶ Xuewu Gu.op.cip. P8

²¹⁷ Ibid.P15

²¹⁸ Le Pere& Shelton: An Evolving South-South Partnership.P37

The five proposals included: i) fostering sincere friendship, ii) interaction based on equality and respect for sovereignty and non-interference in internal affairs, iii) common development on the basis of mutual benefit, iv) enhancement of consultation and co-operation in global affairs , v) long term creation of a more splendid world.²¹⁹

In addition, Jiang Zemin took the opportunity of his 1996 African trip to reveal his new African policy centered on economic cooperation between China and Africa with an eye on the twenty-first century.²²⁰ Jiang's new Africa policy laid the foundation for the consolidation of Sino-African relations. In fact, Jiang's African trip opened the way for the organization of the first ministerial conference of the Forum on China-Africa Cooperation (FOCAC) held in Beijing in October 2000.²²¹

The objective of the first FOCAC was to strengthen economic relations between China and Africa as well as to consolidate areas of common interest.²²² The two major topics of the forum focused on were "how to promote and establish a just and equitable new international order and on how to further strengthen cooperation between China and Africa on economic and social development".²²³ During the conference, two important documents (the Beijing Declaration and the Program of Cooperation on Economic and Social Development) were adopted. In those two documents, the participants agreed on the need to expand trade, investments and joint projects between China and Africa as well as to consolidate cooperation in the fields of agriculture, transportation, medical care, the exploitation of natural resources and banking.²²⁴ In addition, China promised that it would set up special funds for encouraging Chinese firms to invest in Africa and train all kind of professional personnel.²²⁵ More importantly, China also pledged to cancel 10 billion Yuan (US \$ 1.2 billion) of debts owed to it by 31 African countries over a period of two years.²²⁶

²¹⁹ Ibid.P37

²²⁰ Wensheng Yu. Hu's Asia- Africa tour to bolster relations.

²²¹ Le Pere& Shelton: An Evolving South-South Partnership.P37

²²² Ibid.P39

²²³ Wenping. Op.cit.P39

²²⁴ Ibid.P39

²²⁵ Wenping.op.cit.P40

²²⁶ Xuewu Gu .op.cit.

In December 2003, foreign and trade ministers of African countries as well as Chinese officials gathered in Addis Ababa, Ethiopia for the second ministerial conference of the Forum on China-Africa Cooperation.²²⁷ The main objective of the Addis Ababa conference was to review the progress made in implementing the agreements reached at the first FOCAC conference.²²⁸ During the conference, participants agreed on the need to consolidate cooperation between China and Africa, especially in the field of human resources, peace and security and agriculture.²²⁹ China also agreed to support the New Partnership for Africa's Development objectives by investing in infrastructural projects in Africa.²³⁰ In addition, China pledged to grant some African countries tariff-free treatment for their exports to China.²³¹ On top of that, China promised to step up cooperation in tourism by encouraging more Chinese to travel to Africa. Following this last point, China has granted destination status to 11 African countries in order to promote tourism in those countries.²³²

In 2004, Jiang Zemin's successor, Hu Jintao made a nine day tour to Africa, visiting Gabon, Algeria and Egypt. Hu Jintao's first African tour was largely intended to pursue Jiang's African policy. Hu Jintao consolidated and advanced Jiang's African policy further by making it clear that China's relations with developing countries formed a "cornerstone" of China's foreign policy.²³³ During his African tour, Hu Jintao expressed his willingness to expand trade between China and Africa and called for more cooperation in order to jointly explore oil and natural gas and eventually exploit them.²³⁴ The fact that Hu Jintao visited Gabon and Algeria, two oil producing countries, signified that oil was at the center of Hu's African trip.²³⁵ For instance, during his visit to Gabon, Hu Jintao signed a memorandum of understanding to institute joint oil exploration, exploitation, refinement and exportation between China's Sinopec and Total Gabon.²³⁶

²²⁷ Le Pere & Shelton: An Evolving South-South Partnership. P41-42

²²⁸

²²⁹ Ibid. P41

²³⁰ Xuewu GU .op.cit.

²³¹ Wenping.op.cit.P42

²³² Ibid.P42

²³³ Le Pere & Shelton: An Evolving South-South Partnership. P44

²³⁴ Ibid.P45

²³⁵ Ibid.P45

²³⁶ Ibid.P45

In April 2006, Hu Jintao made a second trip to three African countries, Morocco, Kenya and Nigeria.²³⁷ Hu Jintao's second trip to Africa in two years signaled the importance that China now attaches to the African continent. Still in 2006, China's Prime Minister Wen Jiabao made a trip to seven African countries: Angola, Republic of Congo, Ghana, Egypt, Tanzania, Uganda and South Africa.²³⁸ During his stops in these African countries, Wen Jiabao signed a series of agreements on economic and energy cooperation.²³⁹

Intensive Chinese diplomacy in Africa culminated in the third conference on the Forum on China-Africa Cooperation, in November 2006 in Beijing. The conference assembled some 48 heads of state and government and delegations from China and African countries.²⁴⁰ At the end of the conference, the participants called for the reform of the UN and the WTO in order to create a better and more balanced world for all.²⁴¹ They also called for the consolidation of cooperation between China and Africa in the areas of science and technology, education, tourism, sports and culture. Finally, the participants declared the establishment of a new strategic partnership between China and Africa featuring "political equality and mutual trust, win-win economic cooperation and cultural exchange".²⁴²

2.9 CONCLUSION

One of the most important lessons that should be remembered from this chapter is that China's involvement in Africa has never been altruistic at any particular moment. If anything, this chapter has shown that China first got involved in Africa after the Bandung conference in 1955 in a bid to resist US pressures aimed at isolating it from the rest of world. It is evident that China considered its recognition by third world countries important for its survival as well as for the isolation of Taiwan.

²³⁷ Wensheng op.cit.

²³⁸ Vines Alex. The Scramble for Resources: African Case Studies. P68

²³⁹ Ibid.P68

²⁴⁰ Declaration of the Beijing Summit of the Forum on China- Africa Cooperation. November 16, 2006.

²⁴¹ Ibid.

²⁴² Beijing Summit of the Forum on China-Africa Cooperation Adopts the Declaration and Beijing Action Plan.

This chapter has then argued that as the result of both the upgrading of Soviet military capabilities in 1957 and of the shift of Chinese leaders to the left, China's African policy was shaped by Leninist ideology. However, as it has been explained in this chapter, China's support and promotion of revolutions in Africa was consistent with its topmost objective at that moment, which was the destruction of the US.

It has also been indicated that during the 1960's, China increased substantially the amount of aid to some African countries in an effort to maintain its influence over those African countries, amid fierce competition with the Soviet Union and the US. In addition, China's aid to particular African countries, such as the construction of Tanzam was also part of a large Chinese plan aimed at furthering China's revolutionary objectives particularly in Central and Southern Africa.

Furthermore, it was asserted that during the 1970's, China still wanted to be perceived as a great power by Africans. This explains why China continued to provide aid to some African countries, including those China previously had bad relations with. China also continued to provide support to liberation movements for the same reason. However, as explained in this chapter, since the 1980's the economic modernization of China has been central to its foreign policy. China's growth over the past two decades means that the country needs raw materials as well as markets for its manufactured products in order to sustain its robust economic growth. Thus, one of the main objectives, if not the vital objective of China's current African policy is the determination to further Chinese economic interests in Africa in terms of access to crude oil and other minerals. As a result, since 2004, China has been very active in resource rich countries like Angola where it has invested billions of dollars in the oil industry. It is very likely that during the next years, China will further increase her presence in the oil industry in Africa (particularly in Nigeria and Angola) as her daily consumption of oil is predicted to rise sharply in the coming years.

Finally, this chapter also explained the reason why some African leaders welcome China with open arms and consider that country a sincere friend of Africa. Actually, since the 1950's Chinese rhetoric has always claimed that China is on the same side with African countries in their fight against imperialism, colonialism and neocolonialism. Besides, China did indeed support the Algerians (FNL), the Rhodesians (ZANU), the Angolans (UNITA) and the South Africans (PAC) in their respective struggles for liberation.

Moreover, Chinese propaganda has consistently tried to establish similarities between China and Africa as far as the level of development is concerned. The fact that China is granting loans to African countries with minimal conditionality pleases some African leaders. Besides, China is also providing practical aid to most African countries by building schools, hospitals and public buildings. Such gestures certainly leave many Africans impressed and touched.

Having said this, however, the government of Angola should not ignore that besides some friendly gestures, the main objective of the Chinese presence in Angola is to access Angolan crude oil. In essence, this reality implies that China is in Angola in order to pursue its national interests, some of which may not be compatible with the long term interests of Angola. This reality suggests that without a long-term vision and well elaborated strategies, Angola may not really benefit from its relationship with China in the long-term. The vision and strategies that Angola may elaborate and implement in order to benefit from this propitious opportunity will be discussed in the following chapters.

CHAPTER 3: TRADE BETWEEN CHINA AND ANGOLA

3.1 INTRODUCTION

Prior to the civil war that commenced in 1975, Angola had a diversified economy that included a striving agriculture sector, a healthy fisheries industry, a striving oil sector as well as a manufacturing sector serving the local market.²⁴³ In fact, during the 1970's, Angola was self-sufficient in food and was a major exporter of cash crops, such as tobacco, cotton and coffee.²⁴⁴ In addition, Angola used to produce light manufactured goods such as foodstuffs and consumer goods.²⁴⁵ However, during the civil war that occurred in the country, much of Angola's road and railway infrastructure was destroyed. Moreover, insecurity and landmines made it virtually impossible to farm and the movement of populations to towns deprived subsistence and commercial agriculture of the necessary human and resource capital needed to function.²⁴⁶ It also meant that industries using raw material from the agriculture sector or supplying goods to the rural population lost their markets.²⁴⁷ The nationalization of private companies (excluding those in the oil and diamond industries) by the Marxist-Leninist led MPLA government, further marginalized the Angolan private sector. As a result, the agriculture and manufacture sectors collapsed.²⁴⁸

Nevertheless, Angolan offshore oil fields enabled the oil sector to escape the economic disruption caused by war.²⁴⁹ Thus, over the years Angola's oil production increased despite the prolonged war.²⁵⁰ The end of the Angolan civil war in 2002, coupled with the surge in the demand for oil globally, accelerated the development of the Angolan oil industry as numerous firms invested large sums of money in the industry.²⁵¹

²⁴³ Manuel Ennes Ferreira. Angola: Conflict and Development, 1961-2002. P2

²⁴⁴ World Trade Organization, Trade Policies Review, P2

²⁴⁵ Ibid. P19

²⁴⁶ Ibid. P2

²⁴⁷ Ibid. P2

²⁴⁸ Ferreira op.cit. P2

²⁴⁹ Grion Moreso Emilio. The Political Economy of commercial relations, P146

²⁵⁰ Ibid. P147

²⁵¹ Ibid. P147

For instance, from 2002 to 2006, Angola increased its export of crude oil from 311.5 million barrels to 535 million barrels, or an increase of 71.7%.²⁵² During the same period, exports of diamond were a major source of finance for UNITA as the rebel movement controlled the Northeast of Angola, a region rich in diamonds.²⁵³ By 2001, “conflict diamonds” exported from Angola were considerable to the point that they were estimated to be equivalent to the production of an entire country.²⁵⁴ With the return of peace in Angola, the diamond industry has been growing considerably too. In fact, from 2002 to 2006, the volume of carats exported by Angola increased from 5022300 million carats to 9362500 million carats, or an increase of 86.4%.²⁵⁵ In addition, in a bid to add value to the production, a joint venture specializing in polishing and cutting diamonds opened in November 2005.²⁵⁶ This joint venture was formed by the state diamond company Endiana, the Angolan consortium PROGEM and Lev Leviev Diamond (LLD), the world’s second-largest diamond trade company.²⁵⁷ The joint venture is so far the largest in Africa and it employs 400 technicians.²⁵⁸

It is therefore obvious that the Angolan economy is dominated by the oil sector and to a lesser extent the mining sector while the other sectors of the economy are still to recover from the long civil war (see annex 1). For instance, the share of both the diamond, oil and gas sectors in the Angolan GDP was 59.83%, 67.27% and 61.75% respectively in 2004, 2005 and 2006²⁵⁹ (see annex 1). In addition, oil exports accounted for more than 80% of fiscal revenue in 2005.²⁶⁰

The volume of trade between China and Angola has been growing significantly over the last couple of years.

²⁵² International Monetary Fund, Angola: Selected Issues and Statistical Appendix, P56.

²⁵³ World Trade Organization op.cit.P9

²⁵⁴ Ibid.P10

²⁵⁵ International Monetary Fund.op.cit.P56

²⁵⁶ African Development Bank. African Economic Outlook: Angola. P109

²⁵⁷ Ibid.P109

²⁵⁸ Ibid.P109

²⁵⁹ International Monetary Fund .op.cit.P56

²⁶⁰ Center for Chinese Studies, China’s engagement of Africa : Preliminary Scoping of African Case studies. P17

In 2002, the volume of trade between China and Angola amounted to US\$ 1.141 billion while in 2005 it amounted to US\$ 6.95 billion or an increase of 41.6%.²⁶¹ In 2006, Angola became China's first trade partner in Africa, out pacing South Africa. Actually, the volume of trade between China and Angola reached US\$ 11.8 billion in 2006.²⁶² Since then, trade volume between the two countries has continued to rise tremendously. Therefore, trade between Angola and China represents a vital aspect of the relationship between these two countries. Thus, it is important for Angola to formulate and implement a trade policy that will allow it to reap the maximum benefit from trading with China. This chapter aims to study the evolution and structure of trade between the two countries. In addition, this chapter will also assess the benefits that Angola derives from trading with China. Finally, the chapter will provide some recommendations to the government of Angola in order to position the country to reap the maximum benefit from its trade relationship with China in the short, medium and long term.

3.2 Pattern of trade between China and Angola

As pointed out in the beginning of this chapter, the Angolan economy is skewed toward the oil and mineral (diamond) industries as a result of historical and political factors. In addition, as explained in Chapter 1, China's interests in Africa are primarily motivated by business imperatives – the access to African oil and minerals as well as the search for markets for Chinese manufactured products. Since the end of the Angolan civil war in 2002, China has invested several billion (US\$) in the Angolan oil sector. For instance, in 2004 China's Export and Import Bank (Exim Bank) extended the first oil-backed US\$ 2 billion credit line to the Angolan government.²⁶³ According to the terms of agreement, in exchange for the loan payable at an interest rate of 1.5% over 17 years with a grace period of 5 years, Angola has to provide China with 10 000 barrels of oil per day.²⁶⁴

²⁶¹ Center for Chinese Studies, China's Interest and Activity in Africa's Construction and Infrastructure Sectors. P20

²⁶² Ibid.P20

²⁶³ Center for Chinese Studies, China's engagement of Africa. Op.cit.22

²⁶⁴ Ibid

In addition, in 2006, Sinopec formed a joint venture with the Angolan state owned oil company, Sonangol. Sinopec's contribution to the joint venture was estimated at 2.4 billion US\$.²⁶⁵ The Joint Venture enabled Sinopec to acquire stakes of 27.5%, 40% and 20% in three off shore blocs with reserves estimated at 3.2 billion barrels of oil.²⁶⁶ Sinopec owns 75% in the joint venture, Sonangol Sinopec international.²⁶⁷ As a result of these developments, China's oil imports from Angola have been growing significantly, and since 2006, Angola is the first supplier of crude oil to China, supplying 15% of China's total imports.²⁶⁸ In fact, 45% of Angola's oil exports are destined to China.²⁶⁹

However, China's imports from Angola have been exclusively concentrated in crude oil, which seems logical given the nature of the Angolan economy and the immediate interests of the Chinese. For instance, over the period 1997 to 2006, oil imports accounted for more than 99% of China's imports from Angola (see annex 2a). On the other hand, as a result of the weakness of the manufacture and agriculture sectors in Angola, the African country is importing foodstuffs and manufactured products from overseas, China included.²⁷⁰ Angola imports from China manufactured products such as motorcars, construction and electrical equipment as well as machinery²⁷¹ (See annex 2b).

Nevertheless, contrary to most African countries whose consumers prefer Chinese manufactured products because of their affordable price, Angolan imports from China represent a small share of Angola's overall imports. In 2006, imports from China accounted only for 8.3% of Angola's total imports, while imports from the European Union and the US accounted for 35.17% and 14.3% respectively.²⁷² However, the Angolan government is not able to trace the importations of manufactured goods from China especially since many Chinese "micro traders" have joined the informal sector.²⁷³

²⁶⁵ AFP.Sinopec deepens oil investments in Angola. June 2006.

²⁶⁶ Ibid

²⁶⁷ Ibid

²⁶⁸ Center for Chinese Studies, China's engagement of Africa. Op. cit. P24

²⁶⁹ Ibid.P24

²⁷⁰ Grion Moreso Emilio. Op.cit.P150

²⁷¹ Ibid.P150

²⁷² DG Trade. Angola: EU Bilateral Trade and Trade with the World. P4

²⁷³ Center for Chinese Studies, China's engagement of Africa. Op. cit.P28

In addition, some goods are purchased by European companies from China and then redirected to Angola, and in the process distorting the origin of imports.²⁷⁴ The same goes for Chinese goods which are bought by South Africans and Middle Eastern companies and then redirected to Angola. As a result, the importation of Chinese goods into Angola is quite underestimated.

3.3 The impact of trade between China and Angola on the Angolan economy

As we discussed above, the pattern of trade between Angola and China is typically “colonial” in nature as Angola exports raw materials to China and imports manufactured goods from the latter. However, one could ignore this view and stress instead the fact that trade between China and Angola is driven by complementarities between the two economies rather than by Chinese colonialist ambitions.

One could also argue that China is the clear winner in the trade between the two countries as it exports manufactured goods to Angola and at the same time imports oil needed to sustain its phenomenal economic growth. Much as China may be the clear winner in this exchange relation, it does not mean that Angola is not benefiting from it, especially in the short term. Actually, Angola does benefit from trading with China.

First of all, China’s significant imports of Angolan oil are having a positive impact on Angola as a country. As indicated in the beginning of this chapter, China is now comes first in the importation of Angolan crude oil, importing 45%, out pacing the US which imports around 30%.²⁷⁵ The continuous substantial increase in the price of crude oil, coupled with the strong surge in Angola’s oil production has enabled Angola to substantially increase its revenue.

²⁷⁴ Ibid.P28

²⁷⁵ Ibid.P20

The average yearly price of a barrel of crude oil has increased from US\$ 31.49, 40.83, 56.27 and 65.14 in 2003, 2004, 2005 and 2006 respectively.²⁷⁶ In addition, the price of a barrel of crude oil reached US\$ 90 in the second semester of 2007 and the symbolic level of US\$100 in early 2008.

It can be seen from Table 1 below that the Angolan government revenue has been increasing significantly since 2003. It is also evident that the bulk of the Angolan government revenue is from the oil sector. In 2006, for instance, 80.17% of total government revenue ($0.372 \times 100 / 0.464$) came from the oil industry. It can also be observed that in 2007, 77.1% of total government revenue ($0.266 \times 100 / 0.345$) was from the oil industry as well. Table 1 further reveals that from 2005, the Angolan government has been able to eliminate fiscal deficit. If one looks at the overall balance (which measures the difference between total revenue and total expenditure) it can clearly be seen that it is negative in 2003 and 2004 (indicating fiscal deficit). However, from 2005 to 2007, it can be seen that the overall balance is positive (indicating a fiscal surplus). Thanks to the increasing level of revenue associated with rising crude oil prices and domestic oil output, Angola has been able to eliminate fiscal deficit.

Angola has also been able to accumulate an important amount of foreign currency as a result of rising oil exports. The Angolan government has been injecting much of its international reserves into the economy in order to boost the local currency (Kwanza) and stabilize the exchange rate in order to curb inflation.²⁷⁷ Consequently, the Kwanza has appreciated and inflation has been curbed. The level of inflation came down from 18.5% in 2005 to 12.3% in 2006.²⁷⁸ Since 2006, the rate of inflation has remained around 12%. Although one cannot entirely attribute the successes that Angola has achieved in the management of its macroeconomic policies to its partnership with China, it is clear that Chinese investments in the Angolan oil industry and the subsequent rise in Chinese imports of Angolan crude oil have played a vital role in the improvement of Angolan macroeconomic parameters.

²⁷⁶ BP Statistical Review of World Energy, June 2007. Using 2006 as the base year.

²⁷⁷ African Development Bank. Op.cit., P111

²⁷⁸ International Monetary Fund.op.cit.P3

Table 1: Angola: Selected Economic Indicators, 2003-2007

	2003	2004	2005	2006	2007
Fiscal accounts	Percentage of GDP, unless otherwise indicated				
Total Revenue	37.9	36.9	40.7	46.4	34.5
of which : oil	27.9	28.4	32.3	37.2	26.6
Grants	0.8	0.5	0.2	0	0.1
Total expenditure	44.3	38.5	33.3	31.6	33.6
Overall balance	-6.4	-1.6	7.3	14.8	0.9

Source : IMF

It is well known that Chinese manufactured goods are much cheaper compared to Western and Japanese ones. This is not only a direct consequence of lower labour costs in China but also of overcapacity in the marketplace.²⁷⁹ Indeed, labour costs are cheaper in Bangladesh, Kenya, Uganda and Tanzania than in China.²⁸⁰ South African business consultant Martin Davies argues that lower prices of Chinese manufactured goods are also due to strong competition in China where for instance, thirty- five thousand textile and garment manufacturers (mostly private companies) compete against each other.²⁸¹ The result is too many goods chasing too few consumers in China and that results in lower prices.

Since the majority of Angolans live below the poverty line (less than 1 dollar a day),²⁸² they are more willing to purchase cheap Chinese manufactured goods as they can easily afford them. For instance, in the city of Huambo, many Angolans prefer to buy Chinese imported motorbikes than the Japanese Yamaha motorbikes assembled in Huambo.²⁸³ Actually, one Chinese imported motorbike with a 50 cm³ cylinder costs around 1500 US\$, while a Japanese motorbike of the same cylinder costs more than 2000 US\$.

²⁷⁹ Voice of America, William Eagle. South African Business Consultant Lauds Chinese Investments in Africa.

²⁸⁰ Ibid

²⁸¹ Ibid

²⁸² African Development Bank. Op.cit.P119

²⁸³ Interview, 26 March 2006, Huambo

Thus, most Angolans who cannot afford to buy Japanese motorbikes buy Chinese motorbikes and use them as taxis.²⁸⁴ Hence, the city of Huambo is full of motorbike taxis imported from China. Chinese motorbikes also provide Angolan farmers with effective and fast transport means and as a result farmers can travel easily from the city to their farms. It is therefore clear that these cheap Chinese motorbikes have a positive impact on the lives of many Angolans as they allow them to earn a decent living.²⁸⁵

In addition, Angola's engagement in a vast reconstruction program since the end of the civil war in 2002 means the country needs huge amounts of cement and other construction materials in order to build the urgently needed infrastructure. However, there are only two cement factories in Angola – one is located in the capital Luanda and the other in Lobito, Benguela Province. According to an employer of a Chinese company that imports cement from China, the cement factory located in Lobito is not functional, thus the one located in Luanda is incapable of satisfying the local demand.²⁸⁶ He even argues that sometimes the cement factory in Luanda completely shuts down its production for days because of shortages of funds or raw materials.²⁸⁷ He further argues that the importation of cement from China is very beneficial to the Angolan economy since according to him, if there were no imports from China, a 50 kg bag of cement produced locally which is currently at US\$ 9.50 would have been at around US\$ 50.²⁸⁸ He then explains that although a 50 kg bag of cement costs US\$ 1 in China, the same bag is sold at US\$ 11.50 in Angola because of high transportation costs as well as customs inefficiencies. He further claims that if Angola were to import cement from Europe it would not be viable as it will be too costly.²⁸⁹ Cement imported from China is better than that produced locally in Angola, he also adds.²⁹⁰

²⁸⁴ Ibid

²⁸⁵ Ibid

²⁸⁶ Interview, 31 March 2008, Luanda

²⁸⁷ Ibid

²⁸⁸ Ibid.

²⁸⁹ Ibid.

²⁹⁰ Ibid.

Furthermore, a CEO of an Angolan research center argues that many Angolans travel to China to purchase manufactured goods. He even claims that some Angolans work together with the Chinese in retail shops.²⁹¹

Nevertheless, one of the main problems associated with trade between Angola and China has been the presence of Chinese “petty traders” or “micro traders” who pose a direct threat to Angolan traders. For instance, one European businessman based in the city of Huambo argues that once the Chinese see African traders buying a considerable amount of certain goods in their country, Chinese traders then move into those African countries with a considerable amount of the same goods.²⁹² He claims that this is what is exactly happening in Angola where Chinese traders own retail stores and thus, pose direct competition to Angolan traders. The manager of a prominent foreign non governmental organization in Angola corroborates this view and adds that the Chinese are creating strong networks in Angola (e.g. Chinese traders involved in the selling of basic goods) and this is creating tensions between the Chinese and Angolans.²⁹³ He believes that for the moment there are no signs of high tension as is the case in Zambia.²⁹⁴ One Angolan economist and prominent member of the opposition party even claims that there are no exact statistics concerning the number of Chinese living in Angola.²⁹⁵ There are between 20 000 and 30 000 Chinese living in Angola.²⁹⁶ The fact that the majority of the Chinese living in Angola enter the country without a visa, mainly explains the difficulty of accounting for the Chinese population living in Angola.²⁹⁷

²⁹¹ Interview, 31 March 2008, Luanda

²⁹² Interview, 19 March 2008, Huambo

²⁹³ Interview, 2 April 2008, Luanda

²⁹⁴ Ibid

²⁹⁵ Interview, 8 April 2008, Luanda

²⁹⁶ Center for Chinese Studies, China’s engagement of Africa.op.cit.P31

²⁹⁷ Interview, 19 March 2008, Huambo & Interview, 27 March 2008, Huambo

3.4 Some lessons to be learnt from the current trade between China and Angola

From what has been described so far, it is clear that Angola and China are both winning from their trade relationships. However, Angola can still do more in order to maximize the benefits of its trade with China in the short term. Also, Angola needs to make sure that in the long term the country will reap maximum benefits from trading with China.

3.4.1 In the short term

The government of Angola should control the number of Chinese entering the country, especially the “petty traders.” Since Chinese petty traders are involved in the same activities as the Angolans and bearing in mind the strong commercial networks that the Chinese are establishing in Angola, it is very probable that in the near future this situation will lead to stiff competition between the Chinese petty traders and Angolan ones. Such competition will not only marginalize Angolan traders but also create strong resentment toward Chinese petty traders. Therefore, the government of Angola should protect the interests of Angolan traders by making sure that the number of Chinese petty traders operating in Angola remains limited. The government of Angola can achieve that by imposing visa requirements on every Chinese immigrant that enters Angola. The government of Angola can also compel Chinese petty traders to pay higher taxes to discourage other Chinese petty traders from settling in Angola.

Angola should also expand trade with China, as this will benefit the majority of Angolans who can easily afford Chinese manufactured goods in contrast to European or American manufactured ones. The government of Angola can achieve that by discouraging the importation of expensive products (originally from China) from middle trading men in Europe, Dubai or South Africa. Moreover, the government of Angolan with the assistance of the Chinese diplomatic mission in Luanda should make pertinent information on China (e.g. customs laws and regulations) available to Angolan traders. Apart from that, the government of Angola should also make sure that Angolan traders have access to relatively cheap credit and to unproblematic and prompt business licenses.

These measures will prevent a situation whereby only a few privileged traders are able to reap the benefits from this business. The measures will also encourage concurrence between the various traders and therefore have a positive effect on prices of items imported from China.

It is worth noting that access to credit in Angola is problematic. The European businessman from Huambo argues that interest rates are very high in Angola.²⁹⁸ This is partly a consequence of the attempt by the government to tackle inflation only through monetary policy. In addition to that, the economist and prominent member of the opposition party in Luanda claims that only those who are close to the ruling party or who have political connections can have access to credit in Angola.²⁹⁹ Therefore, the government of Angola should make great efforts to render access to credit more transparent and simpler. Related to this point, many Angolans complain over the difficulties of opening businesses in the country. Due to privileges which members of the ruling party and their relatives enjoy, many Angolans cannot easily open businesses.³⁰⁰ For instance, in 2006 Angola was ranked the least competitive economy out of 125 economies by the World Economic Forum.³⁰¹ Thus, the government of Angola should promote a more friendly business environment by facilitating the delivery of licenses. I will deal with these two issues further in the last chapter.

3.4.2 In the medium and long term

3.4.2.1 *The Agriculture sector.*

China represents a real and huge opportunity for many African countries.

China has a population of more than one billion people with a growing middle class, whose purchasing power is constantly increasing and also has a growing appetite for imported products.³⁰²

²⁹⁸ Interview. 19 March 2008. Huambo

²⁹⁹ Interview. 8 April 2008. Luanda

³⁰⁰ African Development Bank. Op.cit.P116. During my trip to Angola, I was also informed about the obstacles toward opening new businesses, especially in promising new business sectors.

³⁰¹ Ibid.P116

³⁰² Broadman G. Harry: the World Bank. Africa's Silk Road: China and India's New Economic Frontier. P273

China's imports as a percentage of GDP are more than 25%, compared with 15%, 14% and 11% respectively for the United States, the European Union and Japan.³⁰³

In the meantime, Chinese agriculture is increasingly struggling to feed the whole Chinese population not only as a result of higher spending and increasing population but also of worsening water shortages.³⁰⁴ According to the World Bank forecast, China's net grain imports will rise to 19 million tones in 2010 and to 32 million tones in 2020.³⁰⁵ The United States Department of Agriculture has forecast that China could import as much as 57 million tones of grain in 2020.³⁰⁶

Angola has great potential in agriculture as pointed out in the beginning of this chapter. Since the agriculture sector employs 85% of the workforce compared to only 1% for the oil and diamond industries, it is therefore virtually impossible to reduce poverty in Angola without reviving agriculture.³⁰⁷ Besides the upgrading of a competitive agriculture sector that will provide food to the domestic population, Angola should develop an "export agriculture" that will target among others, the Chinese market. China represents a great opportunity for Angolan agricultural products not only because of the size of the Chinese market and the rising purchasing power of Chinese consumers but also because of other factors.

First, contrary to western countries which provide huge export and production subsidies to their farmers, in the process distorting trade and therefore hurting the interests of African farmers, the level of subsidies provided by China to its farmers is little and therefore unable to distort trade to the disadvantage of African farmers. China only started providing subsidies to its farmers in 2004.³⁰⁸

³⁰³ Ibid.P273

³⁰⁴ Alden Chris. China-Africa Relations: The End of the Beginning.

³⁰⁵ Hale David. China's Need for Commodities will Change Global Geopolitics .P122

³⁰⁶ Ibid.P122

³⁰⁷ Center for Chinese Studies, China's engagement of Africa.op.cit.P30

³⁰⁸ Gale& Lohman& Tuan: United States Department of Agriculture. China's New Farm Subsidies. P1

In that same year, the country suppressed a centuries old agricultural tax policy and began providing subsidies to its farmers in the form of seed and machinery and the construction of rural infrastructure.³⁰⁹ The main objective of such a major shift in China's agriculture policy is to combat rising inequality between the cities and the rural areas by promoting the development of the latter. This stems from the Chinese leadership's fears that continuing poverty in rural areas may pose a threat to peace and stability.³¹⁰ However, as mentioned above, the amount of subsidies that China provides to its farmers remains limited compared to Western countries. For instance in 2004, direct subsidies to farmers amounted only to US\$ 6.6 billion while indirect subsidies were around US\$ 25 billion.³¹¹ According to the Organization for Economic Cooperation and Development (OECD), developed countries devote around US\$ 311 billion each year in subsidies to their farmers.³¹² Even though China is constantly increasing the amount of subsidies that it provides to its farmers, it is almost certain that Chinese agriculture will not be able to satisfy the entire population in the years to come. As a result, there will still be huge opportunities for Angola to export agricultural products to China.

As indicated above, subsidies provided by developed countries to their farmers distort trade and hurt the interests of African producers. For instance, US's subsidies to American producers of cotton is about 86% of the price of cotton, which means that for every dollar received by cotton producers from their sales, they receive an additional 86 cents in subsidies.³¹³ As a result, American producers of cotton are able to sell their products below world price and this situation certainly hurts African producers of cotton as they lose millions of US\$.³¹⁴

Second, China also represents a great opportunity for Angolan agricultural products in the sense that it is easier to access the Chinese market as safety regulations are more relaxed compared to the European Union and the US.

³⁰⁹ Ibid.P1

³¹⁰ Ibid. P1

³¹¹ Ibid.P3

³¹² Gueye Onusseynu: Wal Fadjri. Let African Farmers Compete.

³¹³ Mulama Joyce. US Farm Subsidies Hurting Africa's Development.

³¹⁴ Ibid

In fact, with the deepening of globalization, the global food market has gone through rapid transformations in the past years, characterized by changes in demand and increased safety about food security.³¹⁵ In the West, rising incomes and the consequent changes in life style have increased consumer demand for variety, quality and safe foods.³¹⁶ Consumers in the West also attach a lot of importance on the social and environmental conditions of food production. However, compliance with safety regulations enacted by Western countries is quite expensive. For instance, it requires cold storage, stainless steel tables, and improvement in sanitation levels, work hygiene and formal certification.³¹⁷ It is evident that compliance with such regulations is costly, especially bearing in mind not only the limited financial means of Angolan businessmen but also the lack of appropriate infrastructure in Angola. Thus, focusing on the Chinese market will save Angola the trouble of higher costs associated with the conformity with strict safety regulations imposed by Western countries.

Before ending the discussion on the agriculture sector, it is worth mentioning that Angola should not rely on producing and importing foodstuffs in the long term. Instead, Angola should move downstream the chain of production by producing more added value products such as juice, chocolates, coffee and peanut butter.

3.4.2.2 *The Apparel Industry*

As revealed in the previous section, incomes are increasing in China and are very likely to continue doing so in the next two decades. GDP per capita is expected to reach US\$ 1,700 in 2010 and US\$ 3200 by 2020.³¹⁸ As incomes continue to rise in China over the next two decades, coupled with the increase of spending on expensive items such as cars, computers and houses, it is quite likely that the cost of labour will also increase and at some points, some manufacturers in the apparel industry (as well as in other labour intensive industries) may expand their production “downstream” to more finished products such as cars, planes and computers where greater value added can be extracted.

³¹⁵ Broadman G. Harry: the World Bank.op.cit.P306

³¹⁶ Ibid.P306

³¹⁷ Ibid.P308

³¹⁸ People Daily. Forecast: China to maintain around 8percent growth through 2010.

Other manufacturers may delocalize their production to countries where the labour costs will be less than in China.³¹⁹ Also, the limited endowment of natural resources in China and the increasing worldwide concerns on the environmental degradation, make it likely that the country will shift from the current “resource-intensive model of economic growth” to a more capital - intensive one in order to protect the environment.³²⁰

This situation will therefore provide Angola as well as other African countries with a wonderful opportunity in the apparel industry. This means Angola as well as other African countries could replace China as the main world producer of clothes, shoes and toys by supplying these items to the rest of the world. However, in order to develop the capabilities of producing such items, an accommodating business environment has to be put in place in Angola and the country has to hugely invest in education with a particular focus on sciences and engineering.

3.4.2.3 *Tourism Industry*

The tourism industry encompasses hotels and restaurants, travel agencies, tour operator services and tourist guide services. Its development would surely have a considerable positive impact on the Angolan economy. In reality, the increasing incomes in China and the subsequent emergence of a Chinese middle class are enabling more Chinese to travel overseas as tourists. China has granted “destination status” to South Africa, Egypt, Morocco and recently Mauritius, Ethiopia, Tunisia, Zimbabwe, Kenya, Zambia, Tanzania and the Seychelles in a bid to encourage Chinese tourists to travel to these countries.³²¹ This pushed the number of Chinese tourists to Africa to 110 000 in 2005, compared to only 55 000 in 2004.³²²

³¹⁹ Ibid.

³²⁰ Ibid.

³²¹ Wenping He. All- Weather Friend. The evolution of China’s Africa Policy. P42

³²² Broadman G. Harry: the World Bank.op.cit.P320

Angola has got great potential in tourism. The country has 1650 Km of coastline with beautiful beaches that are suitable for bathers and water sports.³²³ Angola also possesses beautiful parks and natural reserves in the country's tropical forest.

Sadly, most of Angola's wildlife was destroyed during the civil war but still visitors can view precious animals such as the rare black giant palanca (antelope).³²⁴ Angola should then take this opportunity and promote Chinese tourism in the country. Tourism from China will benefit Angola directly through the creation of a substantial number of jobs. Indirectly, it will reduce the cost of flying and make Asian markets more readily accessible to Angolan goods and services. Finally, tourism will improve transportation and enhance the quality of infrastructure in Angola.³²⁵ However, in order to attract Chinese tourists to Angola, the construction of infrastructure such as hotels and restaurants as well as the renovation of natural parks will not be sufficient. More Angolans should also learn mandarin (the Chinese language) as well as the Chinese culture, especially the Chinese cuisine. Angolan authorities should also portray a good image of Angola in China as a good tourism destination.

3.5 CONCLUSION

The first part of this chapter described the structure of the Angolan economy which is mainly dominated by the oil and diamond industry. This is mostly the result of the long civil war that ravaged the country and thus, destroyed the once prosperous agriculture and light industry sectors. Thereafter this chapter explained the pattern of trade between Angola and China. Concerning the pattern, the argument was made that it is a typical colonial one whereby Angola exports oil to China and imports manufactured goods from the latter. It was argued that this pattern of trade can be better explained by considering the complementarities between the two economies. On one side, Angola has abundant oil and on the other China has abundant capital and technology.

³²³ National Private Investment Agency. Angola is your Tourist Destination

³²⁴ Ibid

³²⁵ Ibid. P326

This chapter then discussed the impact of trade between the two countries on the Angolan economy. It was argued that the impact is generally positive as Angola generates more revenue by exporting oil to China and at the same time, Angolan consumers enjoy cheap Chinese manufactured goods. However, the chapter pointed to the fact that China is the bigger winner in this trade partnership as China gets oil needed to maintain its formidable economic growth and exports cheap manufactured goods. This chapter further indicated that Angola needs to perform some adjustments in order to reap more benefits in its trade partnership with China, both in the short, medium and long term.

In the short term, Angola needs to tackle the issue of Chinese “petty traders” who are “invading” the country and also expand trade with China as this will benefit the majority of the population which has a relatively weak purchasing power. In the medium and long term, profitable opportunities do exist for Angola, in expanding trade in goods and services with China, particularly in the agriculture sector as well as in the apparel and tourism industries. The extent to which Angola will be able to reap these huge opportunities in the long term depends on the ability and visionary capacity of the leadership in elaborating and implementing in time the necessary policy reforms that would facilitate the emergence of an accommodating business sector, which will in turn encourage the development of a strong and competitive agriculture sector as well as apparel and tourism industries.

Before closing this chapter, it is worth noting that trade between China and Angola is only one side of a coin, as we know that China has massively invested in Angola. Therefore, in order to have a comprehensive picture of the partnership between China and Angola, it is important to assess the impact of Chinese investments in Angola. Thus, the next chapter will cover the issue of Chinese investments in Angola.

CHAPTER FOUR: CHINESE INVESTMENTS IN ANGOLA

4.1 INTRODUCTION

The protracted Angolan war that lasted 27 years destroyed most of the country's basic infrastructure. It left most of the roads, bridges, railways, hospitals and schools destroyed.³²⁶ The war also did not enable the country to invest in human resources as a result of which Angola faces a severe shortage in human resources. There are currently about 70 secondary schools in Angola and only one state University.³²⁷ Millions of Children do not attend school for various reasons such as inability to pay fees and poor water supply and sanitation.³²⁸

After the peace accord signed in 2002, the country urgently needed to invest in the rehabilitation of the destroyed infrastructure as well as the construction of new ones. To achieve that, Angola turned to the international Monetary Fund, the World Bank as well as Western countries for financial assistance to execute its reconstruction program. However, the Breton Woods institutions predicated their financial assistance to Angola on the implementation of fiscal and structural reforms.³²⁹ The objectives of the reforms were to enhance transparency over the use of revenue generated by oil exports as well as to improve the efficiency and productivity of the Angolan economy.³³⁰ However, the Angolan government objected to the recommendations made by the IMF and the World Bank. Angolan Deputy Prime Minister, Jaime Aguiñaldo argued that World Bank and IMF recommendations were politically suicidal and economically risky.³³¹ For instance, he claimed that the IMF told the government to reduce the number of state employees in a bid to reduce public expenditure, thus he wondered how one could achieve that in a post conflict country such as Angola without creating massive unemployment.³³²

³²⁶ Traub James. The New York Times. China's African Adventure. November 2006

³²⁷ Shafika Isaacs. ICT in Education in Angola. P3

³²⁸ Ibid.P3

³²⁹ Grion Moreso Emilio. The Political Economy of commercial relations.P147

³³⁰ Ibid.P148

³³¹ Traub James.op.cit

³³² Ibid

In March 2002 the IMF declared that despite years of assistance, Angola had not achieved significant progress in implementing fiscal and structural reforms and that it would be very difficult for Angola to formulate a meaningful poverty reduction strategy.³³³ As a result of the IMF statement, the US and Britain withdrew from a donor conference scheduled for July 2002.³³⁴

As Western countries and Breton Woods institutions refused to provide Angola with the necessary financial assistance that it needed, the country turned to other countries for assistance. The Angolan government sought soft loans and bilateral credit lines from Countries such as Brazil, India, Germany and China.³³⁵ So far, Chinese loans have been the largest, estimated at more than US\$ 10 billion. China's EXIM Bank has played a leading role in the provision of Chinese loans to Angola. Actually, China's EXIM Bank is the leading Chinese Bank in the provision of concessional loans.³³⁶ As a policy Bank, the main objective of EXIM Bank is to promote the development of the export-oriented economy of China.³³⁷ Its activities can be summarized in three categories: i) Provide loans for the export of Chinese products ii) Loans to Chinese companies' overseas investment and construction projects and iii) Provide concessional loans to foreign governments.³³⁸ EXIM Bank concessional loans have five basic criteria. Firstly, they have a maximum maturity of 20 years and are denominated in Chinese Renminbi (RMB). Secondly, their interest rates range from 2-4 % and are subsidized by the Chinese government. Thirdly, they may provide a grace period of 3-7 years to the borrower during which time the borrower will only repay interest and not the principal. On top of this, Chinese contractors must be awarded the infrastructure contract financed by the loan. Finally, at least 50% of the contract's procurement must come from China.³³⁹

³³³ Ibid

³³⁴ Ibid

³³⁵ Grion Moreso Emilio. Op.cit.P148

³³⁶ Center for Chinese Studies. How China delivers development assistance to Africa. P19

³³⁷ Ibid. P20

³³⁸ Ibid.P21

³³⁹ Ibid.P19

As mentioned in Chapter 3, China's EXIM Bank provided Angola with a US\$ 2 billion soft loan in 2004, managed by the Angolan minister of finance.³⁴⁰ The loan was intended to assist Angola with the construction of vital infrastructure, payable over 17 years with an interest rate of 1.5%, including a grace period of 5 years during which Angola would only repay the interest and not the principal.³⁴¹ In addition, according to the terms of the contract, 70% of the projects financed by EXIM Bank's loans will have to be awarded to Chinese companies while the remaining 30% will go to Angolan companies.³⁴² As indicated again in the last Chapter, this loan is tied to the payment of 10 000 barrels of crude oil a day by Angola to China. Since 2004, the initial US\$ 2 billion loan has been increased several times and it is believed that the total amount of Chinese loans managed by the Angolan ministry of finance is around US\$ 4 billion.³⁴³

However, the largest part of the Chinese loans aimed at large construction projects are managed by the Gabinete para Reconstrucao Nacional (GRN), under the direction of General Helder Vieira Dias who is also the Minister in Chief of the Presidency.³⁴⁴ The loans managed by the GRN are estimated to be in excess of US\$ 9 billion and were provided by China International Fund Ltd, a Hong Kong-based fund management Company.³⁴⁵ Contrary to loans provided by China's EXIM Bank, little is known about the terms of the contract signed between China International Fund Ltd and the government of Angola. This has prompted one Angolan economist and prominent member of the political opposition to argue that neither the Angolan parliament nor the Angolan government has sufficient information concerning the terms of the contract and the precise amount of Chinese loans since these are firmly controlled by the presidency.³⁴⁶

³⁴⁰Center for Chinese Studies. China's Engagement of Africa: Preliminary Scoping of African Case Studies. P22

³⁴¹ Ibid.P22

³⁴² Ibid.P23

³⁴³ Ibid.P23

³⁴⁴ Interview. 8 April 2008. Luanda

³⁴⁵ Center for Chinese Studies. China's Engagement of Africa. Op.cit. P23

³⁴⁶ Interview. 8 April 2008.Luanda

From what has been described above, it is evident that Chinese loans to Angola sought to achieve three main objectives. First of all, Chinese loans were intended to enable Chinese companies to penetrate the Angolan construction sector. Secondly, they were intended to allow China to import more oil from Angola and invest in the exploration of oil in the country. They also intended to stimulate the Angolan economy and increase the purchasing power of Angolan consumers in an attempt to increase Angola's imports of Chinese manufactured goods. Finally, Chinese loans were intended to serve as development assistance as they are concessional. Therefore, the Chinese came to Angola with a global package that contained trade, investment and development assistance.³⁴⁷

That being the case, this chapter will first describe Chinese investments in Angola. Then it will discuss the impact of Chinese investments on the Angolan economy, as well as on the Angolan population at large. Finally, this chapter will also provide some recommendations to the government of Angola, so that Angola can reap more benefits in the long term in its partnership with China.

4.2 Description of Chinese investments in Angola

Chinese investments in Angola have been massive, to the point that China has become the main foreign investor in Angola (see annex 3).³⁴⁸ Sinopec's US\$ 2.4 billion investment in the development of a joint venture with Sonangol is the clearest example of Chinese considerable investments in Angola. In addition, Chinese investments have occurred in almost all the sectors of the Angolan economy. The economist and prominent member of the opposition party mentioned above argues that Chinese companies invest in the oil, mining, construction, media and even retail industries, although the bulk of Chinese investment is located in the construction sector.³⁴⁹ An Angolan businessman based in the city of Benguela also concurs that Chinese investments in Angola are concentrated in the construction sector.³⁵⁰

³⁴⁷ Grion Moreso Emilio. Op.cit. P151

³⁴⁸ Interview. 8 April 2008. Luanda

³⁴⁹ Ibid

³⁵⁰ Interview. 24 February 2008. Benguela

4.2.1 Angolan construction sector

Prior to the entry of Chinese companies in the Angolan construction sector, the sector was dominated by Brazilian companies such as Oderbrecht, Portuguese companies such as Texeira Duarte and Moa Engil as well as South African companies such as Murray and Roberts and Grinaker LTA.³⁵¹ The arrival of Chinese construction companies in Angola has not pushed out of the market the well established Portuguese and Brazilian companies as anticipated although the latter believe that Chinese construction companies get unfair advantages due to the support they enjoy from the Chinese government.³⁵²

In addition, since Portugal and Brazil have in the past provided Angola with loans on the understanding that they would be used to contract Portuguese and Brazilian construction companies it is very probable that the Angola government is still awarding contracts to Portuguese and Brazilian construction companies because it still owes money to these foreign based companies.³⁵³ In contrast to Portuguese and Brazilian companies, the entry of Chinese construction companies in Angola has pushed South African companies out of the market. This can be explained by the reluctance of South African companies to invest huge capital in Angola.³⁵⁴

The Chinese Ministry of commerce has established a list of 35 Chinese construction companies that have been pre-approved to tender for contracts in Angola. According to a consultant, the selected companies must have a positive track record in finalizing contracts within the stipulated deadline and on budget, and also possess the necessary finances, machinery and personnel in order to successfully carry out their projects.³⁵⁵

While Chinese companies have found it easier to establish themselves in Angola because of the political and to a lesser extent financial support that they enjoy from the Chinese government, they also face some challenges.

³⁵¹ Center for Chinese Studies : China's Interest and Activity in Africa's Construction and Infrastructure Sectors. P16

³⁵² Ibid. P16

³⁵³ Ibid.P16

³⁵⁴ Ibid.P17

³⁵⁵ Davies Martin& Corkin Lucy. China's entry into Africa's Construction Sector: the case of Angola. PP241

For instance, a senior employee of China Road and Bridge Corporation (CRBC), one of the main Chinese construction companies established in Angola, complains that construction work cannot be completed as scheduled due to logistical problems associated with the bottleneck at Luanda's port as well as the prevalence of landmines in the interior of the country which renders the task of Chinese construction companies more difficult.³⁵⁶ Finally, some Chinese construction companies have faced problems associated with payment default on the part of the Angolan government.³⁵⁷



A Chinese construction company enlarging the road that stretches from Dondo to Luanda.

The main Chinese construction companies currently active in Angola include China's Road and Bridge Corporation (CRBC), International Fund Ltd, Chinese Overseas Engineering Company (COVEC), China National Electronics Import and Export Corp (CEIEC) and the state owned CICM.³⁵⁸ Since 2004, Chinese construction companies have been awarded contracts worth US\$ billions. For instance, in 2004, CRBC was awarded a contract to build a 370 km road that stretches from Luanda to the northern agricultural city of Uige.³⁵⁹ The project represented an investment of more than US\$ 30 million.³⁶⁰ The project has since been completed.³⁶¹

³⁵⁶ Interview. 31 March 2008. Luanda

³⁵⁷ Center for Chinese Studies. China's Engagement of Africa. Op.cit.P25

³⁵⁸ Davies Martin& Corkin Lucy . op.cit. P242 &243.

³⁵⁹ Ibid.P242

³⁶⁰ Ibid.P242

CRBC is also rehabilitating a portion of the 170 km road that stretches from the central city of Huambo to the southern city of Ondjiva.³⁶² The portion that CRBC is currently rehabilitating stretches from Humbe (a district of the Ombadja municipality) to Ondjiva and covers 92 km.³⁶³ Although CRBC started working in October 2007, the company has so far only rehabilitated 35 km.³⁶⁴ The cost of the entire project is US\$ 47 million.³⁶⁵

In addition, CRBC is also building a 500 meter long bridge over the Cunene River in Xamgongo, Ombadja municipality.³⁶⁶ Besides CRBC, International Fund Ltd is currently rehabilitating two railways. The first railway stretches from Luau (near the border with the Democratic Republic of Congo) to the port of Lobito, in the province of Benguela. This 1300 km railway will cost US\$ 300 million.³⁶⁷ However, the rehabilitation of the “Lau-Benguela” railway which was supposed to be completed by August 2007 is still far from completion due to logistical and governance factors.³⁶⁸ The second railway stretches from the southern city of Namibe to Menongue, the capital of Kwando Kubanco Province. This railway will cover 856 km and will cost approximately US\$ 2 billion.³⁶⁹

³⁶¹ I was told so by a member of the Angolan civil society during my trip to Angola.

³⁶² Center for Chinese Studies: China's Interest and Activity in Africa's Construction and Infrastructure Sectors. Op.cit. P25

³⁶³ I was told so by a friend during my trip to Angola.

³⁶⁴ Ibid

³⁶⁵ Center for Chinese Studies: China's Interest and Activity in Africa's Construction and Infrastructure Sectors. Op.cit. P25

³⁶⁶ I was told so by a friend during my trip to Angola

³⁶⁷ Center for Chinese Studies: China's Interest and Activity in Africa's Construction and Infrastructure Sectors. Op.cit.P25

³⁶⁸ Johnson Scott. China's African misadventures. I saw some portions of the railway that passé through the city of Huambo.

³⁶⁹ Center for Chinese Studies: China's Interest and Activity in Africa's Construction and Infrastructure Sectors. Op.cit. P25



A portion of the railway that stretches from Luau to Lobito rehabilitated by International fund ltd.

Another project involved a consortium of Chinese companies together with Oderbrecht. It is the building of a new airport at Viena, 40 km north- east of Luanda.³⁷⁰ However, the work on the construction site has been going slower than scheduled since the Chinese companies building the new airport were accused by the Angolan government of illegally shipping minerals to China allegedly found on the construction site.³⁷¹

Furthermore, Chinese construction companies have built various infrastructures all over Angola, such as the Luanda general hospital which cost US\$ 8 million, houses in Cabinda province, as well as water infrastructure, schools and recreational centers in various provinces.³⁷²

Finally, China's state owned company CICM has recently won a US\$ 28.4 billion contract to rebuild the electricity grid in the city of Luanda.³⁷³ The project seeks to improve and expand the capacity to supply electricity to the center and the south of Luanda.³⁷⁴

³⁷⁰ Ibid. P25

³⁷¹ Interview. 31 March 2008. Luanda. One Angolan told me that the mineral that the Chinese were shipping out of the country was indeed diamond.

³⁷² Ibid. P26

³⁷³ The China Monitor. *Burgeoning Partnerships: China, Macao and Lusophone Africa*. P17

³⁷⁴ Ibid. P17

4.2.2 Other sectors of Angola's economy

Chinese companies have also undertaken some investments in the telecommunications and manufacturing sectors. ZTE Corporation International has invested US\$ 400 million in the Angolan telecommunications sector. The money will be used for the construction of Angolan telecommunications network, the construction of a mobile phone factory, the creation of a telecommunications institute for the training of Angolan staff and finally the creation of a telecommunications research laboratory.³⁷⁵

China's Dongfeng and Japan's Nissan have established a car assembly plant in Viena, outside Luanda. Automobile CSG Angola Limited plans to assemble 30 000 vehicles a year, including buses, trucks and pickups.³⁷⁶ In addition, the company also plans to assemble motorbikes imported from China at a later stage.³⁷⁷ The company also plans to sell some vehicles in neighboring countries such as the Democratic Republic of the Congo, Congo-Brazzaville and Cameroon.³⁷⁸

Finally, Chinese fishing companies are also active in Angola where they have formed joint ventures with Angolan fishing companies and together they fish within Angolan waters.³⁷⁹ On top of that, Chinese businessmen have also established two fish processing factories in Angola. One is located in Namibe Province and the other in Porto amboim, Kwanza Sul Province.³⁸⁰ One half of the fish processed by the two factories is exported to China while the other is sold in Angola.³⁸¹

³⁷⁵ Center for Chinese Studies. China's Engagement of Africa. Op.cit.P29

³⁷⁶ Interview. 2 April 2008. Luanda.

³⁷⁷ Ibid

³⁷⁸ Ibid

³⁷⁹ Interview. 29 March 2008. Luanda

³⁸⁰ Ibid

³⁸¹ Ibid

4.3 The Impact of Chinese Investments on the Angolan Economy and on the population at large

As Chinese companies have invested quite substantially in Angola, one will hope that these investments will contribute to the strengthening of economic growth as well as to the reduction of poverty in Angola. This can be achieved through the creation of jobs, the establishment of joint ventures and finally through linkages with the local economy. In addition, since Chinese companies are constructing roads, schools and hospitals, one would like to know the impact of such investments on the lives of the Angolan population. Therefore, this section of the chapter is going to assess the impact of Chinese investments on the Angolan economy as well as on the Angolan population.

4.3.1 Creation of jobs

The general perception so far in this investigation concerning Chinese investments in Angola, is that they do create very few jobs for the Angolans, especially under Chinese construction companies. Most of the various actors interviewed have voiced concerns about the fact that Chinese companies do not hire Angolan workers. The Angolan businessman based in Benguela argues that 80% of workers employed by Chinese construction companies are Chinese.³⁸² He then claims that Chinese companies bring with them even masons and truck drivers.³⁸³ In addition, one Angolan official argues that Chinese construction companies employ Angolans only for petty jobs. For instance, he claims that the Chinese use Angolan workers to transport materials.³⁸⁴ There have also been reports according to which some Chinese companies employ Angolan workers on a casual basis, instead of providing them with secure jobs.³⁸⁵

While most of the respondents agree that Chinese investments in Angola barely create jobs for the Angolans, they differ with regard to their explication of this situation.

³⁸² Interview. 24 February 2008. Benguela

³⁸³ Ibid

³⁸⁴ Interview. 25 march 2008. Huambo

³⁸⁵ Center for Chinese Studies. China's Engagement of Africa. Op.cit.P31

For instance, the Angolan official mentioned above argues that Chinese construction companies do not hire Angolan workers because of their low skills and qualification.³⁸⁶ He also claims that language barrier is also another factor why Chinese construction companies are not employing Angolans, as most of the Chinese managers cannot speak Portuguese.³⁸⁷ The European businessman based in Huambo, mentioned above, disagrees with those who claim that Chinese construction companies do not employ Angolan workers because of their low skills. He argues that such arguments are not different from those that colonialists used as an excuse for not hiring natives.³⁸⁸ Thus, he firmly believes that if Angolan workers are not qualified then the Chinese should teach them.³⁸⁹

The economist and prominent member of the opposition party also mentioned above, argues that Chinese construction companies do not hire Angolan workers not only because of their low skills and productivity, but also because of other factors such as their behavior and the inflexibility of the labour law regime.³⁹⁰ For instance, he claims that the degree of absenteeism is high within the Angolan workers and at the same time it is very difficult and costly to fire them as they are protected by rigid labour laws.³⁹¹ As a result, he argues that sometimes Chinese managers pay Angolan workers and ask them to stay at home while they are “replaced” by Chinese workers.³⁹² In addition, the last mentioned interviewee and the manager of a prominent foreign NGO argue that Chinese construction companies seem to work with some sense of urgency as they operate day and night.³⁹³ Therefore, they believe that some Chinese construction companies are not employing Angolan workers as they have to complete their tasks in a short period.³⁹⁴

Contrary to the construction sector, Chinese companies involved in other sectors of the Angolan economy seem to employ more Angolans. This is the case with Automobile CSG Angola limited.

³⁸⁶ Interview. 25 of March 2008. Huambo

³⁸⁷ Ibid.

³⁸⁸ Interview. 19 of March 2008. Huambo

³⁸⁹ Ibid.

³⁹⁰ Interview. 8 April 2008. Luanda

³⁹¹ Ibid.

³⁹² Ibid.

³⁹³ Interviews. 2 April 2008. Luanda & 8 April 2008. Luanda

³⁹⁴ Ibid

Two salesmen who called themselves Nino and Milton argue that last year their company sent 44 young Angolans to China to undergo a two month training in mechanics and that these young men are now working for CSG Angola limited as “middle technicians.”³⁹⁵ They also claim that their company currently employs 100 Angolans although none of these holds a senior management position.³⁹⁶ They finally stress that their company is only at the first stage of operation and that in the near future they will employ more Angolans.³⁹⁷

It is worth noting that many respondents have criticized Chinese companies for not paying Angolan workers decent wages. A member of the union of professors argues that if Chinese construction companies do not employ Angolan workers, it is not because of the inflexibility of the labour law regime or of poor skills, but it is rather because Chinese construction companies do not pay well and therefore, he claims many Angolans do not want to work for the Chinese.³⁹⁸

4.3.2 Procurement of construction materials and equipment.

The other important issue also learnt from this investigation concerning Chinese investments in Angola is the fact that all construction materials come from China.³⁹⁹ Materials such as cement, aluminum and iron ore that Chinese construction companies use to construct and rehabilitate the various infrastructure come from China.⁴⁰⁰ This is not only a direct consequence of the terms of the contract between Angola and Chinese banks that stipulates that at least 50% of the contract’s procurement must come from China but is also the result of the inability of the Angolan economy to provide Chinese construction companies with such materials.⁴⁰¹

³⁹⁵ Interview. 2 April 2008. Luanda

³⁹⁶ Ibid

³⁹⁷ Ibid

³⁹⁸ Interview. 3 April 2008. Luanda.

³⁹⁹ Interview. 24 February 2008. Benguela& Interview. 19 March 2008. Huambo

⁴⁰⁰ Interview. 24 February 2008. Benguela

⁴⁰¹ Interview. 31 March 2008. Luanda

In fact, in the preceding chapter, it was argued that the quantity of cement produced inside Angola is not capable of satisfying the local demand. Even in the case of Automobile CSG Angola limited, all the vehicle components, including tyres and glass come from China.⁴⁰² Thus, if we consider the fact that almost all the procurement of materials and equipment comes from China, coupled with the fact that Chinese investments barely create jobs for Angolans, it is convincing to state that there are no significant backward linkages between Chinese investments and the Angolan economy. Thus, the benefits of Chinese investments in Angola are really reduced.

4.3.3 Issue of Joint ventures (transfer of technology)

As observed in the introduction to this chapter, according to the terms of the contract signed between the Angolan government and China's EXIM Bank, 30% of the projects financed by EXIM Bank concessional loans are reserved for Angolan companies. However, very few (if any) Angolan companies are able to participate in the realization of projects financed by Chinese soft loans.⁴⁰³ This situation can be explained by two factors. First of all, it is difficult for Angolan companies to have access to credit. As argued before, only those Angolans that have connections with politicians or those who are closer to the ruling party can have easy access to credit. The same goes for Chinese soft credit.⁴⁰⁴ Second, many Angolan companies do not possess the necessary technology and human capacity (skills) to participate in challenging projects financed by Chinese soft loans.⁴⁰⁵ Given this situation, it is quite difficult for Angolan companies to form joint ventures with Chinese companies. As a result, the absence of joint ventures between Angolan and Chinese companies hinders the transfer of Chinese technology to Angolan companies and the concomitant diffusion of skills to Angolan workers.

⁴⁰² Interview. 2 April 2008. Luanda

⁴⁰³ Interview. 25 March 2008. Huambo & Interview. February 2008. Benguela

⁴⁰⁴ Interview. 25 March 2008. Huambo

⁴⁰⁵ Ibid

The scenario just cited above makes a manager of a development NGO wonder who will maintain the infrastructure that Chinese construction companies are building as there is no transfer of technology and diffusion of skills.⁴⁰⁶ As such, it is quite obvious that Chinese investments in Angola are not having a positive effect on the emergence of a strong and competitive private sector in Angola. The only sector where there is a joint venture between a Chinese company (Sinopec) and an Angolan company (Sonangol) is in the oil sector. However, the oil sector employs less than 1% of the total labour force and is relatively insulated from the rest of the economy.⁴⁰⁷

Furthermore, the presence of many small Chinese construction companies in Angola threatens the interests of Angolan construction companies as these are not able to compete against the small Chinese construction companies.⁴⁰⁸ Exacerbating the situation as well is the fact that Angolan as well as foreign companies prefer to deal with small Chinese construction companies since these possess more skills, finances and their services are less expensive compared to those of Angolan construction companies.⁴⁰⁹ Therefore, the presence of small Chinese construction companies deprives Angolan construction companies of the necessary space for growth in strength and in capacity. Thus, it is then fair to argue that the presence of small Chinese construction companies has a negative impact on the emergence of a strong private sector in Angola.

4.3.4 Impact of Chinese Investments on the Angolan Population at large

The general assessment regarding the impact of Chinese investments on the Angolan population is that these investments are indeed having a positive impact on the lives of Angolans although in a limited way. Due to the considerable extent of destruction caused by the protracted civil war, the needs of the Angolan population for basic services such as clean water, electricity, education, health and transport are so huge that they can not be satisfied by Chinese investments alone.

⁴⁰⁶ Interview. 27 March 2008. Huambo

⁴⁰⁷ Center for Chinese Studies. China's Engagement of Africa. Op.cit. P17

⁴⁰⁸ Interview. 8 April 2008. Luanda

⁴⁰⁹ Ibid.

Nonetheless, Chinese investments are already having a positive impact on the lives of many Angolans. For instance, the head of a development NGO mentioned above argues that Chinese investments are enabling farmers from the south to transport their products to Umamala.⁴¹⁰ In addition, he argues that as a result of the improvement in the transport system (which is also due to Chinese investments), the price of construction materials such as cement has decreased in inner Angola.⁴¹¹ The Angolan businessman based in Benguela is also of the view that Chinese investments are benefiting the Angolan population. He is of the opinion that in a city of four million people such as Luanda, Chinese investments have improved the transport network as well as the delivery of clean water and electricity. He believes that Chinese investments have improved the standard of living of Angolans living in big cities such as Luanda.⁴¹² The executive director of a communitarian development NGO based in the city of Benguela is also of the view that Chinese investments are benefiting the Angolan population. He claims that Chinese construction companies are rehabilitating social infrastructures such as schools and hospitals that have not been maintained for 30 years.⁴¹³ He asserts that they are doing so in cities such as Huambo, Benguela, and Luanda and even in the provinces with difficult access such as Kwanza Sul, Moxico, Kwando Kubango and the Lundas.⁴¹⁴

⁴¹⁰ Interview. 27 March 2008. Huambo

⁴¹¹ Ibid

⁴¹² Interview. 24 February 2008. Benguela

⁴¹³ Interview. 26 February 2008. Benguela

⁴¹⁴ Ibid.



An agricultural college built by a Chinese construction company in the city of Huambo

Concerning the functionality of the infrastructure rehabilitated and built by the Chinese construction companies, the manager of a prominent foreign NGO mentioned above argues that because of extensive destruction during the war, Chinese companies started rehabilitating infrastructure that could be easily functional.⁴¹⁵ Thus, hospitals and schools rehabilitated by the Chinese are operational.⁴¹⁶ However, the manager of the NGO remarks that many of the hospitals and schools are faced with shortages of qualified staff.⁴¹⁷

This tallies with the view of the CEO of an Angolan research center mentioned in Chapter 3, who argues that Luanda's general hospital built by COVEC is understaffed and is also too small to provide services to the entire Kilamba Kiaxi municipality.⁴¹⁸

Several respondents are of the opinion that the majority of Angolans still do not benefit from Chinese investments.

⁴¹⁵ Interview. 2 April 2008. Luanda

⁴¹⁶ Ibid

⁴¹⁷ Ibid

⁴¹⁸ Interview. 31 March 2008. Luanda

Actually, the head of the development NGO argues that schools constructed by Chinese construction companies in various cities are mostly attended by students who live in those cities and the same goes for hospitals.⁴¹⁹ As such, he believes that Angolans living in rural areas are not benefiting from Chinese investments.⁴²⁰ He concludes by stating that Chinese investments are increasing inequality between rural and urban populations.⁴²¹ However, even in the biggest cities such as Luanda, the extent of poverty remains very high, despite the Chinese investments.⁴²² As argued above, Chinese investments alone can not improve the standard of living of the majority of the Angolan population.

4.3.5 The Quality of Infrastructure renovated or built by Chinese construction companies

Before closing this section, a short discussion concerning the quality of infrastructures built or rehabilitated by Chinese construction companies is pertinent. The majority of respondents argue that the various infrastructures built by Chinese construction companies seem good although they believe it is too soon to evaluate them as these infrastructures are still new.⁴²³ In fact, the businessman from Benguela argues that perhaps one should wait for five years before passing a judgment on the quality of these infrastructures.⁴²⁴

Nevertheless, there are growing concerns over the quality of infrastructures built by Chinese construction companies since the heavy rains in early 2007 washed away many of the newly built Chinese roads.⁴²⁵

⁴¹⁹ Interview. 27 March 2008. Huambo

⁴²⁰ Ibid.

⁴²¹ Ibid

⁴²² Interview. 26 February 2008. Benguela

⁴²³ Interview. 25 March 2008. Huambo & Interview. 26 February 2008. Benguela

⁴²⁴ Interview. 24 February 2008. Benguela

⁴²⁵ Center for Chinese Studies. China's Engagement of Africa. Op.cit. P32. I was also told so by an Angolan Pastor who is from Uige's province.

In addition, the fact that Angola does not possess proper structures that can supervise the roads that Chinese construction companies are rehabilitating is also a matter of concern.⁴²⁶ Fortunately, the government of Angola has recently contracted German consultants to supervise large sections of roads that Chinese construction companies are rehabilitating.⁴²⁷ This measure needs to be applauded as it will ensure that the roads rehabilitated by Chinese construction companies conform to acceptable standards.

Still, there seems to be a serious lack of planning and coordination over the rehabilitation and construction of various infrastructures by Chinese construction companies. For instance, in Huambo, a Chinese construction company had to demolish the roads it had already rehabilitated in order to install electrical cables and pipe underneath.⁴²⁸ In addition, despite the fact that China National Electronics Import and Export Corp (CEIEC) began the renovation and widening of water distribution network in the city of Huambo in late 2005, clean water is still not running from the tap to this day although CEIEC has claimed to have completed its work.⁴²⁹ It has also been alleged that Chinese construction companies sometimes break electrical, water and even telephone cables in the course of their work.⁴³⁰ For instance, in the capital Luanda, a Chinese construction company broke electrical cables as it was rehabilitating roads. As a result, more than 50 000 people were left without electricity in March and April 2008.⁴³¹ In this regard, the economist and prominent member of the opposition party argues that in some case, Chinese investments create new problems for Angola, such as cholera.⁴³²

On his part, the European businessman based in Huambo argues that the lack of coordination and the poor planning in the implementation of projects is due to the lack of capacity in terms of planning by the government of Angola.⁴³³

⁴²⁶ Interview. 19 March 2008. Huambo & Interview. 25 March 2008. Huambo.

⁴²⁷ Center for Chinese Studies. China's Engagement of Africa. Op.cit. P32

⁴²⁸ Interview. 19 March 2008. Huambo

⁴²⁹ Ibid.

⁴³⁰ Interview. 8 April 2008. Luanda

⁴³¹ Ibid

⁴³² Ibid

⁴³³ Interview. 19 March 2008. Huambo

4.4 Lessons from Chinese Investments in Angola: The way forward

From what has been argued so far in this chapter, it is clear that almost four years after the arrival of Chinese companies in Angola, it is possible to fairly assess the impact of Chinese investments on the Angolan economy as well as on the standard of living of Angolan citizens. As explained in the preceding section of this chapter, the impact of Chinese investments on the Angolan economy remains ambiguous and superficial. Also, the impact of Chinese investments on the Angolan population is unclear. This means it is important for the government of Angola to take some steps aimed at correcting these shortcomings so that Angola can benefit from Chinese investments in the long term. Thus, in this section of the paper will be suggested some measures that could help Angola reap full benefits from Chinese investments, both in the short and long term.

4.4.1 In the Short term

The issue of job creation is clearly one of the most important in assessing the impact of any investment on an economy. The extent to which an investment creates jobs has positive effects on any economy as it has the potential to trigger the economy through the multiplier effect. The fact that Chinese investments in Angola barely create jobs for Angolans greatly reduces the benefits of such investments. Therefore, it is important that the government of Angola ensures that Chinese construction companies are indeed employing Angolan workers; both in management as well as in laborer positions. It is difficult to accept the argument advanced by some Chinese construction companies for not employing Angolans, which is that the latter have poor skills.

Indeed such an argument is particularly hard to accept given the fact that Automobile CSG Angola limited has empowered 40 Angolans by sending them to China for a short training. Thus the question that arises is: why can't the Chinese construction companies do the same?

The government of Angola should put in place a “quota” system that will force Chinese construction companies to engage a minimum percentage of Angolan workers at each level of responsibility. Although it is understandable and legitimate that the Angolan government seeks to protect the rights of Angolan workers, it is also evident that the rigid regulations in the labour market open the way to abuse by workers which in turn deters managers from hiring more workers. For instance, workers enjoy a mandated three days sick leave per month and an allowance of two weeks off for mourning, which is open to abuse.⁴³⁴

Thus, the Angolan government should try to loosen regulations in the labour market in order to empower managers to dismiss lazy and unreliable workers.

Finally, while it is understandable that the Angolan government wants to see the main infrastructure completed as soon as possible in order to improve the standard of living of the Angolan population, the government should extend the duration of construction projects where possible so that Chinese construction companies can employ more Angolan workers and pass to them the necessary skills.

The other important issue that the Angolan government should tackle in the short term is procurement of materials and equipment. Since Chinese construction companies bring with them all materials and equipment from China, this situation further reduces the benefits that Angola gets from Chinese investments. Therefore, the Angolan government should facilitate the emergence of a strong private sector specialized in the manufacture of construction materials, such as cement, aluminum and iron ore. This is important bearing in mind that Angola has only started its reconstruction process and will still need such materials for many years to come.

The emergence of a strong construction industry will create more jobs and boost total output. In order to achieve this goal, the government needs to facilitate access to credit and create an accommodating business environment.

⁴³⁴ Center for Chinese Studies. China’s Engagement of Africa. Op.cit. P32

It has also been pointed out that Chinese fishery companies are also operating in Angola. It would be expedient for the Angolan government to limit the entry of Chinese fishery companies into that industry and encourage the emergence of a strong local fishery industry. Actually, the increasing presence of Chinese companies in the industry may deprive Angolan businesses entry into the industry as a result of stiff competition

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Recommended as well is that the Angolan government should limit the entry and establishment of small scale Chinese construction companies in Angola, in order to preserve the necessary space needed by Angolan construction companies for their growth and expansion.

Finally, as argued so far, the Angolan government plus all the provincial governments have weak capacity in terms of planning and implementing construction projects. As such, there is an urgent need for reform within the public sector, especially in the ministry of public works in order to increase the capacity of the ministry regarding planning and implementing projects.

4.4.2 In the long term

In the long term, the government of Angola should deal with the weak capacities of Angolan construction companies. Thus, the Angolan government will have to boost the overall capacities of Angolan construction companies in order to allow them to form joint ventures with Chinese construction companies as well as with Brazilian and Portuguese construction companies. As already argued in this chapter, without joint ventures between Angolan and Chinese construction companies, it will be virtually impossible for the former to acquire the technology and skills needed to undertake significant infrastructural projects.

However, one can not entirely blame the Chinese companies for the lack of joint ventures, or lack of participation of Angolan companies in projects financed by Chinese soft loans.

It has been pointed out in this chapter that Angolan construction companies are unable to form joint ventures with Chinese construction companies or participate in projects financed by Chinese soft loans because of technical, financial and capacity constraints. That being the case, the Angolan government should invest in education, especially in the areas of engineering and science as well as in scientific research in order to develop qualified staff. Given the deficiency of the Angolan education system, coupled with the shortage of qualified lecturers, badly paid lecturers as well as low quality teaching, a serious reform of the education system is needed to achieve the objective mentioned above.⁴³⁵

In addition to the education system, the government should also assure Angolan businesses fair access to credit, including Chinese soft loans. In the same vein, the government should foster a competitive climate between Angolan companies. These issues will be discussed further in the last chapter.

Finally, it would not be a bad idea for the Angolan government to acquire in the long term an agency that will supervise the works of foreign construction companies instead of relying on the German company.

4.5 **CONCLUSION**

In the first part of this chapter, a description of Chinese investments in Angola was given. The argument was made that although Chinese investments cover almost all the sectors of the Angolan economy, they are concentrated in the construction sector. A brief description of the major works that Chinese construction companies have undertaken and are still undertaking was then presented.

It was highlighted that Chinese construction companies are constructing roads, railways, hospitals, schools and other infrastructures all over Angola. Mention was made of some Chinese investments that are located in the manufacturing and services sectors.

⁴³⁵ Interview. 27 March 2008. Huambo. & Interview. 19 March 2008. Huambo. & African Development Bank. African Economic Outlook: Angola. P120

The second part of this chapter made an assessment of the impact of Chinese investments both on the Angolan economy and on the Angolan population at large. Regarding the impact of Chinese investments on the Angolan economy, it was argued that Chinese investments are not really having the anticipated positive impact on the Angolan economy, at least for the moment, as Chinese investments are not creating many jobs and also do not have linkages with the local economy. It was asserted that as a result of the absence of joint ventures between Chinese construction companies and Angolan construction companies, there is no significant transfer of technology and diffusion of skills from Chinese construction companies to Angolan construction companies.

Concerning the impact of Chinese investments on the Angolan population, a claim was made that although Chinese investments have some positive impact on the Angolan population, these remain limited and ambiguous as Chinese investments sometimes have a negative impact on the population. The quality of infrastructures that are either built or rehabilitated by Chinese construction companies was then discussed. Here, the point was made that infrastructures built by Chinese construction companies appear good although no one knows how durable they will be. The concerns of many respondents since the rains of early 2007 that washed away many of the Chinese newly constructed roads were voiced. The government of Angola was commended for hiring a German company to supervise the works of Chinese construction companies.

The last part of this chapter presented some suggestions to the attention of the government of Angolan so that both in the short and long term Angola can reap maximum benefit from Chinese investments. In the short term, it was recommended that Angola should make sure that Chinese companies hire Angolan workers by imposing a quota system.

It was then suggested that the Angolan government should lessen its regulations in the labour market in order to stop workers from abusing the current rigid labour law regime. This measure will encourage more managers, including Chinese ones, to employ more Angolan workers.

Recommended as well was that the government of Angola should provide Chinese construction companies more time to complete their works so that in the meantime they could employ Angolan workers and empower them. The issue of procurement of materials and equipment was raised. Here, the suggestion was that the government of Angola should encourage the emergence of an industry specializing in the manufacturing of construction materials that will be sold to all construction companies operating in Angola, including the Chinese companies. It is sincerely hoped that such new activities will create many direct and indirect sustained jobs in Angola.

In the long term, the suggestion was made that the government of Angola should upgrade the capacities of Angolan construction companies in order to allow them to form joint ventures with Chinese construction companies, as well as the Brazilian and Portuguese construction ones. This will allow Angolan construction companies to gain the necessary technology and skills. Finally, an assertion was made that it would be better for Angola to create an agency to supervise the works of foreign construction companies.

Overall, the impact of Chinese investments in Angola is not very positive at the moment. It is essential that the Angolan government implements structural reforms aimed on one hand at boosting the capacity of the public sector to deliver basic services and on the other, at creating a friendlier business environment. Of course, in the absence of strong and efficient administration that can provide its citizens with a competitive education and foster a strong and competitive private sector, it is unlikely that even the roads, electrical grids and railways built by the Chinese (even if they are of sufficient quality) will have a positive effect on the development of the country.

Also, the issue of maintenance of these infrastructure will be problematic as there would be no local company capable of maintaining them. We will deal with the issue of structural reforms more closely in the next chapter.

CHAPTER 5: CONCLUSION

5.1 INTRODUCTION

As a result of China's consistent rise as a world power and its growing role in Angolan political economy, China is now perceived by Angola as a credible alternative to the West. The fact that China does not attach its financial assistance to African countries to conditions related to human rights, good governance and democracy has been widely appreciated in Luanda. For instance, during the recent visit of French president Nicolas Sarkozy to Luanda, Angolan foreign minister Joao Miranda argued that Angola prefers to deal with China as the middle kingdom does not impose stringent conditions on its loans and grants to African countries.⁴³⁶ As mentioned before, Chinese banks have given huge amounts in loans to the Angolan government without any conditions on political and economic governance. As pointed out earlier, Chinese "unconditional loans" were provided to Angola at a time when Western governments as well as the Breton Wood institutions predicated their financial assistance to Angola on the implementation of structural and fiscal reforms. As expected, Western academics, journalists and politicians have voiced concerns over the impact of China's engagement in Angola on the political and economic governance of the country. These same commentators have also voiced concerns that African countries may find themselves in an unequal relationship with China whereby they export raw materials to China and import manufactured goods from that country.

Although the concerns just mentioned are legitimate, one does not need to be too pessimistic and ignore some of the positive impact of the new partnership between China and Angola on the Angolan economy as well as on the Angolan population as a whole. In heading towards the end, the general conclusion of this study is that the partnership between China and Angola is neither positive nor negative. This study is of the view that there are both positive and negative aspects in the current partnership between China and Angola.

⁴³⁶ Boisbouvier Christophe. RFI. Nicolas Sarkozy veut Renouer des liens privilégies avec l'Angola.

The future of this partnership will depend on the ability of the Angolan government not only to correct the mistakes made so far but also to envisage a new form of partnership in the future which will allow Angola to reap the most benefits it can. This study is of the view that without such a visionary plan, Angola will surely lose in its partnership with China in the long term.

Thus, having said that, this chapter will have three sections. The first section will recap on the main findings that this study has uncovered regarding trade between China and Angola and Chinese investments in Angola. The second section will deal in detail with the issue of structural and fiscal reforms. Finally, the last section of this chapter will provide some leads for future research and also draw some lessons that other African countries may learn from the Angolan case.

5.2 OUTCOMES OF TRADE BETWEEN CHINA AND ANGOLA AND OF CHINESE INVESTMENTS IN ANGOLA

5.2.1 Issue of Trade between China and Angola

As far as trade between China and Angola is concerned, this study has showed that trade between the two countries is mostly driven by the complementarities of the two economies as Angola possesses huge reserves of natural resources while China possesses technology and huge capital. Also, this study has asserted that although China is the biggest winner in the trade between the two countries, this reality does not imply that Angola does not benefit from trading with China. In fact, Angola does benefit in trading with China in many ways.

First of all, this study has demonstrated that the rise of China's imports of Angolan oil in the context of high crude oil prices partially fuelled by strong Chinese demand, has enabled the government of Angola to significantly increase its revenue. The surge in Angola's national revenue has enabled the government of Angola to eliminate fiscal deficit and also to lower inflation as well as to stabilize the exchange rate.

Although one cannot entirely attribute to China's huge imports of Angolan crude oil the success achieved by Angola in the management of its macroeconomic policies, it is evident that China's voracious appetite for oil has helped Angola achieve in a few years what the IMF has been unable to achieve in many years.

Second, this study has also shown that trade between Angola and China is benefiting Angolan consumers as they can easily afford cheap Chinese manufactured goods. Trade between the two countries also benefits the Angolan economy as it enables Angola to import from China cheap construction materials needed for Angola's reconstruction. Nevertheless, this study has also noticed that Angolan import of Chinese manufactured goods is still limited and that Angola imports more expensive Chinese manufactured goods from middle trades men in South Africa, Dubai and Europe.

This study has also criticized the fact that Chinese petty traders are allowed to operate freely in Angola. This situation is damaging for Angolan traders as the more influential Chinese petty traders pose a debilitating direct competition to Angolan traders. This situation could well lead to violence in future.

5.2.2 Chinese Investments in Angola

As far as Chinese investments in Angola are concerned, this study has shown that for the moment, the positive impact anticipated from Chinese investments on the Angolan economy has not been realized. However, concerning the impact of Chinese investments on the Angolan population at large, this study has demonstrated that while Chinese investments have some positive impacts on the Angolan population, these impacts remain largely dubious and limited.

The impact of Chinese investments in the Angolan economy has been quite deceiving as this study has shown in the preceding Chapter. For instance, it has been demonstrated that Chinese companies, especially the construction companies currently involved in Angola, barely employ local workers.

The fact that the majority of Chinese companies in Angola are involved in the construction sector makes it fair to argue that overall, Chinese investments in Angola do create a few jobs. This study has come to the conclusion that the fact that Chinese investments in Angola barely create jobs for the locals limits the benefits of such investments for the local economy. Nevertheless, this study has also found that Chinese companies are not the only ones to blame for the non employment of local workers. While it is true that some Chinese companies are keen to employ Chinese workers in a bid to curb unemployment in China, it is also true that Angolan workers are not employed for reasons such as low productivity, bad behaviour, inflexibility of the labour regime and time constraints.

This study has also found that Chinese investments in Angola have little, if any linkages with the local economy. This reality applies to all sectors of the Angolan economy. In fact, Chinese construction companies bring with them all construction materials from China. The same goes for Chinese companies involved in other sectors of the economy. This situation is a result of the inability of the Angolan economy to provide Chinese companies with the necessary materials rather than calculated actions of Chinese managers. Therefore, since Chinese investments create relatively few jobs and also since all procurement of materials and equipment comes from China, the study has concluded that it is fair to argue that there are no significant backward linkages between Chinese investments and the Angolan economy.

Furthermore, this study has also demonstrated that there are barely any joint ventures between Chinese companies and Angolan companies. The only exception to this reality is in the Angolan oil industry. As the result of the absence of joint ventures between Angolan companies and Chinese ones, this study has concluded that the transfer of technology from Chinese companies to Angolan companies remains illusionary. Also, the lack of joint ventures between Angolan and Chinese companies limits the extent of diffusion of skills towards Angolan workers. However, this study has argued that Chinese companies are not to blame for the lack of joint ventures between Angolan and Chinese companies.

This study has argued instead that there are basically two main reasons to explain the lack of joint ventures. The first reason is linked to the absence of a business friendly environment that can among other things, facilitate companies' access to credit. Currently in Angola, access to credit is restricted not only by high interest rates but also by political factors. The second reason is the deficiency of knowledge and skills since many Angolan companies (especially construction companies) do not possess the technology and human capacity (skills) necessary to participate in construction projects.

Thus, this study has concluded that as a result of the absence of joint ventures between Chinese and Angolan companies, Chinese investments in Angola are not having the intended impact of fostering a strong and competitive Angolan private sector.

Concerning the impact of Chinese investments on the Angolan population at large, this study has asserted that Chinese investments in the rehabilitation of social infrastructure such as schools, hospitals and recreational centers as well as the rehabilitation of roads and railways have improved the standard of living of sections of the Angolan population living in big cities, such as Luanda, Huambo and Benguela. However, the majority of Angolans still live in abject poverty, even in the cities. Moreover, Chinese investments seem to accentuate inequalities between Angolans living in the cities and those living in the rural areas.

This study has also demonstrated that sometimes Chinese investments create more problems than they bring solutions as a result of poor planning. This is the case with Chinese construction companies that break water, telephone, and electrical cables while rehabilitating roads. Also noted by this study is that the outcomes of some construction works done by Chinese construction companies are unsatisfactory. Furthermore, this study has stressed concerns over the slow pace of some construction work currently undertaken by Chinese companies. One could understand if the dragging pace of such work was due to logistical and technical reasons. However, the worrisome factor is the fact that there have been some allegations of corruption and mismanagement.

Finally, this study has stressed some concern over the quality of infrastructures rehabilitated or built by Chinese construction companies. Although most of the infrastructures built by Chinese construction companies seem to be of sufficient quality, it is very difficult to assess their durability, especially given the fact that the rains of early 2007 washed away most of the new roads built by Chinese construction companies. However, given the fact that even the quality of roads built by Portuguese and Brazilian companies seems disputable, this study has stressed the need for the government of Angola to enforce control of the quality of the infrastructures built by the various companies established in Angola. Therefore, in light of all that has been mentioned, this study has concluded that the impact of Chinese investments on the Angolan population remains limited and in some cases ambiguous.

5.3 STRUCTURAL AND FISCAL REFORMS: THE NECESSARY PASSAGE.

In the previous chapter, it was mentioned that after the end of the Angolan civil war, Angola refused to comply with the IMF and Western countries' concerns regarding structural and fiscal reforms. However, in the last two chapters, this study stressed the importance of structural and fiscal reforms for Angola. This study strongly believes that Angola needs to implement structural and fiscal reforms in order to foster the emergence of an accommodating business environment that will encourage Angolan and foreign investors to operate efficiently in the country. Such an environment will also allow Angola to diversify its economy and enable Angolan companies to effectively participate in global supply chains. Moreover, this study also firmly believes that the reform of the education sector is of extreme importance as it will allow Angola to resolve the shortage of skills and therefore, enable Angolan workers to increase their productivity while Angolan companies can move downstream the chain of production.

5.3.1 STRUCTURAL REFORMS

Structural reforms are changes aimed at improving the productivity and efficiency of the economy.

In other words, the objective of structural reforms is to foster the emergence of an accommodating business environment conducive to sustainable and strong economic growth. The World Bank has recently conducted a survey on the business environment in Angola called enterprise survey, which covered small, medium and large companies.⁴³⁷

The survey was applied to a variety of sectors of the economy such as the manufacturing, services, transport and construction.⁴³⁸ According to this survey, the main obstacles to investment and doing business as identified by Angolan companies are electricity (shortage and reliability), access to financing (availability and cost), corruption and transportation (see annex 3) . Actually, 35%, 12.9%, 12%, 7.8%, 7.1%, 6.4% of the companies surveyed have identified electricity; corruption, access to financing, transportation, anti-competitive behaviour and informal practices, crime, theft and disorder respectively as the main constraints to investment and doing business in Angola.⁴³⁹

5.3.1.1 *Infrastructure*

The shortage of appropriate infrastructures in Angola, particularly electricity and transport is a serious constraint to the development of a strong Angolan private sector. However, considering the fact that the government of Angola with the backing of Chinese banks has devoted huge amounts of financial resources to the construction of hydroelectric dams, power lines as well as roads and railways, one would expect the overall state of infrastructures to considerably improve in the next couple of years in Angola. Actually, it is expected that electricity generation will grow by around 42% in Angola between 2007 and 2008.⁴⁴⁰ Thus, the government of Angola needs to continue investing in infrastructures, rural areas included.

⁴³⁷ The World Bank. Enterprise Surveys Country Profile. Angola. 2006. P3

⁴³⁸ Ibid.p3

⁴³⁹ Ibid. P12

⁴⁴⁰ African Development Bank. African Economic Outlook: Angola.P116

Still, there are concerns over the maintenance of these infrastructures as Angola does not yet possess the capacity to maintain them.

Thus, the government of Angola should put in place an agency controlled by the ministry of public works that will be responsible for maintaining infrastructures. Another alternative would be to privatize national roads so that they can be maintained by private companies. This seems to be a more feasible option given the shortage of skills within the Angolan public sector.

5.3.1.2 *Public Administration*

The other main factor that thwarts the development of a strong private sector in Angola is the weakness of the Angolan public administration. It is well known that an efficient and transparent public administration plays a vital role in the establishment of a conducive business environment. For instance, an efficient and transparent public administration facilitates the tasks of entrepreneurs to obtain business licenses and to register their businesses. With such public administration, entrepreneurs are insulated from bribes and rent seeking from government officials and as such their operational costs are lowered. In addition, an efficient public sector stimulates private initiatives as it provides entrepreneurs with basic services such as electricity, paved roads, telephones, and assure the maintenance of such infrastructures over time.

As mentioned above, Angolan public administration is still weak. For instance, according to a survey conducted by the World Bank in 2008 which ranked 178 countries according to various variables related to the business environment, Angola ranked 173, 136 and 166 respectively for starting a business, dealing with licenses and registering property.⁴⁴¹ As mentioned above, corruption is also a serious issue in Angola. A European businessman based in Huambo complains that businessmen who travel with their goods from Huambo to Luanda have to pay bribes to policemen at various police posts. He claims that such behaviour is harming the interests of businessmen.⁴⁴²

⁴⁴¹ World Bank: Doing Business. Economic Ranking 2008.

⁴⁴² Interview. 19 March 2008. Huambo

This study also voiced concerns over the present inability of the Angolan public sector to maintain the various infrastructures that are being rehabilitated or built.

In light of all that has just been mentioned, the government of Angola should initiate the reform of the public administration in order to increase its efficiency and curb the level of corruption within the public administration. It is obvious that the government of Angola will have to reduce the number of civil servants, increase salaries and hire new and better educated civil servants. In addition, the government of Angola should facilitate the procedure of registering new businesses and the delivery of licenses by removing unnecessary regulations. The unfair privilege of entry into new promising businesses, reserved for a few Angolans, should be avoided.

Nevertheless, mobilizing financial resources, enacting new regulations and hiring competent workers will not by itself improve the efficiency of the Angolan public administration without an institutional framework based on accountability. Since any public administration is a complex institution that regroups politicians and policy makers, organizational providers (ministry, department, and agency) and front lines providers (teachers, doctors, policemen and engineers), it is crucial that all these actors be linked by a relationship of accountability. By accountability is meant a situation whereby politicians and policy makers provide resources and delegate powers and responsibility for collective objectives to the providers. Afterwards, the same policy makers generate information about the performance of the providers and decide to reward or punish them according to their actions and output.

5.3.1.3 *Access to Financing*

An easy access to financing (credit) is very important for an economy as it allows private companies to meet short-term payments for labour and supplies as well as long term investments. Thus, an easy access to finance leads to more investments, more employment and to stronger economic growth. In Chapter 3, it was mentioned that interest rates are high in Angola to the point that they limit private companies' access to financing.

It was also revealed that access to financing is sometimes reserved for individuals close to the ruling party or having connections with politicians. The enterprise survey of the World Bank also confirmed the fact that access to financing in Angola is costly and limited.

Data from Angola also confirm these facts. Although lending rates have decreased from 100% in 2003 to 19% in 2006, they are still high compared to other African countries.⁴⁴³ In addition to that, it is difficult for borrowers to offer collateral as a result of weak access to credit histories and unclear land titles.⁴⁴⁴ Therefore, Banks prefer to make their profits from transactions, short-term trade financing and investments in high interest government bonds.⁴⁴⁵

As mentioned in chapter 3, high interest rates in Angola are a direct consequence of the anti-inflationary policy adopted by the government of Angola which consists of combating inflation only through monetary policy. Relying on monetary policy to combat inflation means that interest rates have to be set high in order to limit consumption and investment.

Indeed, one needs to realize that the double digit inflation in Angola is not only a monetary phenomenon but also a phenomenon caused by high supply costs. In fact, a closer look at the structure of Angolan inflation reveals that the prices of basic food commodities which are consumed by the majority of the Angolan population are above the average level of inflation.⁴⁴⁶ For instance, in November 2007, the average level of inflation was 1.06% while dry fish contributed to the inflation by 4.70%, cassava meal by 4.10%, local rice by 3.46%, lamb by 3.45%, maize meal by 3.31%, first quality meat by 2.99%, soya cooking oil by 2.99%, normal rice by 2.83%, fresh fish by 2.60% and frozen chicken by 2.40%.⁴⁴⁷

⁴⁴³ International Monetary Fund. Angola: Selected Issues and Statistical Appendix. October 2007

⁴⁴⁴ US. Department of State. Investment Climate Statement-Angola.

⁴⁴⁵ Ibid

⁴⁴⁶ Tonet William: Folha. Crescimento economico sem projecto de desenvolvimento e perigoso. P11

⁴⁴⁷ Ibid.P13

Given the fact that the source of the double digit inflation in Angola mainly lies in the high cost of the main food commodities, the government of Angola should then strive to increase the supply of these food commodities. This can be achieved through the improvement of the transport and electricity infrastructures, the provision of credit to farmers as well as through the gradual increase of farmers' productivity.

This new strategy in fighting inflation will enable the Angolan authorities to loosen up interest rates, thus, more entrepreneurs can have access to credit. In addition, the use of this strategy to fight inflation will also enable the Angolan authorities to lower the value of the local currency, the kwanza, which in turn will increase the international competitiveness of Angolan producers.

Furthermore, the government of Angola should conduct an agrarian reform in order to establish clear land rights. The problem of land ownership in Angola started during the colonial era with the massive removal of Angolan peasants from their lands by Portuguese colonialists.⁴⁴⁸ It was later accentuated by the struggle for independence in the 1960's and the subsequent civil war that commenced in 1975 which forced many Angolans to abandon their lands and move either to Luanda or to neighboring countries in order to save their lives.⁴⁴⁹ In 1992, the government of Angola introduced an agrarian reform that allowed private ownership of land. However, the government arbitrarily awarded pieces of land to powerful economic interests without taking into account the interests of Angolans who abandoned their lands during the struggle for independence as well as during the civil war.⁴⁵⁰

Since the end of the civil war, many internally displaced Angolans, former combatants as well as former refugees returning from neighboring countries have been claiming back the land that they abandoned.⁴⁵¹ As a result, there have been competing claims of land rights amongst these various actors which may fuel new tensions.

⁴⁴⁸ Clover Jenny. Land Reform in Angola: Establishing the ground rules. P355

⁴⁴⁹ Ibid. P362

⁴⁵⁰ Ibid.P363

⁴⁵¹ Ibid.P363

It is therefore important for the government of Angola to resolve the conflict over the ownership of land in Angola not only by resolving conflicting claims of land ownership but also through the elaboration of laws that strongly protect the property rights of all land owners, including the poor. The establishment of new land rights will enable some Angolans to use their land as collateral when soliciting credit from commercial banks.

Finally, the government of Angola should revise the structure of the lending rates in order to make sure that they are based on realistic risk assessment and that they do not extrapolate commercial banks' profits. The government of Angola should also make sure that access to financing is not restricted to members of the ruling party or to those who have connections with politicians. In order to achieve that, the ministry of finance can set an agency responsible for overseeing the operations of commercial banks, especially the provision of loans. Obviously, in order to be successful, such an agency would have to work closely with private companies.

5.3.1.4 *Justice*

This chapter has already mentioned the necessity to protect property rights. However, one can not achieve that without the existence of an independent and professional judiciary that is able to enforce property rights and to fairly resolve commercial disputes. Many Angolan companies do not believe in the impartiality and professionalism of the judiciary.⁴⁵² Apart from that, legal fees are high and many companies avoid taking disputes to courts.⁴⁵³ Thus, the government of Angola needs to reform the judiciary as well. In order to achieve that, parliament should pass bills that will ensure that judges are insulated from political pressures and enjoy financial security. The courts, including commercial courts have to be well equipped to be effective. The members of the economic and judicial polices also have to be well trained and paid.

⁴⁵² The World Bank. Enterprise Surveys Country Profile. Angola. Op.cit.P9

⁴⁵³ US Department of State.op.cit. & Heritage Foundation. Index of Economic Freedom.

5.3.1.5 *Competition*

It is a well known fact that the Angolan economy is one of the least competitive economies in the world. Actually, Angolan state owned companies have usually enjoyed privileges denied private and foreign companies. For instance, state owned companies such as Indiana and Sonangol do not always pay their taxes and also are able to escape the bureaucratic maneuvers that private and foreign companies have to face.⁴⁵⁴ In addition to that, the government of Angola has not yet completed the elaboration of the competition bill.⁴⁵⁵ Therefore, the government of Angola should expediently draft a competition bill and pass it to parliament for ratification. The competition bill should include a price scheme that takes into account market conditions such as production and distribution costs in order to prevent the formation of oligopoly markets. On top of that, the same government should make sure that all companies, whether private or public receive the same treatment.

5.3.2 FISCAL REFORMS

Fiscal policy merely refers to government policy that attempts to influence the direction of the economy through changes in government taxes or government expenditure. Thus, the two instruments of fiscal policy are government expenditure and taxation. From this brief definition of fiscal policy, it is evident that government expenditure can influence positively or negatively the economic situation of a country. In fact, an expansionary fiscal policy (i.e. increase in government expenditure or a cut in taxes) usually leads to inflation in the medium to long term and to the crowd out of private investments, which in turn reduces total output.

After the end of the Angolan civil war, the government of Angola's expenditure was not only murky but also excessive.

⁴⁵⁴ African Development Bank.op.cit.P116

⁴⁵⁵ Ibid.P116

In fact, the government of Angola was not able to account for the use of US\$ 4 billion generated from the production and export of crude oil and was also running budgetary deficits.⁴⁵⁶

In fact, Table 2 below indicates that 15.4% of government expenditure engaged between 1997 and 2002 could not be accounted by the government of Angola.

Table 2: Angolan Government's Unexplained Expenditures Discrepancies 1997-2002.

Year	1997	1998	1999	2000	2001	2002	TOTAL
Total Government Expenditure (US\$ millions)	4,966	2,771	5,016	5,387	4,383	5,370	27,893
Discrepancy (US\$ millions)	1,775	34	1,119	407	540	347	4,222
Discrepancy (% Government Expenditures)	35.7	1.23	22.3	7.56	12.3	6.46	15.4
Discrepancy (% GDP)	23.1	0.6	18.4	4.6	5.7	3.1	

Source: Human Right Watch 2006.

However, as indicated in the previous chapter, the government of Angola refused to work under the supervision of the IMF in order to reduce expenditure (reduce fuel, water and electricity subsidies as well as the size of the public sector) as well as render more transparent the management of oil revenue.

Still, Angola managed to achieve significant progress without the help of the IMF. The government of Angola managed to eliminate fiscal deficits thanks to rising oil prices coupled with the rise of the local oil production. The Angolan government has also managed to reduce the level of fuel and electricity subsidies.⁴⁵⁷

⁴⁵⁶ Faucon Benoit. China makes headway in Angola with multiple trade ties.

⁴⁵⁷ International Monetary Fund. Country Report. July 2005

The same government has also achieved some progress in the area of transparency over the management of oil revenue.⁴⁵⁸ Indeed, the government of Angola has started publishing details of oil payments on the ministry of finance website.⁴⁵⁹ It has also authorized the audit of the oil sector using acceptable accounting rules.⁴⁶⁰

Moreover, the government of Angola has signed a contract with Aberdeen University Petroleum Economic Consultancy (AUPEC) to implement an oil revenue forecasting model and to advise the Angolan revenue services (DNI) on consolidating its capacity with regard to oil taxation.⁴⁶¹

The government of Angola is still unable to entirely account for the spending of oil revenue.⁴⁶² On top of that, little is known about the terms of contracts signed between the government of Angola and foreign oil companies. The lack of transparency over the use of oil revenue mostly originates from the para-fiscal activities of Sonangol. The fact that Sonangol performs some of the budgetary prerogatives of the government of Angola (i.e. the provision of fuel subsidies to local companies, expenditure on behalf of the ministry of foreign affairs and payments for contracts on behalf of certain companies) hampers the transparency over the use of oil revenue and leads to more confusion. As such, the government of Angola should continue improving the transparency over the management of oil revenue.

In particular, the government should continue the implementation of the ongoing reform which aims to put an end to the Para-fiscal activities of Sonangol. The government of Angola should also separate the role of Sonangol as the concessionaire of the oil sector and an operator of the same sector as this multiple role gives rise to conflict of interests.

⁴⁵⁸ African Development Bank.op.cit.P108

⁴⁵⁹ The World Bank. Angola: Country Economic Memorandum. Px

⁴⁶⁰ Ibid. Px

⁴⁶¹ Ibid. Px

⁴⁶² African Development Bank.op.cit.P108

In addition to the shortcomings above, the government of Angola's fiscal policy is not really aligned with the priorities of poverty reduction as insufficient portions of the national budget are allocated to key social sectors.⁴⁶³ It can be observed from Table 3 below that the portions of GDP allocated to education and health have been globally decreasing over the years despite the fact that the country is enjoying an unprecedented robust economic growth. It is also worth noting that the portion of the GDP allocated to general public services has been decreasing since 2006 as a result of the lack of capacity on the part of the public administration to execute programs. As such, the government of Angola should align its fiscal policy actions with the priorities of poverty reduction. This can be done by allocating more resources to the social sectors (health and education) as well as by increasing the capacity of the concerned ministries in the execution of programs.

⁴⁶³ Ibid. P108

Table 3. Angola: Functional Distribution of Government Expenditures, 2002-2006.

	2002	2003	2004	2005	2006
	(Billions of Kwanzas)				
General public services and other economic affairs	78.1	67.7	62.3	222.6	218.5
Defense and internal security	35.4	29.5	28.6	208.9	277.6
Education	14.0	31.1	37.4	55.6	85.5
Health	9.3	24.2	29.6	38.2	69.5
Social security, welfare and housing	13.4	45.3	53.0	153.5	258.0
Energy, agriculture, mining and transportation	12.1	103.8	112.4	62.1	207.3
Interest payments (committed)	4.9	18.7	35.8	143.7	314.0
Unclassified	68.0	141.2	276.6	0.0	0.0
Total	235.5	461.5	635.7	884.6	1,430.40
	(percent of GDP)				
General public services and other economic affairs	16.5	6.5	3.8	8.3	6.0
Defense and internal security	7.5	2.8	1.7	7.8	7.6
Education	3.0	3.0	2.3	2.1	2.4
Health	2.0	2.3	1.8	1.4	1.9
Social security, welfare and housing	2.8	4.4	3.2	5.7	7.1
Energy, agriculture, mining and transportation	2.6	10.0	6.8	2.3	5.7
Interest payments (committed)	1.0	1.8	2.2	5.4	8.7
Unclassified	14.4	13.6	16.7	0.0	0.0
Total	49.9	44.3	38.4	33.1	39.4

Source : Angolan authorities and IMF estimates.

Although the government of Angola has managed to eliminate fiscal deficits as mentioned above, the non-oil fiscal balance is still in large deficit. In fact, the non-oil fiscal deficit as a share of non oil GDP was 61.5% and 50.8% in 2005 and 2006 respectively.⁴⁶⁴

This high non-oil fiscal deficit poses some concerns due to the unpredictability of oil prices. That being the case, the government of Angola should maintain the conservative oil price rule in the budget in order to reduce the non-oil fiscal deficit.

⁴⁶⁴ International Monetary Fund. Angola-207 Article IV Consultation.

The government of Angola should also operate according to a medium term economic framework by linking the level of public expenditure to the medium term price of oil. This strategy will allow it to be insulated from a world recession associated with a drop in the prices of crude oil. Finally, the government of Angola should not push public spending beyond the capacity of the public administration as this will lead to resources being wasted. This also means that the government of Angola should not contract further foreign loans as long as the capacity of the Angolan public administration of executing projects remains limited.

It is evident that structural and fiscal reforms will pave way for an accommodating business environment in Angola that will enable Angolan private companies to prosper and diversify the economy. Such an environment will also enable Angolan companies to form joint ventures with Chinese and other foreign companies. However, an accommodating business environment alone is not enough to help the economy strive and expand without the presence of a well trained labour force. In fact, education is of prime importance as it provides the necessary skills and knowledge that enable companies to innovate and increase productivity. A more productive private sector will in turn, expand employment which will improve the citizens' standard of living.

The problem with Angola is that it faces a severe shortage of skilled workers and its education system is in disarray. Nonetheless, the government of Angola has achieved some progress in the reform of the education system in the last couple of years. For instance, the government has gazetted compulsory primary school education for six years.⁴⁶⁵ Also, the government has updated the curriculum and teaching methods and also the pupil/teacher ratio has been set at 35.⁴⁶⁶ However, in practice things do not seem that rosy.

In fact, thousands of children still do not attend school mostly for economic reasons. It is estimated that only 22% of Angolan children enter primary school at the age of six.⁴⁶⁷

⁴⁶⁵ African Development Bank.op.cit.P120

⁴⁶⁶ Ibid.P120

⁴⁶⁷ Ibid.P120

Worsening the situation is that thousands of children still study in the open and teachers are not only badly paid but also under trained.⁴⁶⁸ As if that is not enough, there seems to be a lack of a coherent and unique education system throughout Angola and as a result the quality of education remains very poor in the country.⁴⁶⁹

In tackling education related problems, the government of Angola should urgently revise and unify the education system by making sure that it conforms to international standards. In doing so, the government of Angola should particularly promote the learning of sciences, mathematics and technical disciplines that incorporate such skills as will be needed in the market place. The government of Angola should also mobilize more financial resources in order to increase the number of teachers and lecturers as well as to train them and provide them with decent wages and salaries. It is very sad that some Angolan children study in open air. Therefore, the government of Angola should build more schools for the thousands of Children who study in the open air. Finally, public schools operating in poor communities should provide pupils with food, medicine and clothes in order to persuade parents to allow their children to attend school.

In Chapter 3, this study underlined the importance for the government of Angola to promote the development of the agriculture, light industry (apparel) and tourism industries as these industries have great potential for becoming the engine of future economic growth in Angola. It is important for the government of Angola to diversify the economy of the country in the medium and long term by focusing on such industries. Failure to diversify the economy will lead to an insignificant economic growth in the future since production of oil is expected to stagnate and decrease in the medium to the long term.

⁴⁶⁸ Interview. 19 March 2008. Huambo.& I also saw pupils studying in the open air.

⁴⁶⁹ Interview. 19 March 2008. & African Development Bank.op.ci.P120

Therefore, the prospect of Angola gaining meaningfully in its partnership with China in the long term will mainly depend on the ability of the Angolan government to diversify the Angolan economy and move downstream the chain of production (i.e. produce more added value goods).

The achievement of such objectives will enable Angolan companies to enter global markets and provide the Chinese markets as well as others with foodstuffs, clothes, shoes, as well as precious services such as tourism. In order to become such a main player in the global economy, Angola will have to implement structural and fiscal reforms.

5.4 WHAT NEXT? AND WHAT ARE THE LESSONS FOR OTHER AFRICAN COUNTRIES?

5.4.1 Questions for further study

The focus of this study has been the impact of trade between China and Angola as well as the impact of Chinese investments on the Angolan economy and on the Angolan population. Thus, this study has concentrated on Chinese investments in Angola and trade between the two countries. However, the new partnership between China and Angola is large as it encompasses many aspects – political, economic and humanitarian as well as strategic. Therefore, it is clear that this study has only provided new information on an aspect of the partnership between China and Africa, namely the economic aspect. Thus, in order to have an overall understanding of the new partnership between China and Africa, more research will have to be conducted. In particular, it will be interesting to assess the impact of China's involvement in Angola on the political governance of Angola, mainly for two reasons. The first reason is because of the opacity that surrounds Chinese loans awarded to Angola since so little is known about the details and the figures of Chinese loans awarded to Angola.

The second reason is the suspected personal networks that link managers of Chinese companies and Angolan authorities. Therefore, there is a need to investigate personal networks between Chinese and Angolan officials. In fact, Chinese managers and Angolan authorities have been suspected of entertaining corrupt relationships.

For instance, CRBC has claimed that funds for the Lobito railway have dried up mysteriously while the Angolan government has argued that CRBC has stopped working because of landmines along the route. It is very possible that the disputes between the CRBC and Angolan authorities may be on the amount of kickbacks. A similar story has happened between Angolan authorities and a consortium of Chinese construction companies building the new airport at Viena, east of Luanda. The Chinese consortium was accused of shipping illegally to China minerals that were allegedly discovered on the construction site. Since the accusations, the work progress has been very slow. It is also probable that the true issue disputed between the Chinese consortium and Angolan authorities are kickbacks.

5.4.2 Lessons for other African Countries

Finally, before closing this chapter, it is important to say that African countries, especially those vested with large natural resources such as Nigeria, Sudan, Zambia, Gabon and the Democratic Republic of Congo may draw some lessons with regard to the partnership between China and Angola. This is particularly important for countries such as Nigeria, Gabon and the DRC where China is still a new player.

African countries need to be well prepared for negotiations in order to avoid the mistakes made by Angola. In fact, when Angola agreed to provide China with 10 000 barrels of crude oil a day in exchange for Chinese loans, the government of Angola did not envision that the price of a barrel of crude oil was going to surge. In addition, African countries have to make sure that before Chinese construction companies start operating in their respective countries, they possess a well trained labour force that can be employed by Chinese construction companies. On top of that, African countries have to make sure that once established in their respective countries, Chinese companies should employ local workers. They also have to make sure that their respective countries possess companies that can provide construction materials and equipment to Chinese construction companies.

Finally, African countries should make sure that they have good capacity in terms of planning and executing programs before contracting Chinese loans. Failure to achieve that will inevitably lead to resources being wasted.

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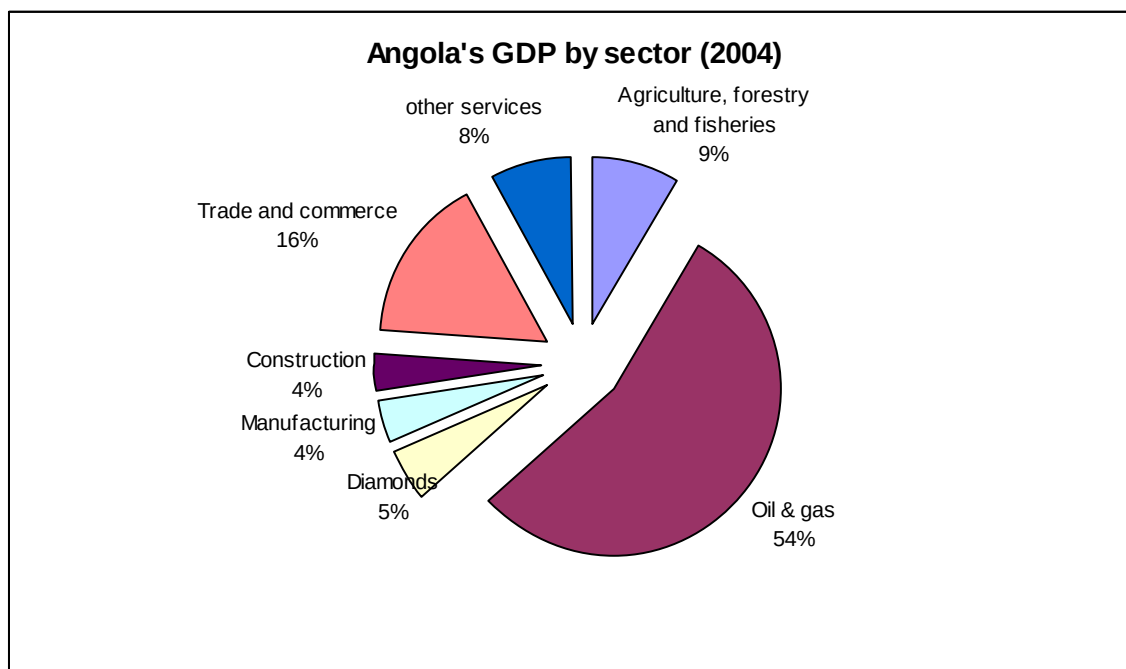
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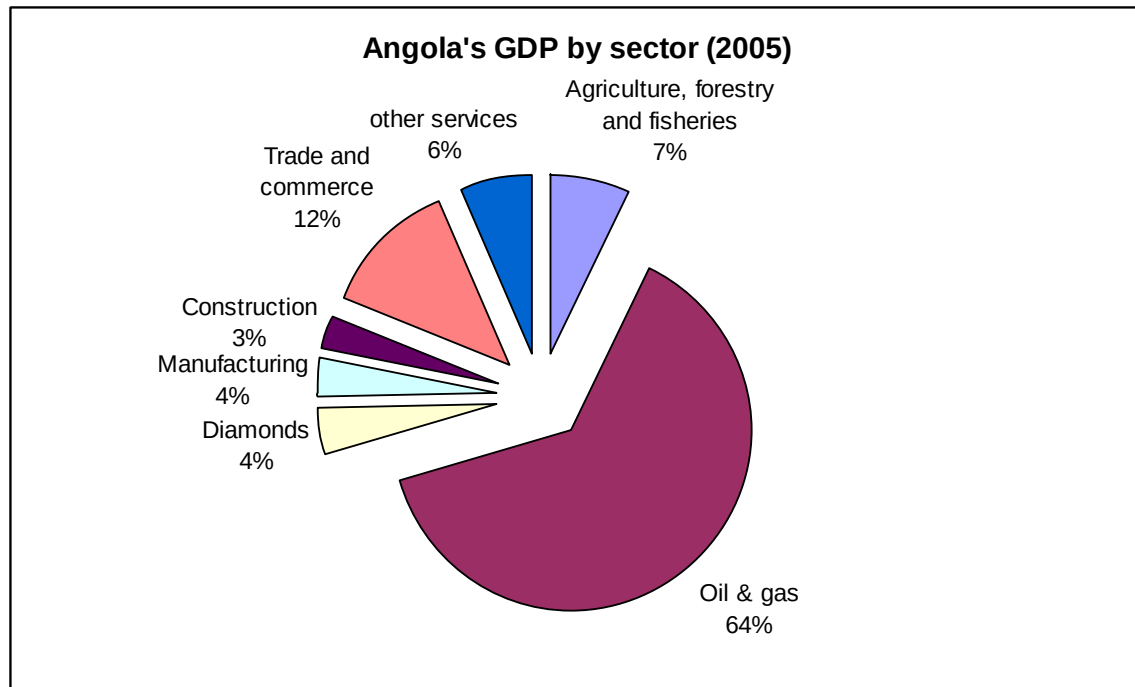
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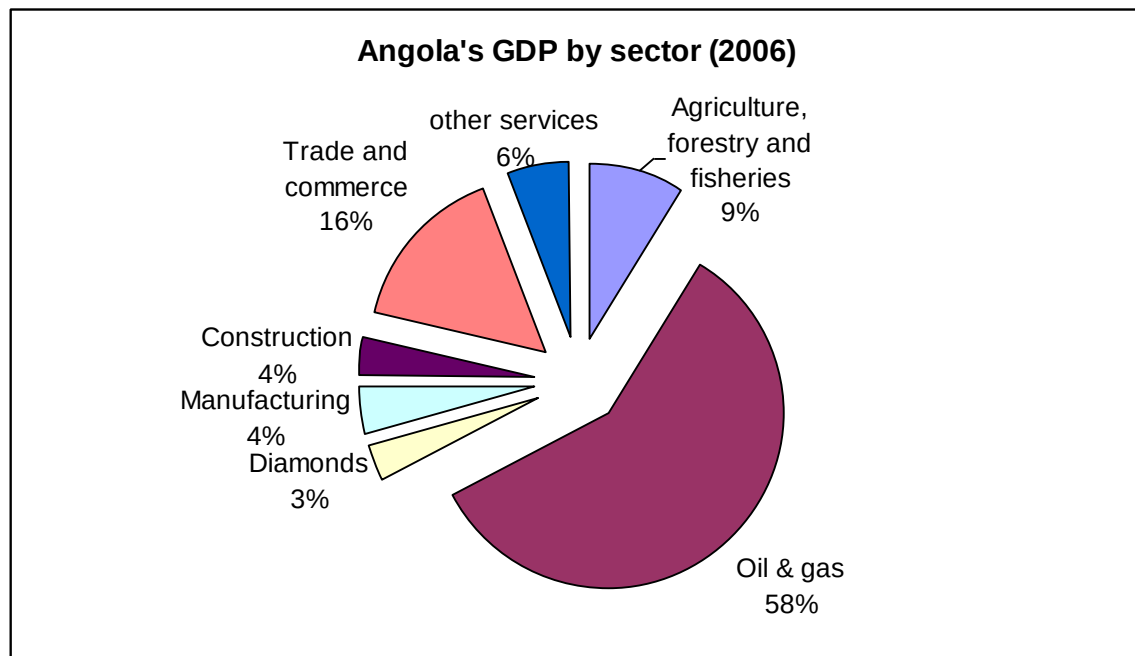
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ANNEX**Annex 1**

Source: Obtained from IMF data



Source: Obtained from IMF data

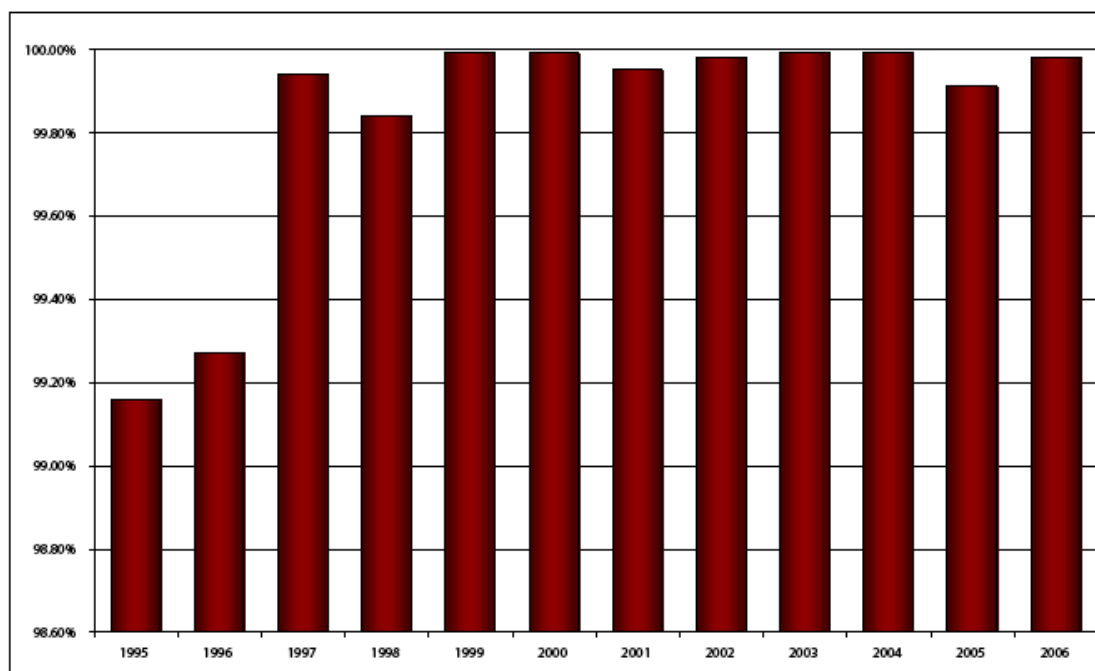


Source: Obtained from IMF data

Annex 2

A

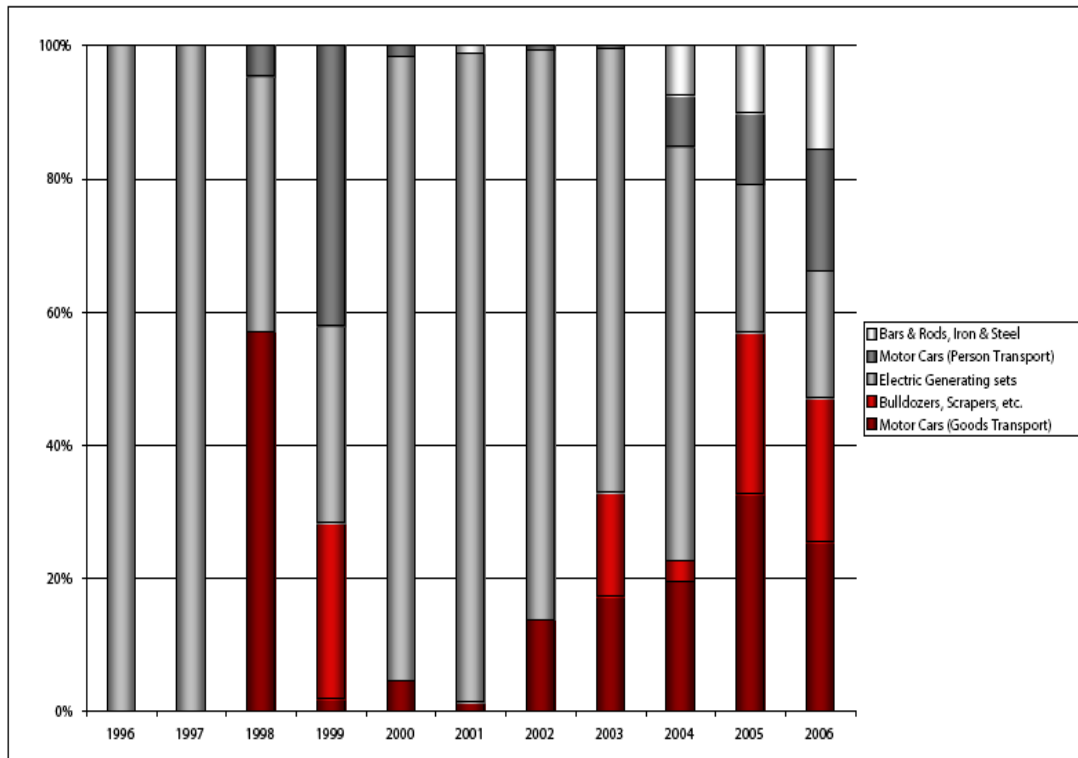
Figure 1 : Oil as percentage of Angolan's Exports to China (1995-2006)



Source: World Trade Atlas Data

B

Figure 2: Angola's Top five imports from China (1996-2006)



Source: World Trade Atlas Data

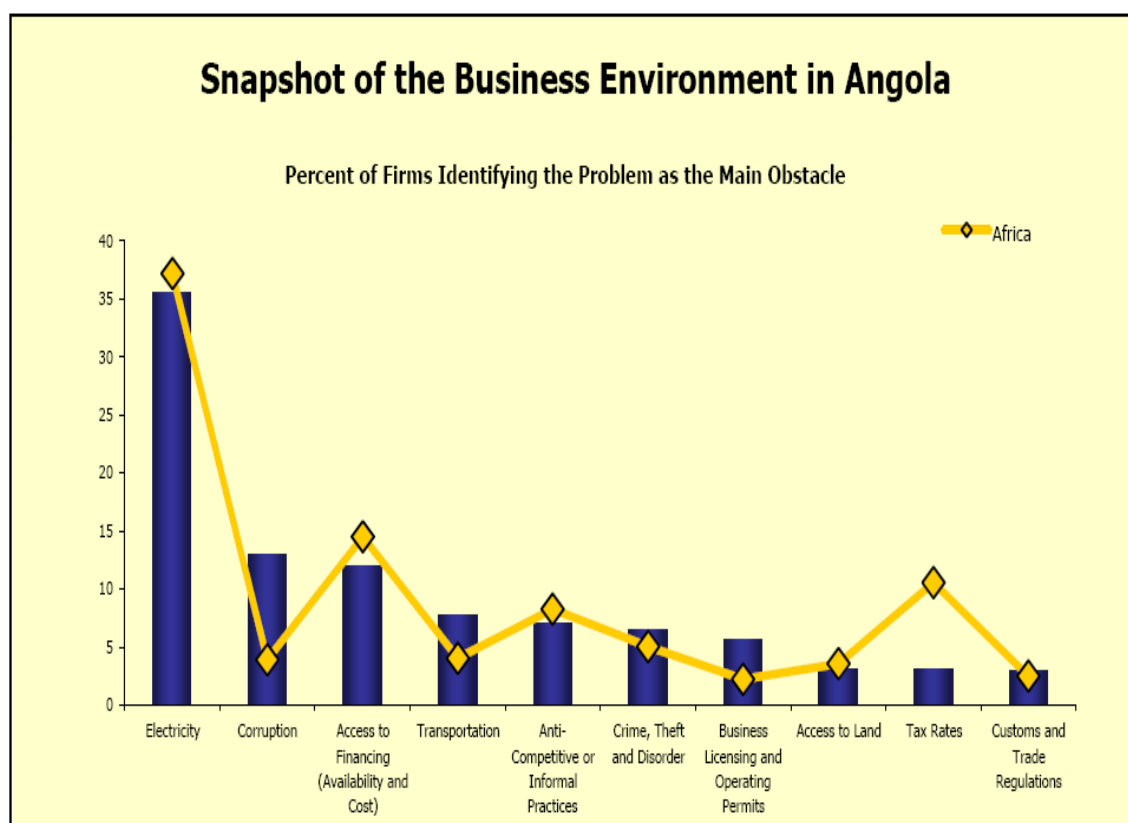
Annex 3

A map of Angola indicating Chinese involvement on reconstruction of major roads and railways.



Source: Center for Chinese Studies.

Annex 4



Source: The World Bank (enterprise survey)