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China in Africa: an analysis of the bilateral relations between China and Angola over the past ten years

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Chapter 1

Introduction

The turn of the millennium saw an increase in the engagement between China and Africa. During the past decade, Sino-African trade grew by 700 per cent and many high-level visits increased in occurrence since 2000.[1] China's heightened political interest in Africa has paved way for the entry of Chinese companies of all sectors into Africa's economies. The entry of Chinese companies into Africa, largely state-directed in nature, is driven by the need for energy security and new markets, as well as specific political objectives. Chinese engagement in Africa, though not without its challenges, has the potential to benefit both African countries and Chinese commercial interests if well managed. One of the countries that China has fostered relations with is Angola. Relations between the two countries have grown significantly over the last 10 years and this has seen trade figures rising to unprecedented levels.[2] It is argued that China's major interest in engaging with Angola is because of its (Chinese) bulging need to secure energy sources of which Angola has got many oil fields. This need has seen China offering huge oil backed loans to Angola as well as rehabilitating its infrastructures that were damaged by the 27-year civil war.

Purpose Of The study

The study investigated the partnership that exists between China and Angola. Of particular interest was the need to see how this partnership has affected the Angolan economy and the population at large. The study focused on three main aspects of the Chinese engagement with Angola namely oil investments, the construction industry and trade. It critically analysed how these have affected development and the general standards of living in Angola.

In doing this, the researcher made use of both economic and non economic aspects to measure economic growth and development. Economic measures included inflation rate, unemployment rate, gross domestic product (GDP), balance of payments (BOP) and exchange rates as well as non-economic indicators which included quality of life, health and education.

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[1] Corkin L, The Strategic Entry Of China's Emerging Multinationals Into Africa, China Report 2007, 43, 309, Sage, pg 15

[2] Ibid pg 15

Research Questions

In trying to get more insight into the research, the researcher tried to answer the following main question:

What are the effects of the relations between China and Angola?

In order to be able to answer this main question, the researcher made use of the following sub-questions:

1. What shapes the relations which exist between China and Angola?
2. Is the quality of infrastructure being built by the Chinese in compliance with the local laws and what are its benefits to the local people?
3. How has Chinese engagement with Angola in the oil sector affected the economy and the local people?
4. What is the Angolan population benefiting from trade between China and Angola in terms of the transfer of technology, commercialisation of new products, and diffusion of skills and creation of jobs?
5. What is China's potential to help in the development of Angola?
6. What can Angola do to maximise the gains from this engagement?

Problem Statement

Debate about the role and impact of China in Africa is becoming increasingly heated. At the 2006 Beijing Summit of the Forum on China-Africa Cooperation (FOCAC), the Chinese and African leaders established a new type of partnership and they agreed to put more emphasis in four areas of cooperation which include political relations, economic cooperation, international affairs and social development.[3] The mutual partnership also encouraged political equality, mutual trust, win-win economic cooperation and cultural exchanges.[4]

However over the years, China has been accused of recolonising Africa with authors such as Stephen Marks arguing that China's race for Africa is due to the same reasons of Europe's 19th

[3] Xinhua, Beijing Summit Adopts Declaration, Highlighting China-Africa Strategic Partnership, 2006, http://english.focacsummit.org/2006-11/05/content_5166.htm

[4] ibid

century scramble.[5] In Beijing in 2005 Moeletsi Mbeki had this to say about the China-Africa relationship,

> *Africa sells raw materials to China and China sells manufactured products to Africa. This is a dangerous equation that reproduces Africa's old relationship with colonial powers…*[6]

The consequent rapid entry of China's state-owned enterprises into several key sectors of the Angolan economy has put China at the forefront of Angola's reconstruction. This has been met with criticism, as it is feared that the closed-door nature of such bilateral negotiation will do little to encourage accountability and will erode what little leverage western donors possess in their engagement with the Angolan government.[7]

However the President of Angola does not agree with the western perspectives that China will affect sustainable development in his country. In fact on the occasion of the Chinese prime minister Wen Jibao's visit to Angola in June 2006, President Eduardo dos Santos described the bilateral relations as being mutually advantageous, partnerships that were pragmatic and had no political preconditions.[8] This relationship has seen Chinese financial and technical assistance kick-starting over 100 projects in the areas of energy, water, health, education, telecommunications, fisheries, and public works.[9] The Angolan-Chinese bilateral agreements being implemented countrywide in Angola aim to accelerate growth in the Angolan economy while transferring technologies and knowledge to Angolan firms. With the influx of Chinese firms in the construction industry in Angola from 2002 onwards, there were many construction projects which were started.

So much has been said and written about the effects of Chinese engagement with Africa. The extent to which these allegations are true will be analysed by this research, specifically looking at the Angolan case study.

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[5] Marks S, African Perspectives On China In Africa, Pambazuka, Dar es Salaam, 2007, pg 6
[6] Ibid, pg 5
[7] Shelton G, China And Africa: Advancing South-South Co-Operation, In China In Africa, Mercantilist Predator, Or Partner In Development?, eds Garth le Pere, SAIIA, Johannesburg, 2007, pg 99
[8] "PR defende cooperação constutiva com a China," *Jornal de Angola*, June 21, 2006.
[9] Campos I and Vines A, Angola And China: A Pragmatic Partnership, Centre for Strategic and International studies, Washington DC, March 2008, pg 13

Rationale

The need to look at this study was influenced by the fact that the Chinese engagement in Africa has been a very topical issue in the 21st century and studies have been done to this regard. The need to contribute to this topical issue prompted the researcher to look at the subject. The case of Angola was chosen as a case study in particular because the country was war-torn for more than 27 years and although it has only been close to a decade since the war ended, it is already enjoying a steady increase in economic growth.

What also prompted the researcher to look at the Angolan case study is that, in 2006 Angola became China's biggest trading partner on the African continent with bilateral trade as high as 25.3 billion US dollars in 2008,[10] it has one of the fastest growing economies not only in Africa but in the whole world,[11] and it has large oil reserves and petroleum production.[12] Bright prospects of this emerging economy, the large oil reserves and increasing petroleum output might have certainly prompted China to engage with Angola. In addition to this Angola has a large endowment of mineral resources which remain untapped due to a number of reasons which include lack of the technological capacity to extract the minerals and war.

The Angolan case also encompasses all the factors which are prompting the increase of China's engagement with Africa namely oil, markets and construction. This is unlike the other countries like Zambia, Zimbabwe and Nigeria which have either one or two of the factors but not all of them.

The choice of looking at the following sectors; oil investments, the construction sector and trade was necessitated by the fact that that these are the three core areas in which Angola and China are heavily engaged. The construction sector has been chosen in particular because there is a wide proliferation of Chinese construction companies in Angola. The writer would like to investigate the notion: to what extent this influx of construction companies from China will benefit Angola in terms of transfer of technology, diffusion of skills and creation of jobs. Of importance under the construction sector will be the need to check whether the Chinese

[10] Chinabiz, Angola Becomes China's Largest Trade Partner In Africa: Ambassador, Trade and Investment, 27 September 2009,
[11] Africa's Ten Fastest Growing Economies: Angola, 26 February 2010, http://pureethiopia.com/2010/02/26/africa%E2%80%99s-ten-fastest-growing-economies/
[12] ibid

construction companies are providing Angola with the quality infrastructure needed to facilitate the emergence of strong and vibrant private and public sectors which will help in the alleviation of poverty [13] Doing a research in the construction industry necessitated looking at the oil sector as well because most of the loans for construction projects signed between China and Angola are oil-backed.

This study is also of particular relevance because the presence of China in Africa has been a topical issue of the 21st century. Contributing to this topical issue will be a great achievement as it will help the writer to get insightful ideas on this topic. Furthermore, it will give the writer detailed information on how China's engagement with Angola has been affecting Angola and she will get the chance to think about and elaborate some policy recommendations on what Angola can do to maximise this relationship. It is hoped that the findings of this research will be a major contribution in helping Angola in its engagement with China and that the research will also go a long way in contributing to the debate of China in Africa.

Background

Relations between China and Angola date back to the early 1960s during Angola's liberation war, but this relationship were not a good one due to China's controversial involvement in the war.[14] Proper diplomatic ties were only established on 12 January 1983[15] and two agreements between the two were signed between 1984 and 1988. Though the formal ties were established, they remained inactive because of China's role in the civil war in Angola (this will be explained in detail in chapter 2). The discovery of Chinese arms in UNITA's (National Union for the Total Independence of Angola) possession did not make the situation any better.[16] Relations only got better when China launched the "going global policy" which coincided with the end of the civil war in Angola in 2002. This saw an increase in visits by high level people between these two countries.

[13] Campos I And Vines A, Op cit, pg 1
[14] ibid
[15] Alves A, The Oil Factor In Sino-Angolan Relations At The Start Of The 21st Century, China in Africa Project, Occasional Paper No 55, SAIIA, Johannesburg, February 2010, pg 5
[16] Ibid pg 5

As China and Angola increase their engagement, China has proved to be a very useful developmental partner for Angola. In previous years, Angola experienced difficulties in securing public financing; it has been disqualified by international financial institutions (IFIs) such as the International Monetary Fund (IMF) and World Bank (WB) due to poor standards of governance and transparency.[17] The IFIs were also citing the lack of good structures for the management of funds.[18] China was seen as a welcome alternative loan source to a country desperately in need of the financial means with which to rebuild a war-torn economy. Increased political activity between Angola and China has enabled bilateral economic ties to progress quickly.

Following the end of the civil war in Angola, rapid post-conflict reconstruction became the government's main priority and The People's Republic of China has been playing an important role in assisting these efforts. The construction sector is the area in which China has made the largest inroads in Angola. Many Chinese companies have become heavily involved in road and railway rehabilitation in the country, as well as several other large infrastructural projects which include the construction of hospitals, schools and apartments.[19] These projects are usually undertaken by Chinese state owned enterprises (SOEs) and are often financed by the Chinese governmental subsidised loans which are pinned to oil extraction.

In this sector, Angola is a particularly favorable market for Chinese companies as it needs significant outside investment, and there is relatively little competition. To boost their presence in Angola, China's Exim Bank extended an oil-backed US$2 billion credit line in 2004 to the Angolan government, which was increased to US$4.5 billion in 2007.[20] The loan was intended to assist with rebuilding Angola's vital infrastructure and China was getting crude oil in return. As a result, Chinese firms found profitable deals in Angola which helped them in their going global strategy. This has seen the construction of multi-million dollar projects which include the largest housing project of the Angolan Ministry of Defense, which covers an area of 30 hectares on which 2,000 apartments and several hundreds of villas are being built in three phases.[21]

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[17] Campos I and Vines A, Op cit pg 20
[18] ibid
[19] China Starts Construction Of Housing Projects In Angola, November 2008 http://english.peopledaily.com.cn/90001/90776/90883/6531798.html
[20] Alves A, Op cit, pg 11
[21] People's Daily Online, China Starts Construction Of Housing Projects In Angola, November 2008 http://english.peopledaily.com.cn/90001/90776/90883/6531798.html

China has been increasing its economic expansion to Angola through trade and oil investments. Since 2006, Angola has been China's biggest trading partner on the African continent and this is an essential component of the contemporary relations between Angola and China. In 2002 bilateral trade between the two was a mere US$1 billion[22] but trade flows witnessed a significant growth rate over the past years with imports and exports recording a sharp rise. Trade between these two countries has mostly been in oil, which is Angola's major export and Angola is China's second largest supplier of oil after Saudi Arabia.[23] As depicted by figure 1 the volume of trade has been increasing. Though there is a trade deficit on China's part, trade still plays a major role between these two countries.

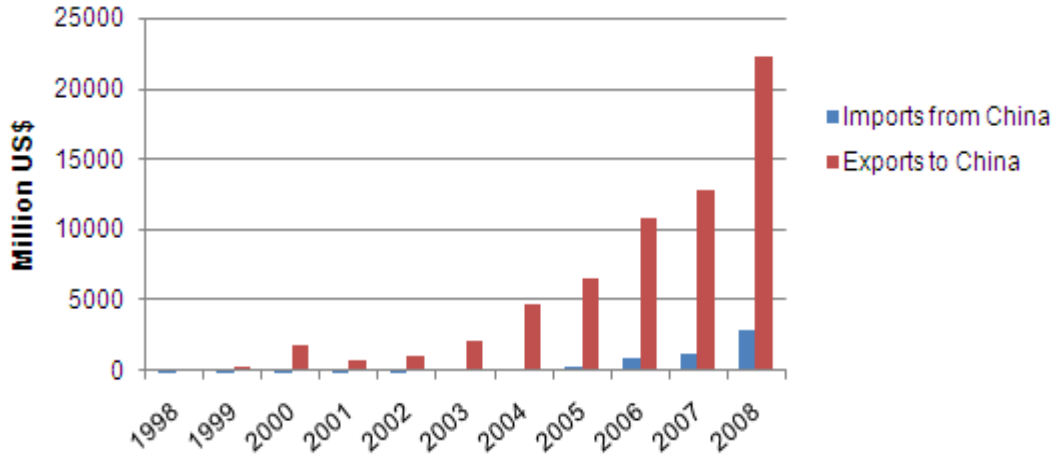


Figure 1: Adapted from the World Trade Atlas.

Oil has been playing a major role in trade between China and Angola because energy security is one of the most important reasons for Chinese commercial forays into Africa. Despite China's wealth of natural resources by global standards, per capita these resources are stretched very thinly, especially in terms of energy. Energy is particularly required to fuel China's burgeoning economy, for example, China's rapid growth has almost doubled its oil consumption in the last ten years.[24] China currently imports 30% of its oil from Africa, primarily from Angola, Sudan,

[22] MOFCOM statistics online, http://english.mofcom.gov.cn/statistic/statistic.html.
[23] Alves A, Op cit, pg 8
[24] US Energy Information Administration, Independent Statistics And Analysis: China, http://www.eia.doe.gov/cabs/China/Oil.html

Congo and Nigeria.[25] Particularly due to its strategic importance for economic growth, the procurement of secure oil supplies is a matter of great national interest and forms a fundamental part of China's foreign policy. Unsurprisingly, all of China's oil companies are state-owned, and have worked in close concert with China's Exim Bank in African oil acquisitions.

Converging interests between the two countries' national oil companies (Sinopec and Sonangol) led to the formation of Sonangol-Sinopec International (SSI) in 2006.[26] This has seen the economy of Angola undergoing a period of transformation in recent years, moving from the disarray caused by the war to being the fastest growing economy in Africa and one of the fastest in the world.[27] Some scholars such as Campos have attributed the boom in the Angolan economy to its increased engagement with emerging powers such as China.

For China's part, cultivating relations with Angola, which has been disputing with Nigeria for the first place in African oil-producing country, is particularly important in terms of potential oil exploration contracts. China's need to secure energy is influenced by the fact that projections show that its energy reserves are depleting and the need for energy is increasing as the country's industrialising pace intensifies.[28]

Theoretical Framework

International relations theory attempts to provide a conceptual framework upon which the relations between and among states can be analysed. The theory which can describe the existing relations between China and Angola is the international political economy theory (IPE). IPE looks at the interaction between political and economic factors and between national and international levels of policy.[29] In these interactions power still plays an important role as depicted by the state's actions. States still have a strong need for hegemonic power which influences international cooperation in such areas as finance, trade and oil. The relations between

[25] China-Africa Booklet, Chinese Investments In Africa: Opportunity Or Threat For African Workers, African Labour Research network, July 2009,
[26] ibid
[27] Index Mundi, Angola Inflation Rate, Consumer prices, http://www.indexmundi.com/angola/inflation_rate (consumer prices).html
[28] ibid
[29] Jackson R and Sorenson G, Introduction To International Relations: Theories And Approaches, Oxford University Press, 2007, pg 200

China and Angola can be used to show that in as much as states are engaging on a large range of issues; the need to gain power is still dominant.

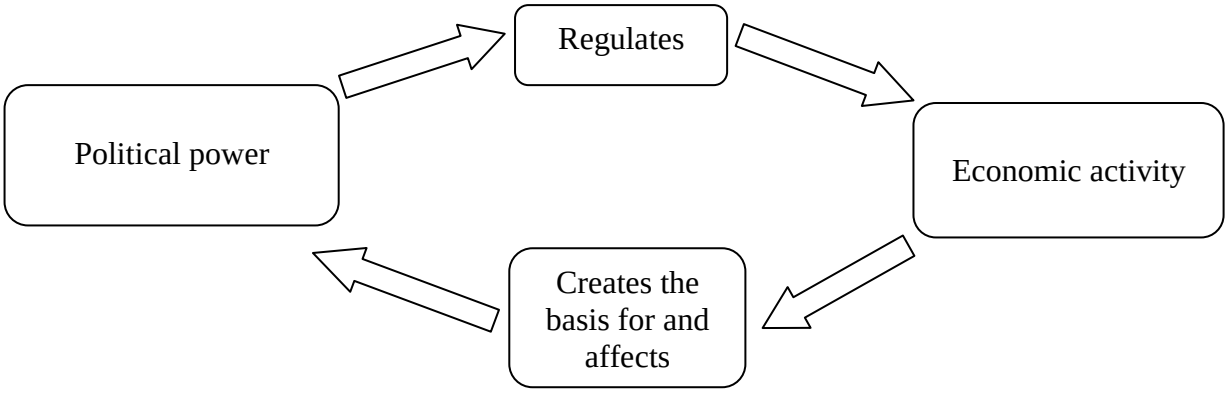


Figure 2: Political and economic power dichotomy.

Figure 2 shows that the existing relationship between economic power and political power is complex as both are being used as a means to an end. Political power regulates economic power and once a state attains economic power it can then use that power to affect its internal and external politics. Economic relations may act as glue to political relationships and vice versa.

There is a growing realisation that if economic relationships are strong, they have an impact on political relationship and whatever problems occur in their political arena, it gets attention because the risks will be big for both countries. Present day relations between China and Angola are strong because both countries stand to lose the big investments that they have put their efforts into if their political relations were to be strained. They are both benefiting from the relationship, though in different ways, from the strong ties that they have now, so no country would want to lose out.

As explained in the preceding paragraph, if a state's economic relations are strong; this can positively affect its political relations. Both China and Angola are using this technique to enhance their political standing. For China to be politically strong it needs a stronger economy and it relies more on Angola for resources (China imports 15% of its crude oil from Angola)[30] which are vital for boosting its economy. Likewise for Angola to regain its political standing in the region and the world at large it needs to be economically viable with proper infrastructure

[30] US Energy Information Administration, Independent statistics and Analysis: Angola, http://www.eia.doe.gov/cabs/Angola/Oil.html

which will facilitate economic growth. This is being achieved through the Chinese investments in the country.

For states to be able to gain both economic and political power they use economic diplomacy. Economic diplomacy falls under the umbrella of IPE and it is concerned with international economic issues. Rana defines economic diplomacy as the process through which countries tackle the outside world, to maximise their national gain in all the fields of activity including trade, investment and other forms of economically beneficial exchanges where they enjoy comparative advantage.[31] It has bilateral, regional and multilateral dimensions, each of which is important. Bilateral relations play a major part of economic diplomacy and this consist of the informal dealings between countries on a range of issues or formal bilateral trade or investment treaties. Bilateral deals contribute to building up more complex agreements on a regional or global scale.

Economic diplomacy is the pursuit of all countries. The richer a country gets, the more political rulers are stable on their seats. It is the strong economy accompanied with social justice that underpins good governance and it can be achieved through robust economic diplomacy.[32] It requires that the business leaders of the two states engaging with each other as well as government decision-makers work together on some of the most cutting-edge issues in foreign policy, such as technology, the environment, development and areas of trade, finance and investments. Various agreements which encompass the above have been signed between China and Angola to cement their ties. These agreements include the following;

1) Two agreements covering cooperation in the fields of energy, mineral resources and infrastructure

2) an agreement on economic and technical cooperation

3) Two memoranda of understanding concerning a joint study of oil concession Block 3 to be done by Sonangol and Sinopec

4) An agreement on an interest free loan for funding Angolan projects by the Chinese

[31] Rana K, Inside Diplomacy, Manas, New Delhi, 2007, pg 98
[32] ibid

Unlike in the other theories where the state is the only actor, economic diplomacy consists of both state and non-state actors including non-governmental organisations (NGOs) and multinational companies (MNCs).[33] Both state and non-state actors operate internationally and are players in economic diplomacy. Chinese MNCs in Angola include Sinopec and various construction companies.[34]

Growing economic diplomacy between China and many African countries, particularly Angola has seen the volume of trade greatly increasing between them. As a result of this economic diplomacy Sino-Africa trade rose to $106, 8 billion in 2008 from $40 billion in 2005.[35] This has been a very positive development especially in the 21st century where success is measured by interactions through economic diplomacy which may lead to enhanced economic gains in the globalised and competitive world**.**

Literature Review

The literature surrounding China in Africa and particularly China's activities in Angola has been on the increase. Various authors write from different perspectives when analysing this relationship. Some are pro-China and argue that China is helping in the development of the Angolan economy, while others are pro-Angola and argue that this relationship is not a balanced one and Angola stands to lose in the long run. Authors such as Garth Shelton, Chris Alden, Indira Campos and Lucy Corkin are among the many authors who have contributed immensely to this topic.

Ana Alves alleges that in the post conflict phase in Angola a platform of growing complementarities emerged, this was characterised by China's growing need for oil and swelling financial might which necessitated the need to secure markets on one hand and on the other hand, Angola's national reconstruction needs and rising crude oil production.[36] However,

[33] Bayne N and Woolcock S, The New Economic Diplomacy: Decision-making and negotiation in International Economic Relations, Ashgate, USA, 2007, pg 11

[34] Alden C and Davies M, Chinese Multinational Corporations in Africa, February 2006, http://www.cctr.ust.hk/materials/conference/china-africa/papers/Chris_Alden_Chinese_Multinational_Corporations.pdf

[35] China.Org.Cn, Beijing Summit Invigorates Private Sector Sino-African Trade, http://www.china.org.cn/english/international/188472.htm

[36] Alves A, The Oil Factor In Sino-Angolan Relations At The Start Of The 21st Century, China In Africa Project, Occasional Paper No 55, SAIIA, Johannesburg, February 2010.

according to Alves both governments seem to view the existing relationship as one in which they both stand to gain through the inherent complementarities. This was confirmed by the Angolan President, Dos Santos during a visit by the Chinese prime minister to Angola in June 2006. He stated simply that "China needs natural resources and Angola wants development."[37] Alves goes on to argue that Beijing took advantage of this scenario (that Angola needed infrastructural development) and it positioned itself well so as to maximise its role in the country's oil sector.

According to Grion, China's fast rising involvement with Africa, in particular Angola is a result of the country's immense need for natural resources. Oil in particular plays a major role in China's economy and 25% of its oil imports now come from Africa.[38] Likewise oil plays a major role in the Angolan economy as the country is heavily dependent on the oil sector for foreign currency. However he argues that though there have been huge investments between the two countries in the oil industry the industry is capital intensive and it has very few linkages to the other sectors of the economy. Therefore it has little impact on employment in Angola.

On infrastructure rehabilitation by the Chinese in Angola, Grion states that the infrastructure industry implies massive involvement of Chinese companies and labour and this raises further questions about the potential benefits to the local economy in terms of value-added industries and employment generation.[39] Especially considering that the Chinese can bring their own manpower and only take a fraction of the local people to work for them.

He argues that in its quest to gain access to energy resources from Africa, China is willing to provide loans and material resources that do not have many political obligations to these countries. In doing this China is undermining the efforts to upholding good governance and democracy by other actors such as the WB, IMF, and even the western countries.

Another author who has contributed to the literature of China in Africa is John Rocha. In his works he sets out to answer two questions which are related to China's role in Africa and these include: *To what extent will China's growing influence in Africa either advance or undermine*

[37] China Digital Times, Angola's Business is Booming with China, 27 April 2009 http://chinadigitaltimes.net/china/angola/

[38] Grion E, The Political Economy Of Commercial Relations: Chinese Engagement With Angola In China In Africa, Mercantilist predator, or partner in development?, eds Garth le Pere, SAIIA, Johannesburg, 2007, pg 142

[39] Ibid

the African agenda? And what are the challenges and implications that these hold for African governments, the private sector and international community?[40] By providing an expansive overview of China's interests in Africa, he examines both positive and negative effects for Africa.

Chris Alden summarises the presence of China in Africa in three characters as follows: China as a developing partner, China as an economic competitor and China as a coloniser.[41] By China as development partner, Alden holds that the involvement of China in Africa is part of a long term strategic commitment which is driven by its economic needs as well as the needs of developing Africa.[42] He goes on to interpret the notion, "China as an economic competitor" to mean that China is involved with Africa in a bid to grab resources without taking into account local people's developmental concerns. On this point he goes on to argue that the Chinese investors do not take into account environmental issues as well as human rights issues. The third interpretation of China as a coloniser emphasise that China's new engagement in Africa is part of a long term strategy aimed at displacing the traditional western orientation of their dominance over Africa.[43]

Many of the writers on China in Africa, specifically China-Angola relations are in agreement that oil plays a major role in shaping the existing relations. This research aims at filling in the gap regarding whether Chinese involvement with Angola has been beneficial to the Angolan economy and the Angolans at large. Analysing the works of these authors on the subject makes it possible to give judgment and to make clear analysis of how the engagement of China and Angola has evolved over time. It also helps in finding out if there is a need for Angola to be more wary of the existing relations for future benefits.

This research will review the literature on China's economic expansion in Angola and analyse and compare the arguments by the pessimists and optimists. The main concern of this research is to see how Angola is using these relations to foster sustainable internal economic development and growth, build many kinds of infrastructure, and diversify their economy so that they won't

[40] Rocha J, A New Frontier In The Exploitation Of Africa's Natural Resources: The Emergence Of China In African Perspectives On China In Africa, eds Manj F and Marks S, Fahamu, Nairobi, 2007, 15
[41] Alden C. Op cit, pg 10
[42] Ibid
[43] Ibid

only look at exporting oil but also export manufactured goods. Though there is much literature on China and Angola, this research will have the advantage that it is going to make use of latest statistics with regards to figures which are available on the TRALAC website.[44] It also has the chance to measure and assess if the projects which were earmarked for 2008-2009 were completed and check the extent to which they are helping the locals. This will go a long way in giving up-to-date information on the present state of affairs between these two countries.

Chapter Outline

Chapter 1 will be more focused on the introduction and the aim of the study. Also included in this chapter will be the rationale, theoretical framework, methodology and literature review.

Chapter 2 will look at the past and present China-Angola relations. Questions like what motivates the two countries to engage will be answered, as well as what shapes these relations.
The History of Relations between China and Angola

Chapter 3 will focus on the role that China is playing in infrastructure development in Angola. It will also look at the construction projects taking place in Angola and how they are affecting Angola and Angolans at large. Also the Chinese credit line and loans to Angola will be analysed.
China in the Angolan Construction Sector

Chapter 4 will focus more on trade and oil investments which are taking place between China and Angola. This will be an analysis of the trade deals which have been taking place over the past 10 years and how these have impacted on the Angolan economy and the populace at large.
Chinese Trade and Oil Investment in Angola

Chapter 5 will be the conclusion which will dwell much attention on the analysis of the findings from these 4 chapters.
Conclusion and Recommendations

[44] Tralac, http://www.tralac.org/cgi-bin/giga.cgi?cat=1044&limit=10&page=0&sort=D&cause_id=1694&cmd=cause_dir_news

Chapter 2

The History Of Relations Between China And Angola

Introduction

China has been making an impact on the African continent in a number of ways. Socially politically and mostly economically it has been felt across the divide of the continent. It has managed to expand and improve its relations with all but a few of the nations in Africa and these include Swaziland, Burkina Faso, Gambia and Sao Tome Principe.[45] Many scholars, policy makers, authors and politicians alike have viewed the existing relations from different angles, with some arguing that the Asian giant's presence is good for Africa and the others who are more skeptical about it arguing that it will do more bad than good as it can be likened to neo-colonialism. Angola has been one of the African countries to forge relations with China especially in the late 20th century. Much has been researched, written and said about this relationship which the Chinese and Angolan officials view as a mutual relationship.

This chapter will look at the factors which shape China's foreign policy over Africa, particularly Angola. This will lay a good background which will aid in understanding the nature of the present day China-Africa, in particular China-Angola relations. To begin with, the chapter will assess the China-Africa relations, tracing the changes in the relationship over the past decades and highlighting how these changes were influenced by the politics of the world at that particular time. An in-depth analysis of the relations between China and Angola will then follow, showing the role that China played in the liberation struggle in Angola and how the relations have evolved since Angola got independent in 1975.

History Of China-Africa Relations

Chinese involvement in Africa dates back to the fight against colonialism when, just like the former Soviet Union, the Chinese government supported the liberation wars in an effort to eradicate capitalism and imperialism off the face of the continent.[46] The China-Africa friendship is embedded in their long history of interchange in a number of activities. They both share

[45] Taylor I, Unpacking China's Resource Diplomacy In Africa, Centre on China's Transnational Relations, Working Paper 19, Stellenbosch University, 2006, pg 18

[46] Grion EM, The Political Economy of Commercial Relations: China's engagement with Angola in *China In Africa: Mercantilist predator, or partner in Development*, eds Garth le Pere, IGD and SAIIA, Johanessburg, 2007, pg 144

similar historical experiences, they both sympathised and supported each other in their struggles for national liberation and it is Africa which supported China in its bid to hold the permanent seat in the United Nations. [47] Due to these reasons the two have managed to forge a profound friendship.[48]

Chinese engagement with Africa is not a new phenomenon of the 20th and 21st centuries; archeological excavations have led to the discovery of coins in Somalia and Tanzania indicating that these relations date as far back as 202 BC and AD 220.[49] This is evidence to show that the two were already engaging through business by that time. However modern political and economic relations commenced again during the Mao era which was around the 20th century. At this stage China started increasing its economic and political ties with the African states.

However contemporary engagement between China and Africa can be traced back to the 1955 Bandung Conference where Asian and African states sought to reinforce and promote non-alignment and Afro-Asian economic and cultural cooperation.[50] The topics that were on the agenda included colonialism, imperialism and the hegemonic position of the western powers. According to Wright,

> *The conference enhanced the unity and co-operation of the Asian and African countries inspired by the people in the colonies to struggle for national liberation and played a significant role in promoting the anti-imperialist and anti-colonial struggle of the Asian and African people.*[51]

During the conference, China and the African states adopted the five principles of 'Peaceful Coexistence' that had earlier been formulated by India and China. These covered mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's

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[47] Ibid
[48] China African Policy: The China Government Official African Policy, *South African Journal of International Affairs*, China in Africa Edition, 13, 1, 2006, pg 12
[49] Lihua L, Op cit, pg 24
[50] He, Wen Ping, China-Africa Relations Moving into an Era of Rapid Development, Inside AISA, Nos 3 and 4, October–December 2006, pg 4
[51] Wright R, The Color Curtain', in 'Africa and China's Strategic Partnership', *African Security Studies*, 13 (1), (2004), pg 5–12.

internal affairs, equality and mutual benefit; and peaceful coexistence.[52] These were the same principles which were reiterated during the Forum on China Africa Cooperation (FOCAC) meeting of 2000.

In the aftermath of the 1955 Bandung Conference, China began its drive to strengthen both political and economic ties with Africa, but during this time political ties took more precedence. On the political front, Beijing gave tacit and overt support to African countries and liberation movements in an effort to enhance wars of national liberation as part of an international united front against both superpowers. African states were at the same time seeking allies to help them win their fight for independence and financial support to fund these struggles. In the economic sphere, the 1960s in particular witnessed an influx of Chinese businesses to Africa.[53] This was followed by Chinese Premie,r Zhou Enlai's tour of ten African countries between 1963 and 1964, offering support to Africa's people and leaders as a way to counter diplomatic recognition of Taiwan and to compete with the West and Soviet Union for spheres of influence.

China-Africa relations refer to the political, economic, military, social and cultural connection between China and the African continent. In January 2006, China released its first official African policy, in which it emphasised the equal, peaceful, friendly, mutual and beneficial nature of its relationship with African countries. China sees its relations with Africa as an important part of South-South cooperation. As they belong to the developing countries category, they both face many challenges and constraints particularly when it comes to modernisation and traditional values, in balancing economic growth and distributing wealth adequately and in resource exploitation among other things.[54] Strengthening political friendship and cooperation is important to the future development of stronger economic ties. This is because China and Africa have a common interest in upholding sovereignty and in world peace and security.[55]

Over the years relations between Africa and China have improved and increased in nature as they respond to scenarios of a changing global nature. Before 1990, the relationship was characterised by a shared struggle against western hegemony, with China assisting Africa in

[52] Larkin, B.D. 'Chinese Aid in Political Context 1971 – 1975', in Weinstein, *Chinese and Soviet Aid*, 1975, pg 18
[53] Ojakorotu V, Whetho, Sino-African Relations: The Cold War Years and After, *Asia Journal of Global Studies* Vol. 2, No. 2, 2008, pgs 35-43
[54] Lihua L, Africa: A View From China, *South African Journal of International Affairs*, 13, no 1, 2006, pg 23
[55] ibid

three ways. They supported nationalist movements with arms to fight colonisation, large construction projects were initiated such as the Tazara Railway, and China sent medical teams to Africa and provided scholarships for African students to study in China.[56]

In the 1990s, the relationship between China and Africa gradually changed. The approach became more pragmatic and economic development was clearly China's priority. With an annual growth rate of 7%, the Chinese economy expanded enormously, and accessing natural resources became a priority. China had to broaden its horizons and Africa, with all its seemingly unlimited natural resources, was an ideal partner. In addition, the African continent as a whole was a potential market for China's low-value manufactured commodities which were produced in abundance.

This has been one of the most important developments in the beginning of the 21st century as China has become an emerging super-power. In recent times, China has demonstrated its determination to strengthen its economic, political and social ties with Africa. China's intentions and involvements in Africa have now become a subject of intense debate; some political analysts argue that the relationship between China and Africa is chiefly in order to satisfy China's growing needs for raw materials and markets for its manufactured goods. Some observers suggest that relations between Africa and China have improved and increased over the years.[57] However there are other pro-West scholars who argue that Beijing's tolerance of corruption and human rights abuses in some African countries for example in Sudan and Zimbabwe undermines efforts at promoting good governance in Africa.[58]

Today the new and dynamic strategic partnership of China and Africa relationship is being built according to the principles and goals adopted by the 2000 Forum on China-Africa Cooperation in Beijing. This culminated into the release of China's African Policy Paper in January 2006. Since that launch in 2000, China-African relations have displayed an accelerated scale of engagement. The underlying principle guiding these relations is the "one China" principle which is the

[56] Judith van de Looy, Africa And China: A Strategic Partnership, Working paper 67, African Studies centre, Lieden, 2006, pg 28

[57] Herman H, South-South Relations: Sino-African Engagement and Cooperation, Poverty in Focus, International Policy Centre for Inclusive Growth, Poverty Practice, Bureau for Development Policy, UNDP, Number 20, page 20-21

[58] Prah KK, Afro-Chinese Relations: Past, Present and Future, Centre for Advanced Studies of African Society, Cape Town, 2007, pg 1

political foundation of all existing relations between China and Africa. The Chinese government stresses the point that states wishing to have ties with it should refuse to have official relations and contacts with Taiwan but instead support China's great cause of reunification.[59] According to the Chinese Ministry of Foreign Affairs, the Forum "has become an effective mechanism and major platform for China and Africa's collective dialogue and practical cooperation against the new backdrop."[60]

Over the past five decades friendship has been the key word in China-Africa relations, but this shifted in the early part of the 21st century as the two are now establishing a new type of strategic partnership to face the challenges of globalisation.[61] According to the official document of China's African Policy, sincerity, equality, mutual benefit, solidarity and common development are the principles guiding China-Africa exchange and co-operation.[62] China has provided assistance to the best of its ability to African countries, while African countries have also rendered strong support to China on many occasions.[63]

Chris Alden argues that though there are some authors and official rhetoric talk about continuity in the relations between China and Africa, the truth of the matter is that since the establishment of official ties with Egypt in 1956 the relations have been episodic, that is they shifted from periods of intense activity in the 1960s and early 70s to outright neglect for much of the 1980s.[64]

FOCAC has held four ministerial meetings to date, in 2000, 2003, 2006 and 2009. Their respective action plans detail the commitment of China and African member states to cooperation in the political, economic and social development realms. At the opening of the FOCAC summit in November 2006, Chinese President Hu Jintao announced eight policy measures to strengthen cooperation between China and Africa, which are intended to capture the essence and diversity of Beijing's aid to Africa.

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[59] ibid
[60] Lihua L Op cit, pg 25
[61] Ibid pg 11
[62] Centre for Chinese Studies, Evaluating China's FOCAC Commitments to Africa and Mapping the Way Ahead, Rockefeller Foundation, January 2010, pg 8
[63] ibid
[64] Alden C, China in Africa, Zed Books, London, 2007, pg 9

In May 2007, the African Development Bank's (AfDB) annual general meeting was held in Shanghai. The meeting was attended by 50 African heads of state, demonstrating Africa's enthusiasm to branch into new frontiers of a shifting donor community. At the 2009 FOCAC ministerial meeting, held in Egypt, Africa was just as well represented. The Chinese Ministry of Foreign Affairs emphasises China's development aid to Africa, while also stating that China and Africa are making "joint efforts to maintain the lawful rights of developing countries and push forward the creation of a new, fair and just political and economic order in the world".[65]

China's success over the past 20 years in economic reform and rapid development makes it well placed to play a fundamental and more active role in Africa's economic and social development, a continent which has lagged behind as far as these are concerned. China needs Africa just like Africa needs China. China has a large territory but it does not possess an abundance of natural resources yet its future development requires increasing mineral and energy supplies. As Moeletsi Mbeki, the Deputy Chairman of SAIIA puts it,

> *Today Africa is playing an important role in the economic development of China. This has benefited China, it is also benefiting Africa. Africa is a treasure trove of valuable minerals which are of strategic importance to China's industrialisation*[66]

In an interview with Markus Weimer a researcher at the Chatham House, he argued that China has been courting Africa for a number of reasons which include resources, markets as well as the need to increase its political sphere of influence.[67] Since Africa possesses huge amounts of unexploited raw materials such as oil, copper, gold, diamonds among others, the Chinese government and policy makers perceive it as a strategic continent as this is exactly what they need to sustain their rapidly growing economy. Chinese policy makers view Africa as a strategic location where China can quickly establish its influence as it is likely to face less competition from the western countries.[68] Although China is interested in a variety of raw materials, priority

[65] Ministry of Foreign Affairs of the People's Republic of China, April 25, 2002
[66] Lihua L, Op cit, pg 26
[67] Interview with Markus Weimer, Research Fellow, Africa Programme, Chatham House, 15 February 2010
[68] Keenan P, Curse or Cure? China's Investments In Africa And Their Effect On Human Rights, January 2008, pg 6, http://www.law.georgetown.edu/internationalhrcolloquium/documents/Keenan-Draft-Georgetown.pdf

is given to the exploitation of oil. Various Chinese leaders have devoted their energy to the oil business with Africa and in the process accelerated the establishment of Chinese oil companies on the continent. 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 rights in Nigeria, Angola, Sudan, and Libya.[69] The Chinese companies are not only major players in the oil sector but are in the mining sector as well with the majority of their operations in countries such as Democratic republic of Congo (DRC) and Zambia.

China has been welcomed by Africans because Africa needs the Chinese produce which comes in cheap and affordable for the local people in comparison to the goods from the US or other European countries.[70] China has become a major development partner across Africa, but its intentions remain a subject of much debate. Critics claim that mounting Chinese aid to Africa will have dire consequences for the continent in long run.

Africa is also 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 industrialising nation in competing with well established powers for influence in the world.[71]

Tracing China-Angola Relations

Though relations between China and Angola seem to be working well today, they were not always as perfect as they seem now. China's controversial relations in Angola's liberation struggle in the 1960s and 1970s greatly affected its relations with the ruling party, the People's Movement for the Liberation of Angola (MPLA) as China was involved in the funding of all the major movements in Angola. In order to fully grasp the changing features and nature of relations between these two countries, it is necessary to have a historical understanding of how these relations have evolved over time.

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[69] ibid

[70] Richardson PG, China and Africa: A Mutually Opportunistic Partnership?, 17 June 2010, http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/ari99-2010

[71] Ibid

China's involvement in Angola dates back to the early years of the anti-colonial struggle through its support for the three major liberation movements in the country; the MPLA, National Union for the Total Independence of Angola (UNITA), and the National Front for the Liberation of Angola (FNLA).[72] This controversial involvement was another attempt by the Chinese to assert themselves strongly in the complex and shifting currents of African politics.[73] China's initial contact with the Angolans nationalist movement was in December of 1958 when a Chinese diplomatic observer, Yang Shuo attended the first All Africa People's Conference in Accra-Ghana. The All-African Peoples' Conference (AAPC) was a conference of political parties and other groups in the late 1950s and early 1960s in Africa.[74] The conference was attended by delegates from independence movements in areas which were still under European colonial rule, as well as by delegates from the independent African countries, including representatives of the governing parties of some of those countries.

It should be borne in mind that during this time that the AAPC conference was taking place the Cultural Revolution was raging in China, and international relations were to a larger extent defined by Cold War politics.[75] The Chinese wanted to compete with the superpowers especially the Soviet Union and Soviet Bloc countries for control. China's motives for supporting the liberation movements in Angola were as a result of their attempt to increase their influence and prestige in the Organisation of the African Unity (OAU) as well as in the Afro-Asian People's Solidarity Organisation (AAPSO).[76] What the Chinese wanted to gain by supporting African liberation groups can be summed up in two points as; the need to gain short term influence in the liberation groups and ultimately the long term influence in post-revolutionary governments.

The Chinese first port of call in Angola was with the MPLA. The MPLA was largely comprised of urban, intellectual, mixed-blood Angolans and the Mbundu. The MPLA had a school of cadre training, a formal and effective organisation and a very clear ideology.[77] The party set itself as the Vanguard Party and perceived its struggle as part of an international anti-imperialist

[72] Campos I and Vines A, Op cit, pg 13
[73] Jackson SF, China's Third World Foreign Policy: The Case Of Angola And Mozambique, 1961-63, *The China Quarterly*, no 142, Cambridge University Press,1995, pg 390
[74] Ibid pg 389
[75] Campos I and Vines A, Op cit, pg 4
[76] Jackson SF, Op cit, pg 389
[77] Ibid pg 391

movement. The Chinese chose to follow and support this party and they closely followed the MPLA's activities through their own media. They scrutinised and analysed their statements whenever they made one.[78] With the end of the Cultural Revolution, the Chinese were now providing military training to MPLA commanders and guerrillas. They funded all their activities and provided them with up- to- date military equipment.

However this relationship was short-lived as it ended in 1963 when the Chinese government switched their attention to the FNLA. The switch was a result of two reasons; the first being the Sino-Soviet split in 1963 and the second was the results released by the OAU fact finding mission where the FNLA was formally recognised as a political party.[79] When the FNLA was formed, it had little real ideology to speak of beyond what Holden could personally control. In 1967 the party's leader Holden was quoted as saying,

> *The Angolan revolution…has nothing to do with the ideological conflicts which tear apart today's world…We are conducting a war of liberation not an ideological one. We therefore accept help from anyone regardless of origin.*[80]

It is this lack of ideology that the Chinese capitalised on and they increased their support to the FNLA.

The switch to the FNLA was necessitated by a number of reasons which included ideological differences, the MPLA's close ties with USSR, the nature of the MPLA party and the split that occurred in the MPLA party between Agostinho Neto's faction and a faction under Viriato da Cruz. The MPLA had also started to have close ties with the Soviets at the time that the Chinese and the Soviets had split, so this affected their engagement as well and it contributed to the split.

The other reason for the split between the MPLA and China was that, the MPLA was an elitist and urban organisation at a time when the Chinese increasingly wanted to show Africa that it

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[78] Alves A, The Oil Factor In Sino-Angolan Relations At The Start Of The 21st Century, China in Africa Project, Occasional Paper No 55, SAIIA, Johannesburg, February 2010, pg 5
[79] Jackson SF, Op cit, pg 389
[80] Ibid pg 392

was a populist, peasant-oriented, anti-Soviet and rural focused country.[81] This decision (to cut ties with MPLA) was reached at because of the desire to balance the USSR's strong support for the MPLA by supporting the FNLA.[82] All these reasons made the FNLA the proper party in the politics of Angola at that time and the Chinese started supporting this party by openly funding, publicising, reporting on all their activities (media coverage was very important during this period) and providing military support for its activities.

This gave the FNLA political mileage against the MPLA which at this time seemed to be like a non-functional movement as many countries were supporting the FNLA including the US. The then Chinese Foreign Minister Chen Yi met with the members of the FNLA in Nairobi in December 1983 and he pledged his support for the party by providing financial and military support.[83]

However the association between China and the FNLA did not develop further, primarily because the Adoula and later the Tshombe governments in the Democratic Republic of the Congo which was the main host state of the FNLA would not allow Chinese personnel into the country. This made communication between the FNLA and Chinese officials very difficult.[84] China's FNLA connection would not be resumed until much later but during this time China again shifted its attention to another party, UNITA, which had been formed as a result of a split in the FNLA.

UNITA was formed in 1966 after founder Jonas Savimbi broke away from the FNLA. Savimbi, who was an Ovimbundu, was dissatisfied with the Bakongo dominance of the FNLA, its military ineffectiveness, the American influence and the authoritarian leadership of the party's founder, Holden Roberto. UNITA established itself as an Africanist party emphasising ethnic and rural rights in contrast to the urban and what he termed 'westernised' outlook of the MPLA. UNITA's international support swung from China, to South Africa, Zaire and the US. In the early years, Savimbi's charisma and his image of standing up for the underdog gave him

[81] Ibid
[82] Ibid
[83] Jackson SF, Op cit, pg 391
[84] Ibid pg 41

extensive support in central and southern Angola, especially among the Ovimbundu, who make up 40 per cent of the Angolan population.[85]

When Savimbi and his supporters left the FNLA in 1964, Savimbi's first contact was with the Xinhua news agency in Accra. He turned to China for support and he was received by the Chinese government with skepticism as he had previously condemned other Angolan leaders for being too "pro-Chinese".[86] Savimbi was helped by the Chinese to establish his ideas from a movement into a liberation movement. UNITA could identify with populist policies for the peasants in the rural areas and this made it a compatible object of the Chinese propaganda. As indicated earlier, the Chinese leadership did not entirely trust Savimbi because of his earlier rhetoric about them, but they agreed to train some of his followers in guerrilla warfare in China anyway.[87]

The Chinese and the Soviets worked together for sometime but ideological differences saw the two splitting. After the deterioration of relations between China and the Soviet Union, China's claims to the third world manifested through Mao's "Three Worlds policy".[88] China then put Africa at the forefront in ideological and military support for revolutionary regimes and anti-colonial struggles. This saw the Chinese training leaders such as Jonasi Savimbi of Angola and supplying ammunition and weapons to liberation movements such as Zimbabwe African National Union Patriotic Front (ZANU PF).

In 1965 Savimbi himself underwent a more extensive course in guerrilla strategy at Nanjing Military Academy, the main guerrilla training institute in China where he was taught the principles of Mao and became a disciple of Maoism.[89] While training in China he gained support from the Chinese and he formed UNITA formally in 1966. Unlike either the MPLA or FNLA, UNITA looked to indigenous sources of support and it started to build internal bases of support. The training of the UNITA leaders was a relatively low-cost investment in potential

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[85] Profiles; http://www.c-r.org/our-work/accord/angola/profiles.php

[86] Ibid
[87] Ibid
[88] Ibid
[89] Campos I and Vines A, Op cit, pg 8

influence which paid well (though briefly) in propaganda by 1967, when UNITA became the only organisation mentioned in the Chinese press.

With an office in Cairo, UNITA gladly granted interviews to Xinhua correspondents, they were enjoying and maximising their benefits of being in the Chinese media limelight. The Chinese media in turn were eager to listen and gladly paid for the privilege to this party. This was in fact almost the only international publicity that UNITA received during the 1960s and early 1970s. UNITA claimed that it had followed a Maoist doctrine since 1966, and was actively building base areas, relying on the broad masses, using Chinese army discipline regulations (the "Three Main Rules of Discipline and the Eight Points for Attention") and, voicing praise for Chairman Mao and the Chinese Communist Party, praise for the Great Proletarian Cultural Revolution, and condemnation of the Soviet Union, the United States and Portuguese colonialism.[90] Battle reports were also common in the Chinese media, describing ambushes and other attacks on the Portuguese colonial army. UNITA attacks were reported extensively and almost exclusively in the period 1968-70, promoting the image of UNITA as a major guerrilla force in Angola at a time when its attacks accounted for no more than 4 per cent of all military action against the Portuguese.[91] In the early 1970s Chinese reports on UNITA trailed off, and was replaced by those which were focusing on the MPLA instead.

Jonas Savimbi had expected that his abundant praise of the Chinese would produce abundant Chinese material aid for his organisation but he was sadly disappointed as he only received little cash and a load of military support. According to Marshment, Savimbi indicated in an interview that the total amount of money that his country got from the Chinese was about US$5000 during the period of their courtship.[92] Although UNITA received some sporadic aid, China's main attention was targeted at the FNLA which was based in the DRC. It is alleged that later on Savimbi denied receiving any form of support from the Chinese. Although UNITA received some sporadic aid, China's attention was mainly targeted at the FNLA. In 1974, the FNLA

[90] Jackson SF, Op cit, pg 391
[91] Ibid
[92] Marcum JA, Angolan Revolution: Exile Politics and Guerilla Warfare 1962- 1976, Volume 2, MIT Press, 1978,

received a 450-ton shipment of arms and it benefited from the assistance of 112 Chinese instructors based in former Zaire.[93]

Angola gained its formal independence in 1975 and this also signaled the beginning of a civil war in the country.[94] The Chinese initially refused to recognise Angola's independence as the country was under the MPLA and they continued to support both the FNLA and UNITA secretly. However following the gradual improvement in the relations between Soviet and China in the early 80s, China's relations with the MPLA also improved. This shows that Angola was used as a theatre by the warring factions as the Soviets and the Chinese fought their war in Angola through their support of different liberation groups in the country. The easing in of tensions between China and the Soviets led to the creation of formal diplomatic relations between Beijing and Luanda on 12 January 1983.[95] This was followed by the signing of a trade and cooperation agreement between the two countries in 1984 and an Economic and Trade Commission that was set up in 1988.[96]

Due to the fact that the relations between the two (China and Angola) were still not very good, these agreements started off on a slow note. It was only around the early 90s that relations started to improve gradually mostly in terms of defense cooperation. Following the end of the civil conflict in 2002, China's relationship with Angola shifted quickly from a defense and security basis to an economic one and Angola became China's second-largest trading partner in Africa (after South Africa) by the end of the decade.[97]

In sum, there have been four distinct phases in Sino–Angolan bilateral relations:

1. pre-1975 period
2. 1975- 1983 before the establishment of diplomatic ties
3. Between then and the end of the civil war (1983-2002)
4. 2002-present time

[93] Centre for Strategic and International Studies, US and Chinese Engagement In Africa, eds Cooke J, July 2008, pg 39
[94] Alves A, Op cit, pg 7
[95] Ibid
[96] Ibid
[97] Ibid

In the first phase, as highlighted earlier on, Beijing–MPLA relations can be said to have been mostly traumatic. This is because of the role that China played in the politics of Angola. It financed and supported all the major liberation parties, thereby straining its relations with the parties. It did this by moving from one liberation party to the other and each time it did this it affected its relations especially with the MPLA which was mostly segregated by these moves.

The second phase was from 1975 when the war ended to 1983 when they established diplomatic relations. At first China was not happy with the fact that the MPLA was now in power as its relations with it were soared. However as the years progressed, the relationship gradually evolved towards acknowledgement.

The third phase was from 1983 to 2002 when the war ended. Though the two had established diplomatic ties, their relationship started on a low note such that there was not much activity between the two. The number of delegates who visited each others' country during this time was insignificant. This was mostly because the war in Angola made it difficult for the two to engage fully. In the early 90s their relations were again put in the spotlight as there were allegations that those Chinese weapons had been brought into UNITA-controlled territory from Zaire.[98] This did not go down well with Angola which accused China of fuelling the conflict in Angola. However it was resolved in 1993 when the Angolan government learnt that the weapons had not been procured directly from China.

This was in part facilitated by the simultaneous changing of the guard in both regimes (with the rise to power of Deng Xiaoping in China in 1978 and Dos Santos in Angola in 1979). This, to a certain extent contributed to the move away from strained memories from the time of the liberation war.

The fourth phase started from 2002 to the present day. Following the end of the conflict in 2002, China's relationship with Angola shifted quickly from a defense and security basis to an economic one. This was a very important phase in the engagement which saw their relationship taken to another level in all the aspects, that is economic, social political and cultural. Trade increased, bilateral agreements were signed in their numbers, and there was an increase in

[98] Campos I and Vines A, Op cit, pg 10

exchange of students between the two and the state officials from both countries publicly announcing their good relations.

Today relations between China and Angola have been described as "excellent" by the Chinese ambassador to Angola, Zhang Bolun. He said this while addressing the Angola Press against a background of the 4th session of the Angola-China Bilateral Commission.[99] He was quoted by the media as saying,

> *…the relations gained momentum after the war in Angola in 2002, thanks to a good understanding, comprehension and friendship between the two countries and the peoples.*[100]

High-level visits between China and Angola have increased. Below are two tables to show the Chinese officials who visited China and Angola from the two countries.

Table 1: Chinese Official Visitors to Angola

Name of Official	**Rank**	**When they Visited**
Gong Dafei	Vice Minister of Foreign Affairs	May 1983
Qian Qichen	Foreign Minister	August 1989
Zhu Rongji	Vice Premier	August 1995
Li Zhaoxing	Vice Minister of Foreign Ministry	April 1996
Ji Peiding	Assistant Minister of Foreign Ministry	September 1997
Tang Jiaxuan	Foreign Minister	January 2001
Li Tieying	Political Bureau of the Central Committee of the Communist Party of China	October 2001
Yang Wenchang	Vice Minister of Foreign Ministry	July 2002
Zeng Peiyan	Vice Premier	February 2005
Lü Xinhua	Vice Minister of Foreign Ministry	July 2005
Jiang Yaoping	vice minister of information industry	November 2005

[99] Africa: China- Angola Relations Excellent- Ambassador, 26 March 2009, AllAfrica.com, http://allafrica.com/stories/200903261001.html

[100] Ibid

Table 2: Angolan Official Visitors to China

Name of Official	**Rank**	**When they Visited**
Dos Santos	President	October 1988 and 1998
Fernando Van dunem	Speaker of the National Assembly	November 1993
Lopo do Nascimento	General secretary of the MPLA	September 1998
Kundy Payama	Defense Minister	May 2000
De Mora	Minister	March 1994
João Lourenco	Angolan Governing party MPLA	May 2000
Roberto de Almeida	Speaker of the National Assembly	May 2001
Manuel Vicente	, CEO, Sonangol	March 2004
Fernando da Piedade dos Santos	Prime Minister	May 2004 and November 2006
João Bernardo de Miranda	Minister of Foreign Affairs	May 2004
General Agostinho Nelumba Sanjar	Commander of the Angolan Armed Forces	June 2005
Joaquim Icuma Muafuma	Mminister of Commerce	September 2006

These visits, and the seniority of the government official exchanges, illustrate the importance of the relationship. Vice Premier Zeng's visit to Luanda in February 2005 was particularly important as it helped to consolidate various bilateral co-operation and financing agreements

Conclusion

This chapter traced the relations between China and Africa where it was shown that this relationship is not a new phenomenon of the 20th and 21st centuries, but it has been there for a long time. These relations improved over time with the establishment of organisations such as the non-aligned movement (NAM), the holding of the Bandung conference and the AAPSO.

However more emphasis was put on China-Angola relations. It has been revealed that the relations between the two countries have had their ups and downs over the years as a result of China's role in Angola's liberation struggle. This tainted the relations between the Chinese and the MPLA to a larger extent such that when relations were finally established in 1983 they stared on a low note only to flourish after the war had ended in Angola in 2002.

The fact that China's relations with Angola only blossomed after the end of the war show that China has always been a careful investor. It hesitated to invest large sums of money in a country which was war-torn only to do that when the environment was conducive. The researcher therefore argues that though China pledges to be an "all weather" friend to Angola, the events which unfolded between the two countries dictate otherwise. China made its mark in Angola after 2002 after the civil war when it was assured that it could maximise its benefits from the engagement.

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 resources especially 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 following chapters will assess the extent to which Angola is being affected by its relationship with China. Is the relationship between the two a mutual one where either countries benefit in a 50-50 manner, or there is one party which is benefiting more at the expense of the other? This will be done by looking at the construction sector where the Chinese finances and expertise have made an impact. Another area which will be analysed is the trade and oil investments between China and Angola.

Chapter 3

The Chinese Presence In The Angolan Construction Sector

Introduction

The civil war in Angola was one of the longest in the history of Africa's devastating conflicts. After close to three decades of fighting, the war finally came to an end in 2002 with the death of Jonas Savimbi. The war cost the lives of close to 1.5 million people, over 3 million were internally displaced and about 500 000 were sent fleeing to the neighbouring countries as refugees.[101] The war not only affected the people's lives, it also left a legacy of destruction and the scars of this were everywhere, especially in the rural areas. The rural areas were mostly affected because many battles were fought in the countryside and the UNITA rebels had their bases in these remote places. After the war, many buildings in the capital Luanda were inhabitable, there were virtually no communication networks as roads were inaccessible (see appendix 5 for pictures) and bridges had been destroyed by the war.[102]

This chapter will analyse the extent to which the Chinese government has been able to fulfill their promises to the Angolan government. Using sources such as policy documents, statements from government officials and reputable authors on this topic, the researcher will also put emphasis on finding out what kind of infrastructure has been provided by the Chinese to the Angolans and how this has been able to help the Angolan economy and the people at large.

State Of Affairs In Angola Soon After The War

According to one survey carried out in the Central Highlands of Angola, over 50% of the communities were not connected to the road network.[103] Villagers had to walk an average of 5 km before they could connect to the nearest road. The state of the social infrastructure was in a bad shape, schools and hospitals were dilapidated and because of this, major social indicators such as life expectancy, maternal mortality, infant mortality as well as literacy rates were at

[101] https://www.cia.gov/library/publications/the-world-factbook/geos/ao.html (accessed 15 January 2011)
[102] Ibid
[103] Vulnerability, Analysis and Mapping, Food Security and Livelihood Survey in the Central Highlands of Rural Angola, World Food Programme, 2005, pg 17

alarming levels.[104] Just to give an insight of the statistics, the rate of maternal mortality was one of the highest in the world: 1 800 per 100 000 births, compared to a Southern African Development Community (SADC) average of 560.[105] Angola had the world's third-highest under-five child mortality rate, with 250 deaths per 1 000 children, the SADC average is 137,[106] owing to malaria, respiratory infections, diarrhoea, measles and neo-natal tetanus. Malnutrition was an important underlying condition, estimated to affect almost half of Angola's 7.4 million children.[107]

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 be able to change this scenario, Angola needed the support of proper infrastructure which could support their activities, infrastructure such as schools, hospitals, roads and bridges which would facilitate trade and the movement of goods from one point to another. However the task of rehabilitating and expanding this infrastructure was not going to be an easy one, it was highly enormous and it needed the help of the international community, if it was going to be a success.

To achieve that, Angola turned to the IMF, the WB as well as western countries for financial assistance to execute its reconstruction program. However, the Breton Woods institutions (IMF and WB) pledged their financial assistance to Angola on condition that they the implemented the fiscal and structural reforms but the Angolan government did not totally agree with this conditionality. The Angolan government had to first prove that they were capable of using the money in an efficient manner as well as show commitment to good governance before they could get these funds. By March 2002 the IMF declared that Angola had not achieved significant progress in implementing fiscal and structural reforms and that it was going to be difficult for Angola to formulate a meaningful poverty reduction strategy. Due to the release of this statement

[104] Angola: Save the Children in Angola, http://www.savethechildren.org/site/c.8rKLIXMGIpI4E/b.6149703/ (accessed 15 January 2011)
[105] Ibid
[106] African Economic Outlook: Angola, AFDB/OECD, 2006 , pg 13, http://www.oecd.org/dataoecd/37/35/36734978.pdf
[107] Ibid

by the IMF and WB, other donors such as the US and Britain also withdrew their support by abstaining from a donor conference in July of 2002.[108]

As western countries and Breton Woods institutions refused to provide Angola with the necessary financial assistance that it needed, Angola 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. It is against this background that the Chinese government offered to bail the Angolans out of this predicament by offering them oil backed-loans which they could use in their construction industry.

The Chinese Construction Sector

In order to be able to fully understand and appreciate China's involvement in the construction industry in Angola, it is necessary and important to briefly look at the context of China's domestic construction industry, its development as well as its strategic importance to the country's foreign policy.

The construction industry in China has been one of its major economic backbones. This industry has achieved an annual growth rate of 20% since 1999 and it employs approximately 24 million people in the country.[109] According to the Chinese Ministry of Construction, the construction industry accounts for more than 7% of their overall GDP and the sector's corollary industries drove 50% of the country's economic activities in 2004.[110] China's accomplished business volume through contracted overseas engineering projects totaled US$114,03 billion, and the total volume of contracts stood at US$156,29 billion.[111] This shows that the construction industry is of a very significant nature to China as it contributes immensely to the country's economy.

Construction first started playing a major role in China after a century of war with its colonisers, Europe ended. The Chinese made rebuilding their nation a priority as most of their infrastructure had been badly devastated by the liberation war. The state took it upon itself to carry the full

[108] Campos I and Vines A, Angola And China: A Pragmatic Partnership, Working Paper Presented at a CSIS Conference, "*Prospects for Improving U.S.-China-Africa Cooperation,"* Chatham House, London, December 5, 2007, pg 20
[109] Centre for Chinese Studies, China's Interest And Activity In Africa's Construction And Infrastructure Sectors, Stellenbosch University, November 2006, pg 17
[110] Ibid pg 19
[111] Ibid

responsibility of reconstructing China and hence many construction firms were state owned.[112] It was only recently that the government launched the "going global" strategy which permitted Chinese specialised companies to operate overseas that they started privatising some of these construction firms.[113] Prior to the going global strategy Chinese companies operating overseas were restricted to projects that provided economic and technical aid with funds provided by the Chinese governments. This exposure allowed Chinese companies to benefit from international market experience. The going global campaign by the Chinese has seen a lot of Chinese companies operating in many countries other than China especially Africa such as Zambia, Zimbabwe, Sudan, Angola among others.

China's involvement into the construction industry in Africa began with the construction of the Tanzania- Zambia railway in the 1970s, which became a symbol of China's contribution to African economic development. In recent years, China has made a major comeback in the African rail sector, with financing commitments in the order of US$4 billion for this sector. They include rehabilitation of more than 1 350 km of existing railway lines and the construction of more than 1 600 km of new railroad.

The Construction Sector In Angola

After two years of relative peace and stability, Angola slowly began the process of reconstruction in 2004. Spearheading this process during these early years were Brazilian, Portuguese and South African construction firms such as Texeira Duartes, Mota Engil, Soares da Costa, Olderbrecht, Grinaker LTA, Group and Murray and Roberts.[114] Of these companies Portugal and Brazil had been involved in the reconstruction of Angola for a long time. They had also provided oil backed-loans to the government of Angola. However Brazilian and Portuguese loans were not of the same magnitude as the Chinese government because the loans ranged between US$300-500 million,[115] compared to China's loans which were valued at more than US$ 2 billion.

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[112] Ibid pg 15
[113] Davies M and Corkin L, China's Market Entry Into Africa's Construction Sector: The Case Of Angola, in *China in Africa: Mercantilist Predator or Partner in development*, eds Le Pere G, SAIIA, Johannesburg, pg 240
[114] Centre for Chinese Studies, China's Interest And Activity In Africa's Construction And Infrastructure Sectors, Stellenbosch University, November 2006, pg 16
[115] ibid

The arrival of Chinese construction companies in Angola partially pushed the well established Portuguese and Brazilian companies out of the market. These companies argue that after the coming in of the Chinese the playing field was not level as Chinese construction companies got unfair advantages due to the support they enjoyed from the Chinese government. South African companies' investments could not be guaranteed in the Angolan environment as a result they were reluctant to invest big sums of money; this led to them being pushed out of business by the Chinese. However there are still a few Portuguese and Brazilian companies which are still fully operating in Angola but it has been argued that it is because the Angolan government still owe these companies so they should give them contracts so as to pay up their credits.[116]

The Angolan construction sector was affected by lack of expertise to carry out the necessary engineering and building functions because the war did not enable the country to invest in human resources. As a result, Angola faced a severe shortage in human resources with technical and managerial skills. The help of the Chinese government in the construction sector was appreciated in Angola because during the war, millions of children could not attend school for various reasons such as inability to pay fees, the absence of schools and poor water supply and sanitation at the available school infrastructures. So soon after the war, the Angolan government had to invest in their human resources through providing education before they could use their local people to work. China on the other hand had well trained human resources who could do a variety of jobs such as engineering, survey and many other skills required to make the construction sector a success.

Therefore the relationship between China and Angola became a complementary one as the two countries needed each other's assistance for survival. For instance, in addition to the human resources component, there was also the natural resources component. While China has got human and financial resources they lacked in natural resources which Angola had in abundance. Angola needed proper infrastructure if it was going to be on the recovery path, while China needed oil to sustain its growing economy. In this regard one can be led to argue that this is a mutual relationship as both parties were getting something out of the relationship (though others might want to argue that the relations are not balanced). Both countries needed and still need each other so as to realise their full potential.

[116] Ibid

China's Presence In The Angolan Construction Sector

China's involvement in infrastructure finance in Angola began in 2002 following the end of the civil war – with a series of relatively small projects involving the rehabilitation of rail and power transmission infrastructure and the installation of a new fibre optic link.[117] It was in 2004 that China substantially scaled up its involvement in the country with the agreement of a China Exim Bank line of credit which allowed the Chinese government, through its companies, to repair infrastructure damaged in the country's 27-year civil war.[118] The Ambassador João Bernardo described 2004 as the key year, "the moment Angola began its process of national reconstruction in part supported by Chinese credit"[119].

The Exim Bank of China extended an oil-backed loan to the Angolan government to help in the post war reconstruction to the value of US$2 billion. The first financing package was approved in March 2004. Initially the credit line was worth US$ 2 billion but in 2006 the loan was doubled to US$4 billion.[120] In May 2007 an additional 500 million US dollars were lent for 'complementary actions'.[121] The loan was directed at public investments and projects such as hospitals, schools, roads, railways and basic infrastructures for each province. This made China the biggest player in the reconstruction process in Angola.

By 2007 Angola had received a total amount of US$4.5 billion from China. The loan had flexible conditions, it was payable at 1,7% over a 17 year period and the government of Angola agreed to provide China with 10 000 barrels of oil per day,[122](which was later increased to 40 000 b/d). This type of natural resource backed financing deal (of which this was the first major example) has come to be known as "Angola mode". The Angola mode is a financing scheme in which the repayment of a loan is linked to natural resource exports.[123] The loan provided for 70% of tenders for construction and civil engineering contracts to be awarded to Chinese companies and 30% to be awarded to the Angolan local companies. This loan came as a relief to the Angolan

[117] Foster V etal, Building Bridges: China's Growing Role as infrastructure Financier for Africa, Trends And Policy Options, World Bank, Washington DC, 2008, pg 36
[118] Ibid pg 38
[119] Belchior M J, China and Angola, http://www.macaomagazine.net/index.php?option=com_content&view=article&id=119:china-and-angola&catid=40:issue-5 (accessed 18 January 2011)
[120] Alves A, Op cit, pg 11
[121] Ibid
[122] Ibid pg 12
[123] Foster V etal, Op cit, pg 14

government as it was facing major problems in acquiring loans from the IMF and World Bank as highlighted earlier on.

The 70% quota of the Chinese firms had to be approved by the Chinese government.[124] In response, the China Exim Bank compiled a list of 35 Chinese companies approved by both the bank and the Chinese authorities to tender in Angola. According to a consultant, the selected companies had to have a positive track record in finalising contracts within the stipulated deadline and on budget, and also possessed the necessary finances, machinery and personnel in order to successfully carry out their projects.[125] This was an open system which if well managed was going to produce great results to the Angolan construction industry and the economy at large.

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 China Infrastructure Capital Management (CICM). The projects funded by Chinese loans, involves the rehabilitation of the three main railway lines – the Benguela, Mocamedes and Luanda lines, the rehabilitation of main roads and bridges, construction of social amenities such as schools, hospitals, shopping malls, construction of power grids as well as the communication networks.

Progress Of Chinese Projects In Angola

Many scholars such as Lucy Corkin have labeled Angola as the "China of Africa''[126] due to the heavy presence and involvement of the Chinese in the country especially in the construction and oil sectors. The impact of China's move into Angola has been tangible in many spheres, especially in the area of infrastructure. The loans which have been provided by the Chinese have been used in a number of projects including the building of health facilities, bridges, roads, the rehabilitation of airports, railways as well as the upgrading of socially beneficial water sanitation projects.

[124] Foster V etal, Opcit, pg 36
[125] Centre for Chinese Studies Stellenbosch University, China's Interest and Activity in Africa's Construction and Infrastructure Sectors, November 2006, pg 22
[126] The Zambian Economist, Chinese Eximbank Announces New loan, 29 July 2010, http://www.zambian-economist.com/2010/07/china-in-africa-watch-angola.html (accessed 4 January 2011)

The funding for the rehabilitation of the three main existing railways, the new international airport and mega-housing projects was provided by the China International Fund (CIF). Though this line of credit does not come directly from the Exim Bank, it is contracted on similar terms to the loans by the Exim Bank and is also secured by oil.[127] This line of credit is managed under the National reconstruction Office (GRN) which falls directly under the presidency. The company contracted to carry out this rehabilitation process is the Ango-Ferro. It is tasked with the responsibility of rehabilitating a total of 3 100 km of railway and 8 000 km of extensions in the three main projects that it is involved in- Benguela, Luanda and Mocamedes.[128] The Chinese have already made their mark in this industry and rehabilitation of Angola's three main lines has been progressing well. The diagram below shows the progress which has been made in the reconstruction of the railway infrastructure in the country.



Figure 3 Adapted from US Central Intelligence Agency website Bhttp://www.cia.gov/library/publications/ the-world-factbook/geos/ao.html_, with author illustrations depicting railways, 2010.

[127] Alves A, A Brief Analysis of china's Oil Interests in Angola, The China Monitor, Centre for Chinese Studies, South Africa, August 2010, pg 6

[128] Railway Gazette, Return To Malanje Marks Angolan Railway Revival, 13 January 2011, http://www.railwaygazette.com/index.php?id=44&no_cache=1&tx_ttnews%5Btt_news%5D=12642&cHash=23280082cd (accessed 15 January 2011)

The Luanda railway, otherwise known as the *Caminhos de Ferro de Luanda* (CFL) was rehabilitated with funding from the CIF.[129] This line runs from the port of Luanda to Malanje. The rehabilitation of this stretch started in 2005 after decades of not being in use, and the line between Luanda and Dongo recently came to life when the services were officially opened on 13 January 2011. This distance stretches for 424 miles and consists of passenger and freight services which will be responsible for taking people and freight from the capital up into Angola's agricultural rich north-eastern region.[130] The local people could not contain their joy as they saw the train passing through their area. One villager was quoted as saying,

> *I feel very happy, very pleased, because it's been almost 20 years since the train passed through here. The people working on the land have until now not been able to get their produce from here to the city, but now with the train, we have a good thing, we are going to produce more and our community will become more developed as a result,"*[131]

The train is already operating a peak-hour 30km commuter service between central Luanda and its eastern suburbs, and will soon be running the full length of the railway, linking previously isolated rural communities with provincial capitals. On 30 August 2010, Angolan President Jose Eduardo dos Santos, accompanied by First Lady Anna Paula dos Santos, officially welcomed a six-coach test train to Malanje station, 479 km from Luanda and the terminus of *Caminhos de ferro de Luanda* (CFL). President Dos Santos said he was impressed with the standard of the rehabilitated railway and praised the Chinese team which, together with 1 300 local workers, carried out the restoration in a space of less than five years. The line runs through four Angolan provinces – Malanje, Kuanza Norte, Bengo and Luanda. In addition to replacing the rails and track substructure, 16 stations have been built (see appendix 2), as well as more than 200 culverts and 16 steel and reinforced concrete bridges.[132] During this visit by the president, more than 200

[129] Ibid
[130] Ibid
[131] Redvers L, Angola's Railways Back On Track, BBC News Africa, 16 September 2010, http://www.bbc.co.uk/news/world-africa-11295533 (accessed 18 November 2010)
[132] Ibid

000 thousand local people welcomed him which implies that the people were happy with the developments that had been made in their area.



Figure 4: Adapted from Railway Gazette International

Figure 4 shows the train which runs from Port Luanda to Malanje. This was the first time that the train was travelling on this railway line in more than 20 years. It is painted in the colours of the national flag of Angola, that is red, orange and black. On its first trip people were waiting by the stations ululating and shouting "*comboio, comboio*", the Portuguese word for train. This just shows the extent to which they were happy about this new development.

The Benguela line which is also known as the *Caminhos de ferro de Benguela* (CFB) covers a total distance of 1 336 km and stretches from Lobito to the eastern border with Zambia and the Democratic Republic of Congo.[133] The reconstruction of this railway line will be of primary importance as the port of Benguela will reclaim its main role of facilitating in the transportation of goods. During the colonial era this port used to be a commercial life-line of Angola, but it was affected by the war. More than US$ 200m has been set aside for the revival of this line by the

[133] Xido Jeremy, Benguela Railway, 2007, pg 3, http://www.cabula6.com/ANGOLA/BENGUELA%20RAILWAY%20PITCHsmall.pdf

Angolan government. It is also expected that this stretch will be completed in 2011 and China has vowed to supply eight locomotives, 66 coaches and 94 wagons.[134]

The reconstruction of the Mocamedes railway line, also known as *Caminhos de Ferro Namibe* (CFN) which was almost totally destroyed during the country's civil war has been impressive, though the progress has been slow. This line covers a total of 903 km between Namibe and Menongue and it used to be one of Angola's most important lines during the colonial era as it facilitated the transporting of commodities between provinces.[135] The rehabilitation of this railway line was started in 2006 and it is expected that it will positively contribute to the development of Southern Angola and adjoining Southern Africa Development Community (SADC) countries.[136]

However due to logistical issues, work on the railway line which was expected to be completed in 2010 was halted and will only resume in 2011. As of March 2009, only 89 km had been restored in the area between Matala and Dongo.[137] The responsible authorities have pledged to see to it that the project is finished. Delivering a speech during the handover ceremony to the district of Jamba, both the deputy chairman of the Chinese firm Hywai Kui and the Angolan deputy Minister of Transport José João Kuvingua reiterated that work will resume in 2011. Mr Hywai Kui announced that the Chinese were committed to finishing the project.[138]

In the rehabilitation of the road networks the Chinese have to a larger extent delivered on most of the projects which include the 371 km stretch between Luanda and the northern agricultural and mining province of Uige.[139] This road will connect the cities of Kifangindo, Caxito, Uije and Negage. This contract was awarded to the CRBC and the project represented an investment of more than US$30 million in the purchase of equipment to be used in the construction. This project involved the building of 10 new bridges and the repairing of 2 bridges along the road.[140]

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[134] Railway Gazette, Return To Malanje Marks Angolan Railway Revival, 13 January 2011, http://www.railwaygazette.com/index.php?id=44&no_cache=1&tx_ttnews%5Btt_news%5D=12642&cHash=23280082cd (accessed 15 January 2011)
[135] http://www.railwaysafrica.com/blog/2009/03/mocamedes-reconstruction-2/# (accessed 28 June 2010)
[136] ibid
[137] Redvers L, Angola's Railways Back On Track, BBC News Africa, 16 September 2010, http://www.bbc.co.uk/news/world-africa-11295533 (accessed 9 January 2011)
[138] ibid
[139] Davies M and Corkin L, Op cit, pg 242
[140] Ibid

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. This project included the re-laying of the road surface, widening the embarkment, drainage works, protection against soil erosion, building new aqueducts and small bridges.[141] Work on the two projects has since been finished. In addition, CRBC is also building a 500 metre long bridge over the Cunene River in Xamgongo, Ombadja municipality. CRBC was also awarded the tender to build a concrete bridge over the River Dande. The bridge is over 100 metres wide with a capacity of over 60 tons. The bridge was officially handed over to the Angolan government in 2008 after taking 24 months to complete.[142] This bridge has helped a lot in the movement of people and goods because it was impossible before the construction of the bridge.

Apart from roads and railways the 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. The chairman of the Exim Bank said that cooperation with the Angolan Finance Ministry was "very good," in that the projects underway were feasible.[143]

The Chinese, through their Exim Bank have also been involved in rehabilitating and constructing major structures in the energy sector. Through their funds they managed to reconstruct the 60kV Quifangondo Mabubas line which was completed in 2006 and cost approximately US$14,59 million.[144] They also helped in the construction of the Capanda/Lucala/Ndalatando line which took a total of 18 months and was completed in 2007.[145] This has helped in the development of Angola to a larger extent because more investors can now be lured because of reliable energy sources. The Angolan people have benefited in that they can now have access to electricity which will further make their day to day life easier.

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[141] Ibid
[142] Macauhub, Angola: Bridge Built By Chinese Firm Over River Dande Inaugurated, 29 August 2008, http://www.ipim.gov.mo/en/ccpsc/06-08_2.htm#173
[143] Macao Trade And Investment Promotion Institute, China's Exim Bank To Loan More Cash To Angola, 12 July 2010 http://www.ipim.gov.mo/group_detail.php?tid=16726&type_id=1438
[144] Bonfin L and Tjønneland E, SADC And Angola, The Case Of Infrastructure Development, Paper Prepared For CMI-CEIC Annual Conference Luanda, 2 July 2009, pg 10
[145] ibid

Not only have Chinese made their mark in the transport and energy sector, they have also rehabilitated the water and sanitation infrastructure. They managed to expand and rehabilitate water systems such as the 300 km network of water supply to the city of Luanda, Huambo, Catete and Uige water supply.[146] All these projects did not take more than 4 years to complete, 90% of these had been completed by 2007.[147] The telecommunications industry which is vital for the development of any nation was also developed with the help of the Exim Bank loan. They helped in the construction of a new generation network in Bie, Bengo, Luanda, Malange and Mexico provinces.[148] The provinces of Benguela, Huambo, Uige and Zaire also received telecommunications systems. By April 2010 both projects had been completed.

In January 2009, China National Machinery and Equipment Import and Export Corporation (CMEC/CMIC) signed a US$298 million contract for the electrification project for the southern suburbs of Luanda. This project entailed building substations, transmission lines and power distribution facilities in the municipal district. The project will boost electricity supply in the capital city, which suffers from chronic power outages in certain areas up to four times a day and in other areas for periods longer than 48 hours at a time.[149] CMEC has been actively involved in Angola's electrification process for several years already, during which time it managed to complete the installation of transmission lines and rehabilitation of the grid system in the greater Luanda area.

A consortium of Chinese companies together with Oderbrecht has been involved in the construction and reconstruction of international airports in Angola. This includes the new airport at Viena, 40 km north east of Luanda and 17 de Setiembro airports. These were completed in 2009 and they were used during the Africa Cup of Nations competitions which were held in Angola in 2010.[150] In addition to this, the Shanghai Urban Construction Group (SUCG-CN) and Sinohydro were also involved in the construction of four new soccer stadiums in Benguela,

[146] Ibid pg 12
[147] ibid
[148] ibid
[149] Bjerke JO, Private Sector Development Study: Angola, Norwegian Agency For Development Cooperation, 2004, pg 30
[150] Ibid

Cabinda, Luanda and Lubango.[151] The new stadium in Luanda is situated in the city's Camama district, some 20 kms away from the inner city. The Camama stadium is the biggest of all four, with a capacity for 50 000 spectators. The stadium in Benguela has a capacity for 35 000 seats, while the remaining two stadiums can seat 20 000 spectators.[152]

The Chinese Exim Bank loan was also used for the development of hospitals in Angola which were among the worst in the SADC region because of the war. In August 2009 the Chinese Sinohydro Corporation which was responsible for the restoration of Huambo General Hospital handed over the project to the Angolan government. The Chinese also delivered on the 125-bed hospital in the provincial town of Matala.[153] The projects have been a success and the renovated hospital will serve the interests of the Angolans who had suffered for a long time due to a lack of health facilities.

Luanda's Central Hospital, which contains the main anti-malaria centre in Angola, was financed by the Chinese government prior to the FOCAC 2006 Ministerial Meeting. Due to Angola's tropical location, malaria infections are very high in the country and many deaths are caused by this illness. Re-infections can occur several times over if not treated adequately, and generally lead to death in extreme cases. To assist in combating the ailment, the Chinese government donated anti-malaria medication to Angola's Ministry of Health in 2008 and donated an additional RMB 2 million worth (approximately US$ 440 million) on 9 April 2009.[154] This has led to a decrease in the number of malaria deaths in the country, a positive step towards the development of the health system in Angola.

However the presence of the Chinese in the health sector has not been without its negative sides in Angola. Luanda general hospital which was constructed under the Angolan-Chinese partnership faced total collapse last year (2010) only four years after it had been built.[155] The hospital was built and equipped by the Chinese in a short space of time and made headlines after

[151] Centre For Chinese studies, Evaluating China's FOCAC Commitments to Africa and Mapping the Way Ahead, FReport for the Rockefeller Foundation, Cape Town, January 2010, pg 38
[152] Ibid
[153] http://www.theglobeandmail.com/news/world/in-angola-health-does-not-follow-wealth/article1527033/ (accessed 30 September 2010)
[154] Centre For Chinese studies, Evaluating China's FOCAC Commitments to Africa and Mapping the Way Ahead, Report for the Rockefeller Foundation, Cape Town, January 2010, pg 52
[155] Global times, Chinese-built Hospital in Luanda in Danger of Collapse, 9 July 2010 http://world.globaltimes.cn/africa/2010-07/549883.html

it had been completed in record time. However, in 2010 patients had to be transferred to other hospitals as they faced more danger if they continued to be in that hospital which was showing signs of structural collapse. It is alleged that from the beginning of the project there were several construction problems, but attention was not paid to this due to a number of reasons, corruption being one of them. So the building was finished without proper inspectors and corners were cut in the whole process. Among other things which are not fully functioning at the hospital is the air conditioning system which has left the hospital with a heavy stench from the mortuary and preventing doctors from carrying out medical procedures.[156] It is alleged that the manuals on how to operate hospital equipment is written in Chinese, this is problematic for the local people who cannot read mandarin.

Effects Of The Chinese Presence In The Angolan Construction Sector

The entry of the Chinese construction companies into Angola, though it is controversial, has marked a period of rapid infrastructural regeneration. For Angola, a country only recently emerging from civil war, the rehabilitation of vital roads and railways, and the general development of infrastructure are of national priority to sustain economic growth and encourage investment. Chinese companies have made a broadly positive contribution in this regard. Last year more than 3 000 kms of road were paved and 34 bridges built. By 2009 more than 1000 bridges had already been rebuilt and country now has more than 6,000 bridges.[157] These engineering projects are of vital importance to the country's economic development. Lucy Corkin who is a research associate at the Africa-Asia Centre of the University of London argues that China's efforts in transportation, water supply, and electrical grid improvements have significantly advanced the living standards of poor Angolans.[158]

The Chinese-Angolan partnership has managed to quell the accommodation problems which were so rampant in the capital city- Luanda. During the war many people flocked to Luanda from the countryside due to the instabilities in the rural areas. This led to overpopulation in the

[156] Ana Maria Correia, Shortcomings of Chinese presence in Angola, 11 August 2010, http://www.macaudailytimes.com.mo/times-lab/15485-Shortcomings-Chinese-presence-Angola.html
[157] Belchior MJ, China and Angola, Macao Magazine, http://www.macaomagazine.net/index.php?option=com_content&view=article&id=119:china-and-angola&catid=40:issue-5
[158] Ahrens L, Chinese In Angola Both Praised And Criticised, 24 July 2010, http://www.rnw.nl/africa/article/chinese-angola-both-praised-and-criticized, accessed 18 January 2011

capital with an estimated figure of over 5 million people presently living there, yet it was originally built to house 500 000 people.[159] Combined projects by the China International Trust And Investment Corporation (CITIC) and the Angolan government saw many housing complexes being built. This includes the Kilamba Kiaxi Housing project worth over US$3,5billion which was built in a record time of 8 weeks.[160] The project, built on 880 hectares eased the burden of accommodation by housing more than 200 000 people. Many other projects such as the Funda residential Zone and the New Dundo City will also help in alleviating the problem of overpopulation in Luanda and surrounding areas.

These residential complexes also have schools, shops, medical facilities and recreational facilities which will positively contribute to the overall development of Angola. For example the Kilamba Kiaxi Housing project has 710 apartment buildings over 24 blocks, including 20,000 residential apartments and 246 business units.[161] A total of 24 pre-schools, nine primary schools and eight high schools are planned around the town, all equipped with outdoor recreational sport fields. The area will gain two new electrical substations, 77 transformer stations, as well as water supply stations, a sewage treatment plant and infrastructure for drainage.[162] The project is expected to be completed by October 2011 and so far much progress has been made to this regard. It is believed the project will help in creating a total of 10,000 new jobs.

Policy-makers in both Angola and China are certain that the enormous activity surrounding infrastructure development is creating employment in the country, thus sustaining the livelihoods of millions of people. Though people who are directly benefiting from being employed by the Chinese may agree that their livelihood has been improved, critics are more concerned about the sustainability of the infrastructure. They argue that the prominence of Chinese workers inhibits Angola's human resource development, as they claim too few locals are hired and those who are hired only perform menial tasks. On some projects, the majority of staff is Chinese. For instance, the work restoring the 505-kilometer Mocamedes Railway in southern Angola employs 160

[159] Centre For Chinese studies, Evaluating China's FOCAC Commitments to Africa and Mapping the Way Ahead, Report for the Rockefeller Foundation, Cape Town, January 2010 pg 45
[160] Ibid
[161] Monitor, Africa From The Bottom Up: Cities, Economic Growth And Prosperity In Sub-Saharan Africa, Houghton Johannesburg, August 2009, pg 102
[162] Ibid

Chinese workers and 60 Angolans.[163] This is not a good ratio especially considering the unemployment figures in Angola.

They further argue that in instances where the locals are employed by the Chinese, they only occupy menial positions and the Chinese occupy top managerial and technical posts. As a result, when the time comes for maintenance of the infrastructure, locals will be incapable of rising to the occasion. Hence, the current model is creating a relationship of dependence.[164] However, the Chinese argue that due to the agreement that they have with the Angolan government, they can bring 30% of their own manpower from their country. The 30% quota is not respected in some instances resulting in the employment of many Chinese nationals at the expense of the locals.[165]

In defending the hiring of Chinese people at the high technical and managerial positions, the Chinese argue that the availability of technicians is the largest obstacle in hiring Angolans- especially in the two most technology dependent sectors; power generation and telecom. They argue that due to the civil war, most of the local workers do not have the required education and experience for advanced tasks. The Chinese are also reluctant to hire those with papers because of lack of confidence and the need to speed up projects.

Sinohydro, China's largest dam-builder finished the Matumbo irrigation project in 2009. Located in South Kwanza province, the project has been up and running since July 2009, providing water to 15,000 hectares of farmland. The project is one among four irrigation projects which was undertaken by the Chinese firm. The local people in the area have benefited from access to irrigation facilities and this has meant that they have been growing crops throughout the year. This has improved their livelihoods to a greater extent as they can sell some of their produce and have enough for consumption.

The Chinese construction firms feature prominently in Angola's education sector. According to the provisions of the Beijing Action Plan, the Chinese government is funding the construction of one primary school in Bengo, two secondary schools in Benguela and Kwanzu Sul respectively,

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[163] Faucon B and Su S, Hostility Towards Workers Cools Angola-China Relationship, http://infoseekchina.wordpress.com/2010/08/10/hostility-toward-workers-cools-angola-china-relationship/

[164] Centre For Chinese studies, Evaluating China's FOCAC Commitments to Africa and Mapping the Way Ahead, Report for the Rockefeller Foundation, Cape Town, January 2010, pg 40

[165] Corkin L, China In Angola: Impact And Implications Presentation, Viking Club, Angola, 8 July 2010, pg 9

as well as the renovation of one primary school in Luanda.[166] From loans provided by the Chinese government Golden Nest Angola, for instance, has in the past four years built a total of 11 schools in Angola - i.e. four junior schools were built in Luanda's districts of Cacuaco, Panguila and Viana, and six science and technology colleges were built in Luanda's Cacuao, Cazenga, Pangila, Sambizanga and Viana districts and also in Lobito.[167]

The construction and renovating of schools has been a very positive development in Angola because the number of children going to school has risen. Many young Angolans are now being taught various life skills at the institutions such as the tertiary colleges which are being built in their country. All the new schools, for instance, empower Angola to be able to meet the United Nations' Millennium Development Goal (MDG) of universal primary education. The literacy rate has increased, (though it is still low as compared to other countries) to 67, 4% in 2010 from about 45% in 2000.[168] Below is figure 5 which is depicting an agricultural institute which was built by China in Huambo district. This has positively changed the lives of many people in Angola.



Figure 5: Agricultural College built by a Chinese construction company in the city of Huambo, adapted from Phillip Asanzi Mbeya Ata's work

[166] Ibid
[167] Centre For Chinese studies, Evaluating China's FOCAC Commitments to Africa and Mapping the Way Ahead, Report for the Rockefeller Foundation, Cape Town, January 2010, pg 52
[168] Profile Angola, http://www.inadev.org/profile_-_angola.htm

The construction of medical facilities has led to positive effects in the health sector. Infant mortality has dropped from 196 per 100 live births in 2000,[169] to 176 per 1000 live births in 2010.[170] Malaria which is one of the major problems affecting the people in Angola has witnessed a decrease in the rate. This has been done thanks to the programmes that are being supported by the Chinese doctors in the new hospitals and medical facilities that they have built. An Angolan politician had this to say about the relationship between China and Angola,

> *Unlike traditional donors and western institutions, the impact of China's involvement in Angola is very visible. The Chinese government has financed public investments, from which Chinese enterprises have either restored or built new roads, railway lines, schools, estates and telecommunications networks. The upgrading of roads and railways has re-established internal linkages, which will reduce transportation costs and improve market access.* [171]

Recommendations

For the Angolans to benefit maximally from its engagement with China in the construction sector there are a number of issues that have to be addressed by both countries. In as much as the Chinese are to blame for some of the problems associated with the construction sector, the Angolan people and government need to take an assertive role to make sure that this relationship will bear fruit, both in the short and long term.

For starters the Chinese should desist from importing most of the material that they need in their day to day activities in reconstruction from their country as they import almost everything from heavy iron rods to the smallest pins and bolts. This has severe implications for supply chain and for the region. The Chinese could work hand in glove with the government to promote a strong private sector which will specialise in the manufacture of construction materials. Not only will this help in the short term but Angola will benefit from these firms in future after the Chinese have left.

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[169] AFROL Gender Profiles, Angola, http://www.afrol.com/Categories/Women/profiles/angola_women.htm
[170] https://www.cia.gov/library/publications/the-world-factbook/geos/ao.html
[171] Centre For Chinese studies, Evaluating China's FOCAC Commitments to Africa and Mapping the Way Ahead, Report for the Rockefeller Foundation, Cape Town, January 2010, pg 55

Angola could come up with an arrangement whereby much of the input material could be sourced in their regional block- SADC. South Africa, for instance, is an avid producer of construction material. The new route would reduce the travelling distance quite substantially, as well as promote regional integration by boosting intra-SADC trade.

Joint venture companies which comprise the Chinese, Brazilian, Portuguese and Angolan construction firms should be encouraged so that the transfer of technology and skills will be made easy. By doing this the Angolan government will be diversifying their providers of infrastructure and in the event that all the foreign companies leave Angola the local companies will have the capacity to continue doing the jobs that they were doing because they would have been empowered.

The Chinese working together with the Angolan government should also prioritise rural Angola in their infrastructure rehabilitation process. They could employ the grassroots consultation mechanism whereby they consult with the rural people on their specific needs and then provide them with their needs. Reviews and feedback can be done after the provision to see whether the people are benefiting from the development in their area.

If the Angolans are to benefit maximally from their engagement with China they should have proper planning in place, and they should be able to prioritise their needs and direct China to where they want to see development. While the Chinese are providing infrastructure to Angola, they cannot be expected to produce the people who will work in these institutions. A local newspaper reported that the Chinese built and equipped Matala Hospital was lying idle, 6 months after it had been handed over to the Angolan government because of lack of staff, both nurses and doctors.[172] The hospital lacks electricity, a proper road to the main entrance of the hospital and water facilities. If the Angolans had developed these facilities in conjunction with the building of the hospital it would have been a different case

In an interview with Markus Weimer of the Chatham House, he highlighted that the major problem would be in the sustainability of the various projects by the Chinese. He said that,

[172] http://www.theglobeandmail.com/news/world/in-angola-health-does-not-follow-wealth/article1527033/ (accessed 30 September 2010)

My concern would be in regard to the sustainability of this effort and the longevity of these investments. For instance – where will the doctors for the hospitals come from? and the teachers for the schools?[173]

He emphasised the need for the training of personnel who will work in the schools and hospitals which are being built by the Chinese. In this regard he said that it was the government of Angola which is supposed to prioritise these developmental issues and make sure that they train their own personnel.

As has been highlighted earlier on in this chapter, there are problems in terms of the employment of local Angolan people. It is argued that the Chinese do not adhere to their 30% quota because there is lack of proper monitoring mechanisms by the Angolan government. Therefore it is important that the government of Angola ensures that the Chinese construction companies are indeed employing the local people at all levels, that is managerial and menial positions.

The Chinese can also play their role by helping in the training of personnel so that they can be able to oversee the overall functioning of the project after the Chinese leave Angola. They could do this by facilitating the sending of Angolans to China for training. The existing relationship whereby Angolan students attend Chinese universities is a laudable example as these students will come to develop Angola after they finish their studies.

Conclusion

The Chinese government provided crucial access to funds to the Angolan government at a time when international donors were not keen on giving any funds to them. This helped the Angolan government to kick-start their national reconstruction process which was very crucial for the development of Angola. The Chinese entry into Angola also managed to break the monopoly of the Brazilian and Portuguese construction firms. This has given the Angolans a wider choice of commercial partners and the competition has improved efficiency.

The chapter looked at the construction sector in Angola. A description of the nature of Chinese investments was made and the major projects which are being carried out by the Chinese were highlighted. Emphasis was also placed on tracing the progress of these projects such as dam

[173] Interview with Markus Weimer , Research Fellow, Africa Programme, 15 February 2011

building, school construction, roads, railways and hospitals. It has been shown that most of these projects were completed with the exception of only a few especially those which were managed by the GRN, but in an interview with Ana Alves she was saying that these have since been taken over by a different partner and progress may be witnessed soon.

It has been shown in the chapter that the people of Angola and the Angolan economy have largely benefited from their government's engagement with China. Statistics were also provided to show the extent to which the standard of living has improved. The people interviewed in this research (Chris Alden, Ana Alves and Markus Weimer) were also in agreement that the Angolan people have benefited from this engagement. However they all argued that more could be done by both sides for full and long term benefits to be enjoyed.

The last part provided some recommendations to both the Chinese and Angolan governments so that Angola can meet its developmental goals in both the short term and long term.

To conclude this chapter it has to be remembered that due to the destruction which was caused by the protracted civil war, the needs of the Angolan population for basic services such as clean water, health, education, electricity, transport and other essentials are so huge that they cannot be met by the Chinese investments alone. This should also involve other international actors, the government and the private sector. So to say that the Chinese have failed to bring development to the people of Angola will be an overstatement.

Chapter 4

Trade And The Oil sector

Introduction

Trade between China and Angola has risen significantly over the years. In 2008 it reached a peak of US$25.3 billion up from US$1 billion in 2001.[174] Trade between these countries takes many forms ranging from construction materials, clothing to electrical gadgets which are exported from China to Angola. Angola on the other hand exports crude oil, diamonds and other petroleum gases to China. However it is trade in oil which represents a vital aspect of the relationship between the two, totaling over 90% of the total amount of money that Angola gets from its trade with China.[175]

The Chinese interest in African oil has been on the increase over the years, with thousands of workers from China currently conducting geophysical exploration, drilling, constructing pipelines and building ports and refineries in several countries including Angola.[176] This is because China has to meet its energy needs which have risen significantly over the years. The country now occupies the second position as consumer of oil after the United States on a global scale. The demand for crude oil and gasses is more than what the Chinese government can supply; therefore it imports most of its energy requirements. Most of the oil imported by China from the other countries comes from Africa, and Angola is its largest supplier. In 2009 39% of Angola's oil was bought by China, making China the biggest buyer surpassing the USA.[177]

This chapter aims to assess and analyse the benefits that Angola derives from trading with China. More emphasis will be placed on trade in crude oil as it accounts for the bulk of the transactions between the two countries. To achieve this aim the paper is going to start by giving an overview of the factors which shape the Angolan economy. The current status of the Chinese economy will be assessed and the nature of trade between the two countries analysed. This will help the researcher in understanding the nature of the relations today. Chinese oil investments will be

[174] The China Monitor, Oil, Energy And Power Relations In Sino- Angolan Relations, Centre For Chinese Studies, Issue 54, Cape town, Pg 12
[175] Ibid
[176] Yates D, Chinese Oil Interests in Africa, in *China in Africa: Mercantilist Predator or Partner in Development?,* eds Garth le Pere, SAIIA/IGD, Johannesburg, 2006, pg 219
[177] Interview with Ana Alves, China in Africa Research Fellow, SAIIA, Johannesburg, 14 February 2011

looked at in detail, as the paper is biased towards trade in the oil industry. The effects of this engagement will be analysed and some recommendations proffered on what the Angolan government can do to maximise its engagement with China. The concluding remarks will then follow.

Brief Background Of The Angolan Economy

Prior to the civil war, Angola had a diversified and booming economy which included the fishing industry, the oil sector, manufacturing industry and vibrant local markets. The country was self sufficient in food production and it was a major exporter of cash crops such as cotton, coffee and tobacco.[178] However when the civil war broke out in 1975 it affected the Angolan economy to a larger extent. Most of the road and railway infrastructure was destroyed, agriculture became impossible to practice due to the instabilities on the farms and the presence of landmines made it impossible to till the land.

The agricultural industry was severely affected because there was a large exodus of people from the rural areas into the safer urban areas. The subsistence and commercial farming industries which relied on human and capital resources to fully function were badly affected by this movement of people to urban areas. The manufacturing industry was not spared by the destruction of roads and railway infrastructure as raw materials could not be transported to the respective places. This led to the collapse of agriculture and manufacturing industries in the country during the war.

As the other industries crumbled as a result of the civil war, the oil sectors survived because the oil fields were offshore and therefore were not directly affected by the instabilities on land. However during this period the oil industry recorded a decrease in output because the oil fields were not operating at full capacity. This partial survival of the oil sector enabled Angola to escape the economic disruption which had been caused by the war. Over the years following the outbreak of war, oil production started to increase.

During the civil war the Angolan economy also relied on the exportation of diamonds which contributed a small percentage of their gross domestic product (GDP). Formal diamond

[178] Manuell Enne Ferreira, Angola: Conflict and Development, 1962-2002, *Economics For Peace And Security Journal*, UK, 2006, Pg 25-29

production was not possible during the war as the insurgents took control of major areas where this valuable mineral was found to fund their activities. With the return of peace in 2002, oil and diamond production increased.[179] The increase in the demand for oil raised the prices and this set the Angolan economy on the right path to recovery. Today diamonds account for 5% of the country's GDP.[180]

Oil plays a very significant role in the economy of Angola. In recent years, both exploration and output of oil have increased significantly resulting in Angola's post-war economic growth, at least as far as contribution to its GDP is concerned. In 2009 Angola emerged as the largest oil producing country in Africa, surpassing Nigeria where insurgents continue to destabilise the oil extraction industry.[181]

In the last decade Angola has been one of the world's fastest expansions of oil reserves, having found new deposits more than triple its proven reserves, from four million barrels in 1998 to 13.5 million barrels in 2008.[182] The scale of new ultra-deep water proven reserves raised Angola's profile from that of a medium oil producer in the 1990s to one of today's most promising oil-producing countries. Further expansion is expected in coming years as investment soars since predictions show that the country is yet to fully exploit all its energy reserves.

In January 2007, Angola joined the Organisation of Petroleum Exporting Countries (OPEC), firmly establishing its status as the 13th highest net exporter of oil globally.[183] For the first time it hosted the OPEC meeting in 2010 illustrating the country's increasing importance as an international oil producer. Angola's joining of the OPEC has been matched by a sharp rise in oil output; production has more than doubled since the end of the Angolan conflict, from 905 000 b/d in 2002 to 1.9 billion b/d in 2008.[184] According to the US Energy Information Administration

[179] Dietrich C, Inventory of Formal Diamond Mining in Angola, Institute of Security Studies, Pretoria, 2007, pg 149
[180] CIA World factbook, https://www.cia.gov/library/publications/the-world-factbook/geos/ao.html (accessed 2 February 2011)
[181] Onuoha G, Energy and security in the Gulf of Guinea: A Nigerian perspective, *South African Journal of International Affairs*, 16, 2, p. 247
[182] Alves A, The Oil Factor in Sino–Angolan Relations at the Start of the 21st Century, SAIIA Occasional Paper No 55, Johannesburg, February 2010, pg 9
[183] Organisation of the Petroleum Exporting Countries, Angola facts and Figures, http://www.opec.org/opec_web/en/about_us/147.htm
[184] Ibid

(EIA), Angola exported 1.36 million barrels per day in 2006.[185] A new surge in production is expected for 2010-2015 as new ultra-deep water fields are discovered.

Angola produces more oil than it consumes therefore it exports the bulk of its produced oil. Figure 6 below shows the level of oil production and consumption in Angola between the periods of 1999 to 2009. Crude oil production has increased over the years thereby, increasing Angola's oil exports to the other countries.

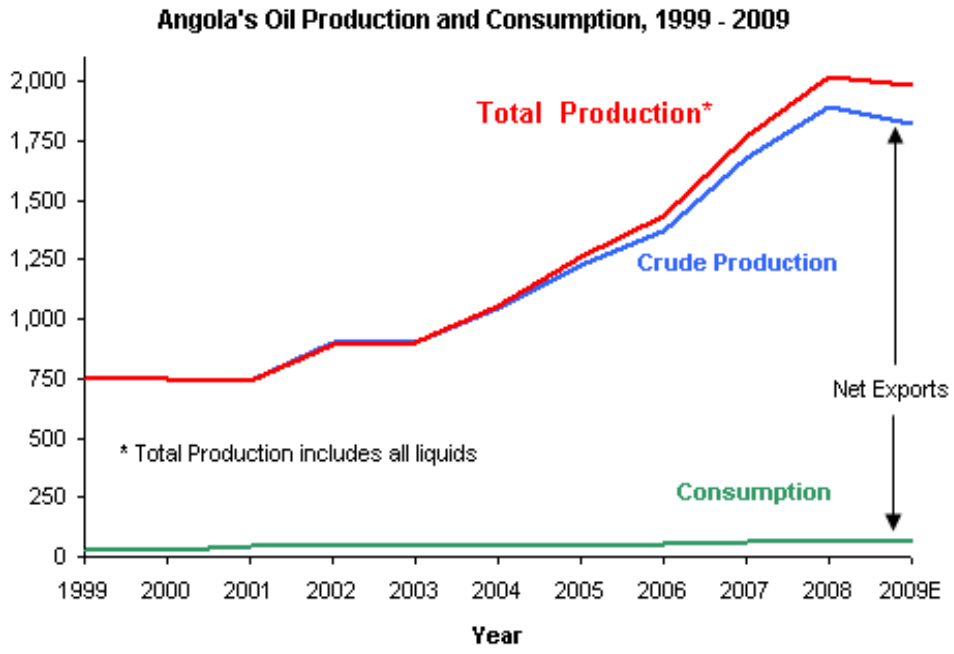


Figure 6: Adapted from EIA International Energy Annual; Short-term Energy Outlook

Angola's current reserves and forecasted production indicate that oil reserves will last for years to come. According to a recent report by Reuters based on current projects under development and the expected decline of older wells, Angola's production is expected to swell up to 2.5 – 3 million b/d in the next five years, even without the discovery of new reserves.[186]

As mentioned earlier on Angola exports most of its oil and the bulk of Angola's oil is exported to the US and China, but over the years China' share has increased to significant levels. In 2007 China became Angola's main oil export destination, absorbing 26.3% of its total export value,

[185] Flood EC, Chinese Oil Investment in Angola and The Quest to Evade the Resource Curse, Perspectives on Global Issues, http://www.perspectivesonglobalissues.com/0401/chinaangola.pdf
[186] Reuters, Factbox: Angola plans surge in oil output, 4 November 2009, http://www.reuters.com/article/GCA-BusinessofGreen/idUSTRE5A82T120091109?pageNumber=2&virtualBrandChannel=11604&sp=true

against 24% which was going to the US.[187] In the first half of 2009, Angola exported over 1.7 million b/d of crude oil, which accounts for more than 90% of its total production primarily to China and the United States. While the US's share did not change much, the Chinese's share of total imports from Angola expanded to 29% in 2008.[188]

The phenomenal rise in bilateral trade is thus a direct consequence of the rapid expansion of China's oil imports from Angola, which is particularly evident after 2004 (the year of the first credit line), clearly illustrating the driving force sustaining China's thriving relationship with Angola. This is graphically shown by figure 7 below.

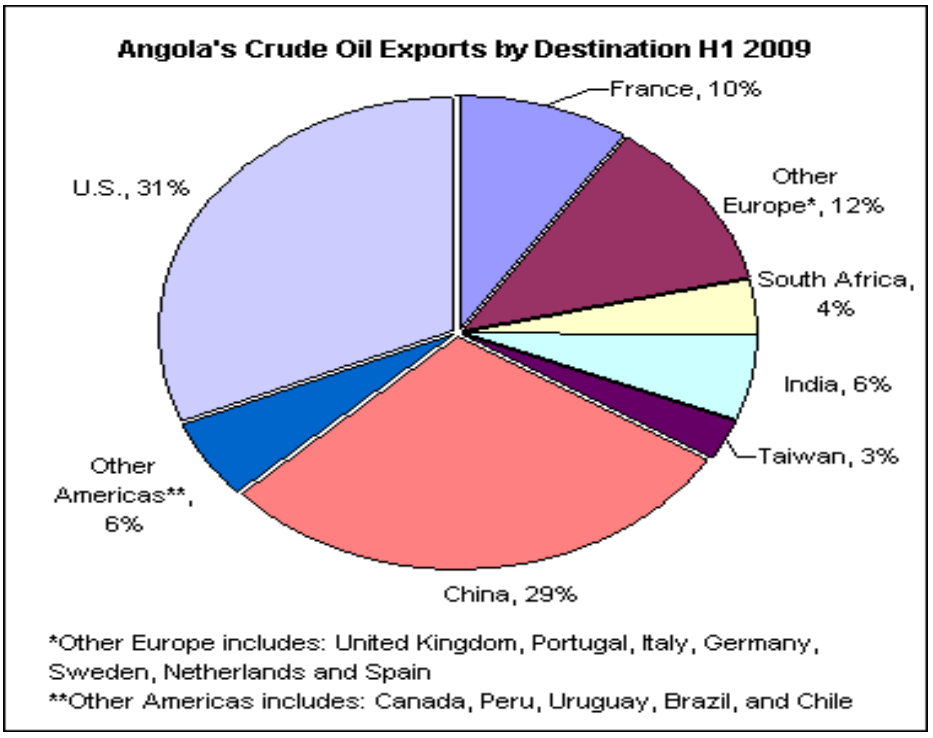


Figure 7: Global Trade Atlas, FACTS Global Energy (Chinese import data); EIA (U.S. import data)

Why are China's energy needs increasing significantly over the years? A brief analysis of China's economy will shed more light into why China's energy needs have grown, especially towards the end of the 20th century.

[187] Alves A, Op cit, pg 8
[188] Ibid pg 9

A Brief Background Of The Chinese Economy

After succumbing to civil unrest, major famines, military defeats and foreign occupation in the 19th and 20th centuries China established autocratic policies under Mao Zedong which cost the lives of many people and destroyed the economy.[189] With the coming in of Deng Xiaoping and other leaders, focus was shifted to a more market-oriented economic development. These changes brought positive results in the Chinese economy and it has been expanding rapidly since the 1980s.

In the last 30 years the rate of Chinese economic growth has been tremendous, averaging 8% in GDP per annum.[190] The economy grew more than ten times, with its GDP reaching US$3,42 trillion by 2007.[191] China in 2010 stood as the second-largest economy in the world after the US, having surpassed Japan in 2001.[192] Most analysts project China to become the largest economy in the world this century using all measures of GDP. The boom in the Chinese economy requires massive levels of energy to sustain its growth.

It is the extent of the country's energy demand that has compelled China to push into new markets, and particularly Africa. China uses various measures to source and secure its energy needs in Africa and one of the methods is what has now become popularly known as the "Angola mode". It is argued that Chinese oil diplomacy in Africa has long and short term goals. In the short-term the goal is to secure oil supplies which will help in feeding growing domestic demand back in China; and in the long-term, to position China as a global player in the international oil market.[193] This goes hand in glove with the economic diplomacy theory which states that countries use their economic mighty as a means to an end to achieve their long term goals.

China has targeted Angola as one nation where it can be able to access crude oil because the former has been witnessing a boom in production. Chinese investments in Angola have been massive, to the point that China has become the main foreign investor in Angola. Sinopec's US$

[189] Ibid
[190] McFarlane A etal, Silence On A Dark Side of Business Opportunities in Asia: An Emerging and Growing Challenge, Journal of Business Studies Quarterly, 2 (1), 2010, pg 5
[191] Trading Economics, China GDP Growth Rate, http://www.tradingeconomics.com/Economics/GDP-Growth.aspx?Symbol=CNY, (accessed 4 February 2011)
[192] World Law Direct, China Country Analysis Brief, 6 January 2011, http://www.worldlawdirect.com/article/504/china-country-analysis-brief.html
[193] ibid

2.4 billion investment in the development of a joint venture with Sonangol is the clearest example of Chinese considerable investments in Angola. Additionally the Chinese government has invested in various sectors of the Angolan economy, with construction being the largest benefactor of the investments in a bid to secure its energy needs. There has been an increase in trade transactions between these two countries as will be highlighted in the following section.

Trade Between China And Angola

The end of the civil war in Angola in 2002 after the death of Jonasi Savimbi coincided with the Chinese launch of the 'going global" policy, the rise in crude oil prices and production in Angola and the need for the country to embark on a national reconstruction programme.[194] China managed to take advantage of this scenario by making its mark in the resource-rich country, since then, it has managed to occupy a prominent position in Angola's economy. Among other things, China is a major source of funds to the Angolan government, it is the biggest player in the country's reconstruction projects (as highlighted in the previous chapters) and it is the country's largest trading partner. [195]

As global demand for energy continues to rise, major players like the US, European Union (EU), and Japan are facing a new competitor in the race to secure long-term energy supplies- China.[196] As its economy booms, China is intent on getting the resources needed to sustain its rapid growth, and is taking its quest to lock down sources of oil and other necessary raw materials across the globe. Angola has proved to be one of the destinations where major states are coming in search of oil and many foreign investors have forged ties with the country since its civil war ended in 2002.

China is one of the many foreign investors that have forged an intimate oil relationship with Angola, and over the past number of years large-scale investments by Chinese oil corporations have resulted in strong trade ties. Alves and Scarlett Cornelissen (Director, Centre for Chinese Studies) both argue that trade in oil is the basis of economic ties between China and Angola

[194] Alves A, A Brief Analysis of China's Oil Interests in Angola, in *Oil, Energy And Power In Sino-Angolan Relations*, China Monitor, August 2010, pg 4
[195] Ibid
[196] Hodel M, The Scramble for Energy: China's Oil Investments in Africa, *Journal of International Policy Solutions*, volume 9, 2008, pg 50

today.[197] Not only is oil diplomacy determining economic ties between china and Angola, it is also determining the character of political ties between the two countries, with both positive and negative outcomes.

The end of the civil war in Angola in 2002 saw an improvement in its relations with China. As highlighted earlier on, this period coincided with the high demand for crude oil which resulted in high prices, China's foray into Africa and Angola's drive for reconstruction. Bilateral trade between China and Angola increased during this period leading to Angola becoming China's major trading partner in Africa, displacing South Africa in 2006.[198] This was a major achievement between the two countries as all this had been achieved in less than 5 years of trading with each other. The drive did not stop, in fact it increased and in 2008 China's trade with Luanda accounted for nearly a quarter of its total trade with the whole African continent.[199]

The first China-Angola trade agreement goes back to 1984 and in 1988, both countries created the Joint Economic and Trade Commission to facilitate their trade. But it took more than 10 years for the first meeting of the Commission to take place. This was caused by the civil war in Angola which delayed the growth and development of the relationship between Beijing and Luanda. Consequently the Joint Economic and Trade Commission that was formed in 1988 was affected and only met twice before 2007.

Figure 8 shows that over the years, trade between China and Angola has improved significantly from the year 2002 upwards. This was necessitated by the peace which was prevailing in Angola. A sharp rise was witnessed between the period of 2006 and 2008 this was mainly because of the high oil prices on the international market. The graph shows a dip during the 2009 period which was caused by the global recession, during this time the Angolan economy was heavily affected because of their reliance on oil.

[197] The China Monitor, Opcit, pg 4
[198] Campos I and Vines, Op cit, pg 16
[199] Belchior MJ, China and Angola, Macao Magazine, http://www.macaomagazine.net/index.php?option=com_content&view=article&id=119:china-and-angola&catid=40:issue-5 (accessed 6 February 2011)

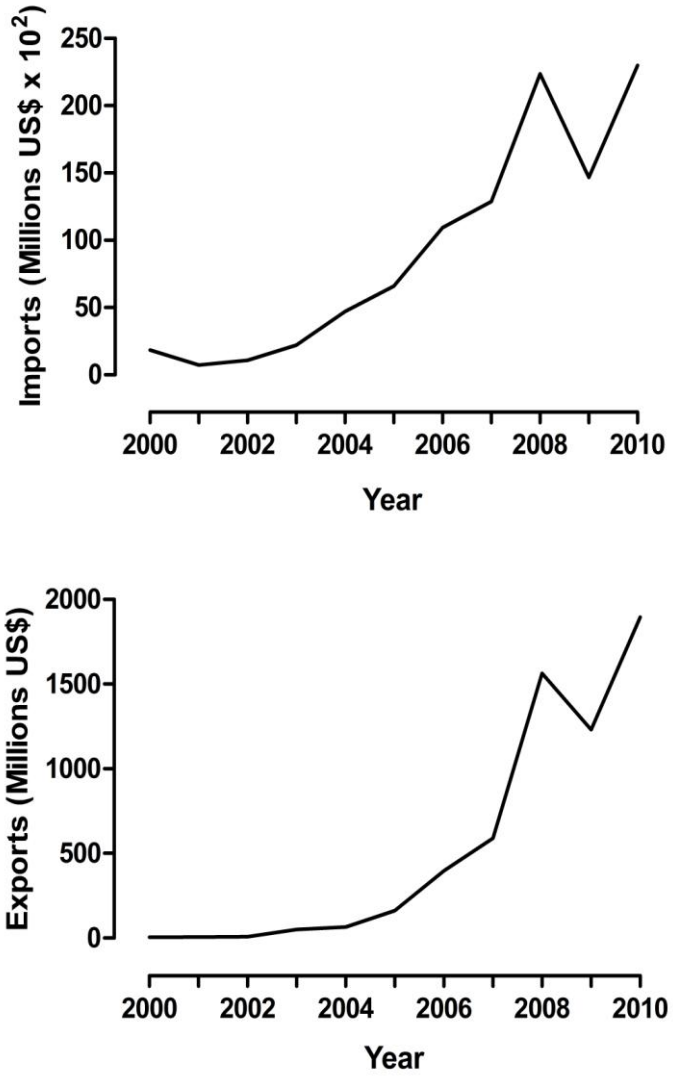


Figure 8 Source Tralac: China-Angola trade statistics over a decade (2000-2010).

Non-oil trade between China and Angola does not consist of a significant number of commodities and amount, but it has been rising at a rapid pace over the last couple of years (particularly after 2004 when the first line of credit was given to Angola by the Chinese Exim Bank). In as far as non-oil trade is concerned, Chinese exports to Angola started to increase after 2002. Prior to that, China only exported electrical goods, footwear and motor cycles and this never exceeded US$10 million.[200] After 2002 trade began to improve, Chinese exports to Angola started to increase to include cement, railway track and construction material, motor vehicles for transfer of goods, bars, rods and steel to mention but a few. The majority of these exports from

[200] Trade and Law Centre for Southern Africa, http://www.tralac.org/cgi-bin/giga.cgi?cat=1044&limit=10&page=0&sort=D&cause_id=1694&cmd=cause_dir_news

China consisted of materials which help in the construction process. Between the 2007 and 2008 period Chinese exports to Angola doubled from US$ 1,2 billion to US$ 2,9 billion.[201] Angola has been enjoying a sustained and expanded trade surplus.

Oil Trade Between China And Angola

To secure its oil supplies from Angola, China's Exim Bank provided Angola with an oil-backed loan. The loan was signed in three credit lines from 2004 to 2007 and it totaled US$4, 5 billion.[202] As highlighted in the previous chapters, the loan to Angola came at the "right" time for Angola because the country had been facing difficulties securing the funds which were needed for its reconstruction project. At that time, all countries approached by Luanda for a loan demanded an improvement in relations between the IMF and Angola. Tied to the loan was the procurement of goods from China and 70% participation from Chinese contractors as well as the export of 10 000 b/d of oil to China (this was later increased to 40 000 b/d in 2009).[203] The loan offered the most flexible terms of repayment- (both in terms of the repayment period and interest rates) as compared to the terms from the regular commercial loans, but it did not have any conditions to do with democracy, good governance or transparency.

In 2003 the vice-premier of China, Zeng Peiyang signed three oil agreements in Luanda and these are: the joint venture between Sonangol and Sinopec to explore offshore oil block 3, Sonangol agreed to supply Sinopec with crude oil from its refineries on a long term basis and an agreement for a proposed new oil refinery in Lobito.[204] Since then the Angolans have been giving preference to the Chinese in terms of bidding for oil concessions. For example, French Total was evicted from drilling in block 3 and replaced by Sinopec. This was done in a punitive move which was related to a complainant by the French government about the arms trafficking scandal known as Angola gate.[205] In 2004 again Sonangol had approved British Petroleum (BP) plans to develop offshore Block 18, all the procedures had been performed with the Indian Oil and Natural Gas Corporation (ONGC) agreeing with Shell to buy its 50% stake of the oil

[201] Ibid
[202] Aves A, Opcit pg 9
[203] Ibid
[204] Yates D A, op Cit, pg 228
[205] Ibid

however President Dos Santos refused to approve the sale and instead gave Shell's half to Sinopec.

Apart from the Exim Bank loan which was a public institute loan, other private institutions such as the China International Fund (CIF) also provided funds to Angola which were oil-backed as well. The Angolan government received a loan from the CIF in 2004 to the value of US$ 2,9 billion. Just like the Exim Bank loan this loan was also secured by oil and was managed by the National Reconstruction Office (GRN) which reported directly to the presidency. Exactly how much has been paid to the Angolan government is not known as the presidency is not always at liberty to divulge the full details of the loan to date. However according to Alves the GRN and CIF partnership was disbanded in 2010 due to irregularities in the way that they were doing business and all the ventures which were being run by GRN have now been put in the hands of Sonangol Properties Company.[206]

China did not stop giving loans to Angola after the Exim Bank loan of 2004; actually it has increased its credit facilities to the country. In late 2009 China provided Angola with an extra three new credit lines- Exim Bank provided US$6 billion, Industrial and Commercial Bank of China (ICBC) US$2.5 billion and China Development Bank (CDB) provided US$1.5 billion.[207] It is noteworthy that apart from the CDB credit line which is directed towards agriculture, the other two new lines of credit are backed by oil. This further stipulates that China's interest in Angola rests mostly on oil. These loans have again strategically positioned China to be the largest recipient of Angola's crude oil and it also mean that China's energy needs are secured for a while.[208]

Meanwhile, in a bid to further increase their engagement with Angola, the Chinese Deputy Minister of Commerce Zhong Shang visited Angola in January 2011 and he reiterated the remarks by the Chinese Vice President Xi Jinping (who visited Angola in November 2010 as part of his three-nation visit to Africa), that China was going to help the country in diversifying

[206] Interview with Ana Alves, Research Fellow China in Africa Project, SAIIA, Johannesburg, 14 February 2011
[207] Vines A, etal, Thirst For African Oil, Asian National Oil Companies In Nigeria and Angola, Royal Institute of International Affairs, 2009, pg 19
[208] Alves A, A Brief Analysis of China's Oil Interests in Angola, in *Oil, Energy And Power In Sino-Angolan Relations*, China Monitor, August 2010, pg 7

its exports to China. This was in line with the attempt by the Chinese to boost their trade relations with Angola which was referred to as a strategic partner by Xi.[209]

In 2010 trade volume between the two countries amounted to some US$25 billion, it recorded an increase of 80% in a year.[210] During this visit again the Chinese government also decided to reduce or waive tariffs on Angolan exports to China from 2011 so as to encourage Angolan businessmen to export more products to China. This is in view of diversifying to other sectors of the economy such as agricultural produce, fish and other marine products and diamonds.[211]

The strategy which has been chosen by China is basically to acquire foreign energy resources via long term contracts as well as purchasing overseas assets in the energy industry. This strategy by China is based on a policy of diverting over-reliance on the global market through either acquiring major stakes in Africa's oil fields or safeguarding their access to them. The following section will look at the oil investments which have been made in Angola by the Chinese. A further analysis of whether these investments have benefited the Angolan economy and peoples will follow.

Chinese Investments In Angola

Many of the investments which have been directed towards Angola by China are either directly or indirectly linked to oil. The Chinese have invested huge sums of money in the oil industry as they want to maximise their benefits. Apart from the construction sector where they have put the bulk of their investments, they have also invested in the building of infrastructure for oil exploration such as oil refineries.

China Petroleum and Chemical Corporation Limited otherwise known as Sinopec (one of the major petroleum companies in China), acquired its first stake in an Angolan oil block in mid 2004.[212] It then went on to acquire 50% of Block 18 which was sold by Shell to an Indian company, Oil and Natural gas Corporation Limited (ONGC).[213] In the wake of the first Exim Bank credit line which was disbursed in March 2004, Sonangol exercised its pre-emption rights

[209] http://www.gov.cn/misc/2011-01/14/content_1784342.htm
[210] Business News, China, Angola Sign Agreements As Vice-President Xi Visits, 20 November 2010, http://www.channelnewsasia.com/stories/afp_asiapacific_business/view/1094525/1/.html
[211] Ibid
[212] Centre for Chinese Studies, Opcit, pg
[213] Alves A, Opcit, pg 10

to sell the block to Sonangol Sinopec International (SSI), a newly formed joint venture between the two national oil companies (Sonangol from Angola and Sinopec from China) in which Sinopec holds a 55% share (this will be explained in detail below).

The fact that China was then enjoying the favour of the Angolan government by means of a very timely and generous credit line, explains to a great extent the expansion of Sinopec‘s equity in the licensing round that followed in the 2005-2006 period. In May 2006, SSI was awarded three stakes in some of the most disputed new ultra deepwater blocks; 20% in block 15/06; 27.5% in block 17/06; and 40% in block 18/06.[214] According to Wood Mackenzie the bids paid for during this round were at the time the highest ever offered for oil acreage anywhere in the world. The bidding level had allegedly been pushed up by China which offered US$2.2billion for the acquisition of blocks 17/06 and 18/06.[215] Indeed China was enjoying some real favours from the Angolans.

In the midst of the financial crisis in 2008 Sinopec joined hands with China National Offshore Oil Corporation (CNOOC) to bid for a 20% stake in ultra-deep-water oil bloc 32 which is owned by a consortium of firms led by French firm, Total Exploration and Production Angola. This was being relinquished by the American oil company, Marathon. The Angolan Block 32 is very promising and oil has been discovered in 12 wells in the block. It is reported to have 1.5 billion barrels of oil reserves, the production of which is slated to start in 2012. The joint offer by Sinopec and CNOOC of $1.3 billion outbid rival bids from ONGC Videsh, Petrobras, and even another Chinese NOC, China National Petroleum Corporation (CNPC). The deal was reached between Sinopec/CNOOC and Marathon in July 2009 and was closed at end of that year.

However the real impact of the Marathon Oil deal on CNOOC/Sinopec's financial performance is unclear as the field is still under exploration and until more appraisals and development drilling are conducted, it is difficult to gauge the production and reserves potential. However there have been positive developments in the as far as the building of infrastructure to support the functionality of this project is concerned. New roads and houses have been constructed in preparation of the project.

[214] China Monitor, Opcit, pg 7
[215] Alves A, Opcit, pg 8

The need to match enhanced oil and gas production prompted Angola to extend its oil refining capacity. Prior to this Angola only had one refinery which is located in Luanda, with a capacity of 39 000 b/d, which was too low to meet the increasing demand for fuel on a global scale. In 1998 the government approved the construction of a new oil refinery with a capacity of 200 000 b/d in Lobito, a coastal city in Central Angola.[216] Building this new refinery was going to promote economic development in the region and the country as a whole. The lack of an oil refinery meant that Angola spent so much money importing oil derivatives due to the lack of capacity to treat the oil it produces.[217] It is alleged that Angola spent between US$300 million and US$400 million on importing fuels, a figure which was expected to rise to between 600 and 800 million.[218]

Initially the project had been awarded to a Korean company, Samsung but lack of funding kept the project from taking shape. That is when the Chinese firm- Sinopec came on board. The refinery was to be built in partnership with Sonangol under the name SonaRef project. The $3.5 billion project for the refinery to be built in Lobito in which Sonangol held 70% and Sinopec 30%, was projected to start operations in 2010. Under the agreement, Sinopec was to fund the totality of the project, the second-largest downstream project after Angola's new liquid natural gas plant project,[219] but the Chinese refinery withdrew in 2007. Although the foundation of relations between China and Angola had been laid well both politically and economically by the previous ventures, the deal could not be a success. Negotiations stalled in January 2007 and the whole project collapsed in March 2007 as a result of disagreements over the marketing strategy of the plant's products.

Sonangol is now proceeding with the SonaRef project but the project completion date is now slated for 2014-2015. According to an interview held with Ana Alves, there is a possibility that the two firms may again come together as the presidents of Sonangol and Sinope have been holding meetings and visiting each other since last year.[220] The new refinery will be able to

[216] Hydrocarbons-technology.com, Lobito Refinery, Angola, http://www.hydrocarbons-technology.com/projects/lobito/
[217] Macauhub, Sonangol And Sinopec To Build And Manage Lobito Refinery In Angola, 20 March 2006, http://www.macauhub.com.mo/en/news.php?ID=997
[218] Hydrocarbons-technology.com, Opcit
[219] ibid
[220] Interview with Ana Alves, China in Africa Research Fellow, SAIIA, Johannesburg, 14 February 2011

process heavy crudes, such as those found in the Kuito and Dalia fields. In the interim, the expected demand increases will continue to be met by product imports. Angola realised that In order to compete in the global economy they had to create the adequate infrastructures in areas where they had a comparative advantage. If the country does not develop its energy and use it towards obtaining better social conditions in Angola, then it will have difficulties integrating into the global economy. The responsible authorities must therefore maximise the revenue that they can get from the resources and building the Lobito refinery is an important step in that direction.

With a constant supply assured due to the loans China has provided to Angola, China has also pitched in with investments for developmental projects in Angola which include building houses, schools, hospitals, railways, roads, ports and a whole range of other essential infrastructure (as highlighted in chapter 3). These will improve the communication network desperately needed for worldwide trade and development. China's ZTE Corporation and Angola's Mundostartel have collaborated to improve the phone networking system in Angola, with a $69 million agreement. ZTE is pumping in around $400 million in the Angolan telecommunication network. A telecommunications research laboratory and mobile phone manufacturing units are part of the investment plan.

In March 2010, Sinopec, China's national refinery - the biggest in capacity in Asia announced the purchase of a 55 per-cent stake in Sonangol-Sinopec International Ltd for 2.46 billion US dollars.[221] The 2010 acquisition of deep-water oil assets has been the first made by Sinopec overseas. In 2009 the Chinese company more than doubled its net profit to 9.05 billion US dollars. China is not the only importer of Angola's oil. But the assets acquisition by Sinopec shows the country's engagement in the future of Angola.

Although Sinopec's position in the oil sector in Angola is still very small when compared to that of the other major western oil companies such as Total, BP and Shell, its accomplishments have been quite remarkable considering the period that the company has been investing in Angola. Sinopec's achievements are much more when they are juxtaposed to their Asian counterparts. Nevertheless, Sinopec still has a long way to go in order to consolidate its position in the

[221] Maria João Belchior, China and Angola, Macao Magazine, http://www.macaomagazine.net/index.php?option=com_content&view=article&id=119:china-and-angola&catid=40:issue-5

industry since its acreage is still tiny in the overall picture and most of its assets are yet to start producing.

How Chinese Trade And Oil Investments Have Impacted On The Angolan Economy And People

Trade and Chinese investments in Angola are boosting the national economy to a greater extent. The rising oil prices have enabled Angola to accumulate large sums of foreign currency reserves. This has in turn made the Angolan finance officials curb the inflation rate which over the years fell from 43% in 2004 to an estimated 22% in 2005[222] and in July 2010 it was 13.7%.[223] It is further estimated that the inflation rate will fall to a single digit in 2011.[224] Angola's ruling party said it expected inflation to drop to single digits in 2011, for the first time in the African nation's history due to a stable economic environment.

The lower inflation rate would boost the economy of Angola to higher levels because not only will this lead to more foreign direct investment, but it also means the creation of more jobs and more jobs will lead to more demand. Through the multiplier effect, other things being constant, the increase in demand will in turn lead to more production thereby setting the country in motion for economic growth and development. The MPLA spokesman Rui Falcao had this to say about a lower inflation,

> *It would allow the government to increase state-spending to bolster economic growth, create more jobs and fight poverty in the oil-producing country"*[225]

The IMF even praised Angola for its progress in economic stabilisation policies. Following the IMF's visit to Angola in 2010, the board is to release US$353 million of the US$1.4 billion which was agreed in 2009.[226] This shows a very positive effect in the economy and the way the Angolan government is conducting its day to day business because the IMF had declined to give

[222] AfDB/OECD, African Economic Outlook, 2006
[223] Index Mundi, Angola Inflation Rate, Consumer Prices, http://www.indexmundi.com/angola/inflation_rate_(consumer_prices).html (accessed 4 February 2010)
[224] ibid
[225] Reuters, Angola sees 2011 inflation falling to single digits, http://www.theafricareport.com/last-business-news/3295617-Angola%20sees%202011%20inflation%20falling%20to%20single%20digits.html
[226] Sonangol, Universo, Impact Media Comfort Publishing, December 2010, pg 5

Angola loans due to the fact that they were not conducting business in a transparent manner. IMF's deputy managing director had this to say about the Angolan economy, "The macroeconomic situation continues to improve and reforms are beginning to bear fruit."[227]

The boost in the Angolan economy has enabled Angola to increase its revenue base to high levels. With this the government has been able to do some developmental projects which are aimed at further strengthening their economy and improving the lives of the ordinary Angolans.[228] Apart from the Chinese projects the government has been carrying out a lot of developmental projects which also include the building of schools and hospitals as well as the training of personnel to work in these institutions. The Universo argues that by the year 2012 over 3 million people will benefit from the Water for All schemes which has been set up by the government in its bid to better the standards of living through the provision of cleaner water for its peoples.[229]

Though the oil sector has little impact on employment because most of it is offshore exploration, it has been driving the current high rate of GDP growth in Angola. It has created few linkages to the other sectors of the economy and it relies heavily on the use of capital equipment which needs very few specialised people but the pace of the oil growth is helping in the overall performance of the Angolan economy. Growth in the oil sector has led to the increase in the number of actors who operate in the country; moreover, these new actors are challenging the traditional dominance of the western majors and modifying the bargaining power of national authorities. There has also been an increase in FDI which has made the country realise an increase in the growth of the economy.

Away from the dusty, remote giant construction sites such as Lobito and Soyo, Sonangol's other investments plans are bearing fruit especially in Angola's cities and towns, thanks to China's help as well. Angola has been able to build a number of eye-catching petrol service stations in many cities. This has benefited the people and the economy to a larger extent as queues for fuel

[227] Ibid
[228] Interview with Chris Alden, Project Head, China in Africa Programme, SAIIA, Johannesburg, 9 February 2011
[229] ibid

at the country's pumps which were a common sight have been cut dramatically over the past couple of years.[230]

The government of China has been helping Angola with new and improved technology in the oil production sector which has been a key factor in increasing production in Angola. Ruben Costa, Sonangol's director of production argued that some areas which were not accessible ten to fifteen years ago are now available because of new technology.[231] Some of the technology is being trialled in Angola for the first time. This has made Angola increase its production to very high figures which has worked in its favour.

With the funds that the Angolan government got from an oil-backed deal with China the government was able to start on their national reconstruction project. The country did not have the capacity to supply all the building requirements which were needed for the big projects or for individual ventures such as building personal houses. The country relied on only two cement factories in Luanda and Benguela respectively, of which one was non-functional. This left the country with one cement plant which could not meet the demand for cement, a commodity which was urgently needed for the rehabilitation process to commence.

The importation of cement from China has helped the Angolan economy to meet its immediate needs such as accommodation issues. The various projects that the country is involved in can now take place without any delays. Not only has the economy benefited but individuals have also benefited from this engagement in that there have been competition between the local cement producers and those who import the commodity from China. This competition has reduced the price of a bag of cement which would have been exorbitant had there been no competition from the Chinese. It now means that ordinary Angolans who earn a modest salary can now afford to buy this commodity and be able to rebuild their houses which were destroyed during the war.

However there have been allegations that the cement which is imported from China is not compatible with the geological conditions in Angola such that there may be long-term negative effects to the buildings which are being constructed using this commodity. Hence there is a

[230] Ibid pg 10
[231] Ibid pg 42

strong need for Angola to carry out some research, so that they can minimise the damages which may be caused by this problem in the long run.

The people of Angola have also benefited their country's non-oil trade with China. They have been able to choose from a wide variety of imports from Europe, USA and China and this has made them make informed decisions about what and where to buy. The Chinese products which come in the form of electrical gadgets, clothes and construction materials are preferred over the other goods from the western countries because they are cheap and any ordinary person can afford them. This is a very positive thing because a majority of people in Angola still live under the poverty datum line and so given the choice they are more willing to buy the cheap Chinese commodities.

Being able to buy the cheap Chinese commodities has led to a general improvement in the lives of the people in Angola. They can now manage to listen to radios, watch TVs, wear new clothes and repair their houses as they can afford to buy cement at reasonable prices. If this scenario continues like this, an increase in the demand of goods and services will lead to the creation of more jobs through the ripple effects theory and more people will be employed.

In less than a decade, China has managed to carve out a prominent position in Angola's economy as its largest trading partner, a major provider of funds and the largest operator in the country's reconstruction project. Nevertheless, oil remains the key element in bilateral relations, since it pervades all aspects of China's economic engagement with Angola: credit lines for infrastructure are oil backed, oil imports dominate bilateral trade and the largest share of Chinese investment in the country is directed towards the oil industry.

There has been an increase in interdependency between China and Angola in as far as the development of both countries is concerned. Angola possesses oil in abundance, a natural resource which is in shortage in China and is highly needed to sustain its economy on the other hand China possesses the capacity, that is human and financial resources to help Angola in its reconstruction phase. Angola's oil exported to China accounted for 57% of China's total imports

from Africa.[232] This placed Angola the second largest supplier of oil to China with 15,5% after Saudi Arabia which had 19,8% [233]

China and Angola's enthusiasm to invest in each other's countries was reiterated at the Shanghai Expo in China in 2010. The Angolan vice president Ferdinand Dias Dos Santos who addressed the audiences encouraged the Chinese officials and businessmen to invest in Angola. He cited that his country was counting on several partners, especially the PRC which has cooperated with Angola's development and reconstruction for a while now to lead the way.[234]

The implications of China's rise as a major economic power for the rest of the world and in Angola in particular are not easy to judge. But looking at the profiles of both the Chinese and Angolan economies, one can conclude that there are many opportunities to exploit the two economies, and a higher degree of complementarity between them. Both countries need each other and they are part of the international trading system which is more integrated through the economic globalisation process.

Recommendations for Angola

As China's relationship with and reliance on Angola grows deeper, Angola has an opportunity to use its oil profits to boost its own economic development; but only if it can defeat the so-called resource curse that has bedeviled it and other poor countries for so many years.

Angola is already showing signs of being affected by the resource curse or the "Dutch Disease". This is evident in most of its sectors which are suffering from low growth as well as the presence of a large distortion between their GDP and the quality of life which is afforded to their citizens. The majority of the people in the country still live in dire poverty and most of them will attest to the fact that they are not directly benefiting from the selling of the natural resources in their areas or the presence of the Chinese in Angola.

[232] Hellstrom J, China's Emerging Role in Africa: A Strategic Overview, FOI, 2009, Pg 12
[233] Brookes P, Into Africa: China's Grab for Influence and Oil, The Heritage Foundation, http://www.heritage.org/research/lecture/into-africa-chinas-grab-for-influence-and-oil, (accessed 28 January 2011)
[234] Sonangol, Universo, Impact Media Comfort Publishing, December 2010, pg 18

More than eight years since the end of the civil war, millions of Angolans still live in shanty towns while unemployment is running at around 50%.[235] Signs of disgruntlement among the citizens can be seen in the Cabinda area which is one of the very oil- rich areas but it has remained under-developed for a long time and this has sparked unrest in that area. Rebels from separatist group (Front for the Liberation of the Enclave of Cabinda***)*** FLEC fatally attacked the Togo soccer team in January 2010 as they made their way to the African Nations Cup. The roots of the conflict are long and complex but one grievance that many Cabindans have is that they see little of the oil that comes from their land in terms of development.[236]

Angola's biggest challenge is to diversify its economy, from being dependent on oil to building up industrial and manufacturing capabilities in their national economy. Despite moves to diversify and invest in sectors such as agriculture, oil still accounts for 90% of Angola's export income and nearly half of the country's GDP but it employs less than 1% of the population. The oil price slump in 2008 left Angola struggling to pay civil servants and forced it to delay paying billions of dollars to construction firms rebuilding the nation after the war.[237]

China could help Angola in diversifying its economy so that they do not only rely on the exportation of oil and diamonds. It could do so by injecting more funds in the agricultural sector. This is a very important sector because approximately 85% of Angola's labour force is dependent on this sector to sustain their livelihoods. Agriculture in Angola has a tremendous potential because it is a potentially rich agricultural country, with fertile soils, a favourable climate, and about 57.4 million ha of agricultural land, including more than 5.0 million ha of arable land.[238] Investment in the Angolan agricultural sector should be encouraged because it can be used as a potential development strategy to shift the country from a single to a more diversified economy. This strategy will make the country less vulnerable to world oil price shocks.

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[235] Henrique Almeida, Factbox: Key Political Risks to Watch in Angola, http://www.finanznachrichten.de/nachrichten-2010-09/18111953-factbox-key-political-risks-to-watch-in-angola-020.htm

[236] BBC News, Cabinda Conflict, January 2010, http://news.bbc.co.uk/2/hi/africa/8452228.stm (accessed 4 February 2011)

[237] EIA, Angola Energy Data, Statistics and Analysis - Oil, Gas, Electricity, Coal,

http://www.eia.doe.gov/cabs/Angola/pdf.pdf

[238] CIA World Factbook, Angola, https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html

By injecting more capital they could help Angola be self-sufficient as it was before the civil war broke out in 1975. Today the Angolan government relies on importing food stuffs to feed its economy as they do not produce enough to feed the whole country. Apart from helping with capital resources, China can also assist with technical know-how whereby they send their agricultural experts to assist in boosting the agricultural sector in Angola through information dissemination.

Apart from strongly depending on oil, Angola's economy remains highly concentrated in the hands of a small, extremely well connected political elite. Corruption is rife in the Angolan government and improvements will require huge efforts to strengthen institutions and increase transparency. This will not only increase accountability but will also ensure that a majority of people benefit from a project rather than a few individuals.

Trade between China and Angola is typically colonial.[239] Angola exports raw materials such as minerals and crude oil, while on the other hand importing manufactured goods from China. By just looking at the pattern of trade which is in existence, one could conclude that China is the overall winner in this relationship because it has managed to gain maximally- it exports manufactured goods which take a higher price as compared to raw materials and it has secured its energy needs which are needed to sustain its growing economy. Angola can take advantage of the relationship with China now to build on the knowledge base of their citizens and the transfer of technology so that they can be able to boost their manufacturing base. This will make them manufacture their products before they export them, thereby earning more money than they would have if they exported raw materials.

There is a strong need for Angola to come up with a comprehensive economic plan which will map out how they intend to carry out the overall reconstruction and development in their country. To begin with, the country needs to play a more pro-active role in shaping and directing Chinese activities. The government should have the capacity to direct the Chinese construction projects, instead of the Chinese deciding what needs to be constructed. In as much as the government needs economic development more emphasis should be placed on social amenities

[239] Ata Philip Asanzi, China-Angola Relationship With Reference To The Construction Sector, Witwatersrand University, 2009, pg 46

which will directly affect the lives of the people. For example if the Angolan government wants the Chinese to construct a school they should direct the whole project and tell the Chinese constructors where the school should be instead of the Chinese determining where to put the school.

The Angolan government needs to be able to manage its non-renewable national wealth more efficiently, and in the process create more jobs. Better management will require strengthening institutions and relaxing the tight grip of power, both political and economic, by the country's leadership. Angola's economy remains largely driven by public investment, which is marred by political patronage and corruption. Over the medium term, Angola's economy will need to rely less on public investment and more on private sector activity. This goes beyond mere energy policy, as the issues of corruption, poor government management, haphazard budgeting, lack of transparency, among others, cross all public sectors and represent the main threat to sustained Angolan growth. It is vital that Angolan leadership acknowledge that these pitfalls rank as a higher priority than ramping up oil production. To lower investment risks and provide greater assurance to investors, Angola needs greater progress toward good governance and the rule of law.

There are also major transparency concerns relating to Angola's relationship with China. A comprehensive picture of China's total involvement is not publicly available, and can only be guessed at by piecing together various reports, statements, and anecdotes. No one knows exactly how much money China is providing, how many contracts exist, how they are awarded, or how many Chinese firms and workers are currently in the country. This lack of proper information fuels public suspicions which may fuel public resentments of the leadership. The country should ensure that it avoids such a scenario as the country is still very fresh from war and can easily renege back to war again. Public resentment has been shown by the targeted kidnappings and beatings of Chinese workers by the local people who are angry about not getting jobs in their country.[240]

[240] BBC News Africa, Chinese workers attacked in Angola's Cabinda province, 12 November 2010, http://www.bbc.co.uk/news/world-africa-11741356 (accessed 6 February 2011)

From a development perspective, the biggest challenge that Angola faces in the oil sector is that the sector has little forward or backward linkages with the onshore economy. There is therefore a need for proper planning so that oil revenues can be invested in the economy. If oil revenues were invested in the domestic economy to foster more diverse economic and social development, Angola could emerge as a more prosperous nation.

China's involvement in Angola could jump-start change in the country and on the continent as a whole, but only if the Angolan government become more assertive partners in their engagement with China. If the government can be able to capitalise on this engagement then they can take advantage of the increased revenues that they are getting from the selling of oil which has been fetching high prices of late. If the government play their cards well they could be able to benefit from the trade that the country has been enjoying for a long time now.

The Future Of China-Angola Relations In The Oil Industry

Judging from the nature relations between China and Angola are taking, there is a bright future ahead of the two in terms of oil exploration and trade. In an interview with Ana Alves, she confirmed that the future of China-Angola oil relations looks very bright especially considering the new credit line to Angola by the Chinese. The new credit line to the value of US$ 10 billion is oil-backed, meaning that the engagement between the two will continue for a long time to come. During an interview with Dr Alden he also echoed the same sentiments when he said that the future of China and Angola looked very promising as there are many oil fields which are being discovered and others which are yet to be exploited in Angola.[241] He further argues that because the two countries have now taken their engagement to a strategic level, they will increase their business deals.

Another factor which makes the oil relations between China and Angola to be sustained is that Angola has been at peace for 11 years now and being under one president who will be at the helm of power at least for the next 10 years mean that the peace will be sustained (other things being constant). This has certainly been a factor aiding the country's oil success. The absence of a conflict in Angola makes the place an environment conducive for investment, guaranteeing the

[241] Interview with Chris Alden, Project Head, China in Africa Programme, SAIIA, Johannesburg, 9 February 2011

presence of China which shows that it will not invest more in a war-torn country, (this was shown after it increased its ties with Angola when the war ended).

According to Alves there is more reason for China and Angola to increase their oil ties in future as this was confirmed by the visit by Sonangol's president to Sinopec in 2010.[242] After the collapse of the SSI deal in 2007 one may have expected things to be worse between the two national companies but there has been speculation that the two may forge closer ties especially with regards to the Sonaref project.

However if China is to stay in the oil sector in Angola for a long time then it has to make a major impact by acquiring more stakes and capitalising on the on-shore fields which have not been exploited very much. One of the reasons for lack of investments in the on-shore fields was due to the war. If it manages to do this then it will be in a better position to compete the western companies such as Chevron, Total, BP and ExxonMobil which still dominates the industry.

Conclusion

This chapter analysed the economic relations between Angola and China and it has been shown that the main reason why China has been engaging heavily with Angola is because of their need to secure their need for access to markets and oil. In their quest to secure this important resource the Chinese have invested heavily in Angola particularly in the construction sector. Most of their activities in the construction sector such as the building and reconstruction of transport networks directly helps them in their bid to ensure the smooth flowing of the extraction of oil.

The chapter has managed to show that the Angolans are benefiting from trading with the Chinese. The Angolan economy has witnessed a surge over the past years making Angola one of the fastest growing economies in the world. Inflation has continued to decrease and forecasts state that it could reach a single digit in 2011, for the first time in more than 30 years. Angola has also managed to accumulate large sums of foreign currency reserves as a result of the rising oil prices and its engagement with China which has been its biggest buyer. As a result of its economic stabilisation, Angola has received praises from the IMF board which has vowed to release funds to help the government get back to its feet.

[242] Interview with Ana Alves, China in Africa Research Fellow, SAIIA, Johannesburg, 14 February 2011

Investments by the Chinese have led to social development to the whole Angolan population. Employment has been created as a result of these investments, schools, hospitals, roads, bridges, railways and other social amenities have been constructed and they have had a positive effect. Malaria rates have gone down; the number of children going to school has increased thereby increasing the literacy rate. Local people can now manage to travel with their commodities to the markets using trains which were impossible before the Chinese helped in the construction of three major railway lines in Angola, (see appendix 3 for diagrams).

It has been shown in this chapter that though the Angolan economy is benefiting from its engagement with China, if not well managed the benefits will only be in the short term. Angola needs to be assertive in as far as directing their developmental needs to the Chinese investors so that the benefits can be felt by the general citizens. Several recommendations have been made to the Angolan government on how they can maximise their relationship with the Chinese. On other hand the Chinese also have a big role to play in order to assist this developing country in diversifying its economy because at present they are dependent on the export of oil which may have big consequences if the price of oil plunges on the world market. The effects of depending on oil exportation was felt in 2008-2009 when the international prices of crude oil dropped and it left the country in a bad macro-economic conditions.

There have been cases of concern raised by some analysts who consider China's involvement in Africa as negative in terms of democratic state-building and the advancement of human rights on the African continent. However Chinese leaders say human rights are relative, and each country should be allowed their own definition of them and timetable for reaching them. They argue that the US which usually brings this issue out is selective when it comes to doing business with states that do not adhere to human rights, it support Pakistan, Egypt, Saudi Arabia huge human-rights violators because it has other strategic interests.

Chapter 5

Conclusion

This study set out to explore the impacts of China's increased engagement with Angola. The main intention was to understand how this engagement has impacted on the Angolan economy and the Angolan population at large. To be able to assess how this engagement has affected Angola, China's engagement with Angola in the construction sector, trade and oil investments were examined. The researcher is of the view that there are both positive and negative aspects in the current partnership which accrue to Angola, but the positive aspects far outweigh the negatives. The results show that Angola has benefited from its engagement with China to a greater extent.

However the researcher would like to argue that these benefits will only accrue in the short term if both Angola and China do not implement some major institutional changes which are required to make the engagement a viable and sustainable one. The following is a summary of the findings of the research which will be followed by some recommendations to both the Chinese and Angolan governments on how they can both maximise the gains from engaging with each other.

Construction Industry

It was shown that backward infrastructure was the bottleneck which was hindering development soon after the war in Angola. The country needed a total revamp of its infrastructure and many countries which had previously invested in the construction sector in Angola such as South Africa, Brazil and Portugal were sceptical to invest huge sums of money in a country which had just come out of a prolonged civil war. The Breton Woods institutions were also not keen on giving credit to Angola as they insisted on structural and fiscal reforms. China was there to bail Angola out of this predicament and it provided Angola with an oil-backed loan to the value of US$4.5 billion initially (but it has been reviewed over the years). China offered to help Angola in rebuilding its infrastructure not only because they had the financial capacity but because it attaches importance to giving support to African countries to improve their infrastructure, as well as its needs to cater for its national interests.

Soon after the deal oil-backed deal was sealed Chinese construction firms started penetrating the Angolan construction sector and this made China the biggest player in the reconstruction of Angola. They started rehabilitating the Angolan infrastructures, helping them build houses, roads, bridges, railways, airports, ports, telecommunications, power networks, water supply and drainage systems. The chapter managed to show that the Chinese have made a huge impact in as far as the construction sector is concerned. They have managed to build hospitals and schools as well as revamp the transport sector. All these infrastructures which have been built by the Chinese firms have positively affected the lives of ordinary Angolans.

As a result of the building of infrastructures such as the Luanda general hospital, Matala provincial hospital and health centres across Angola; malaria, infant mortality and maternal rates have decreased significantly. The impact has been felt in the education sector as well, where the literacy rate and the number of children going to school have increased over the years as a result of the building of schools. The Chinese government and its partner organisations such as the Golden Nest have embarked on a nationwide plan to build primary and secondary schools as well as tertiary institutions such as agricultural colleges and universities across Angola.

The housing projects undertaken by the Chinese in Angola which include the Kilamba Kiaxi Housing project (see appendix 1), Funda residential Zone and the New Dundo City have managed to help ease the pressure of accommodation, especially in the capital-Luanda. The Angolan president Dos Santos has been quoted praising the works by the Chinese in helping in alleviating the housing problem in his country.

The transport network which includes roads, bridges, airports and railways has further increased the facilitation of trade between Angola and the other neighbouring countries. Local people have benefited from this development in a number of ways which include faster and safer travelling from one point to the other, being able to access previously inaccessible areas and they are now able to sell their produce in the cities. This has improved their lives and the local people have described the trains as a symbol of peace and development in Angola.

Trade And Oil Investments

This chapter assessed the effects of the Chinese engagement with Angola in trade and oil investments and how this has impacted on the Angolan economy and the Angolan populace. The

research has shown that China invested heavily in the oil sector soon after the civil war ended in 2002. As a result trade figures between the two countries witnessed a major surge, and in 2006 Angola became China's largest trading partner in Africa. The increase in the amount of trade and the oil investments by China in Angola significantly contributed to the overall performance of the Angolan economy; inflation rates fell down, unemployment decreased and the Angolan currency got stronger.

The people in Angola have been able to benefit from trade between China and Angola in that they get to have cheap Chinese manufactured goods. This includes goods such as electrical gadgets, clothes, shoes and many other daily necessities which have changed their way of life. Though there has been a concern about the type of cement which is being imported from China the Angolan government can now import cheap construction materials such as cement which are needed for its reconstruction. This has increased competition in Angola among the producers of cement and it has benefited the consumers who are now able to buy their cement at affordable prices.

The increase in the production of oil which has also been necessitated by the Chinese through the development of other oil stakes and new technology led to Angola been accepted into the league of top oil producing countries, OPEC. This has not only helped it in bargaining power but has also boosted its production as it has to meet the quota that it would have been assigned by the organisation.

Balancing Theory And Practice

The research has also shown that the existing relations between China and Angola fit very well in the economic diplomacy theory which was the theory used in this study. Economic diplomacy as a tool of promotion and protection of national interests has gained new importance especially in the 21st century. That both China and Angola are using this existing relationship to safeguard their national interests cannot be disputed. Recently China has been developing a successful economic diplomacy tool on the African continent and it has been making use of soft power to achieve its needs. Indeed it has become an important player in Angola as it has managed to turn into an important development agent by providing the much needed loans and assistance to the Angolan government.

China's interest in Angola for access to natural resources such as oil involves securing direct political control. It is advancing its "one China policy" in Africa through the use of aid unattached to political conditions or transparency requirements. What China is getting out of this relationship is that it has managed to secure its markets, alternative sources of energy and other natural resources such as minerals. Angola, on the other hand has also been getting a lot out of this relationship; infrastructures, social amenities and an improvement in their economy which has in turn translated into a better standard of living for their citizens.

Increasing influence over the developing nations will increase China's leverage at the UN and improve its bargaining power in other international institutions, and, at the same time, it will generate increased support for its multi-polarity world vision. China has become a very important player in Angola, as it has what the country needs for its development to take off; availability of money, cheap technology, expertise and goods and, most important, political will to pursue this purpose. Therefore this study has managed to show that economic diplomacy is playing a bigger role in China's relationship with Angola.

Recommendations

The existing engagement between China and Angola has managed to help both countries in a positive way. In an interview with Chris Alden, he argued that this is a typical example of a mutual relationship where both countries are benefiting from engaging with each other.[243] China is getting access to resources and markets while Angola is getting the infrastructure that it needs to be able to lure other investors. However the researcher argues that though the two countries seem to be mutually benefiting from the engagement now, if not well managed this relationship can have negative effects on both parties in the long run. So below are some recommendations to both the Chinese and Angolan governments that they can make use of to ensure that their relations continue on a positive note.

Angola could be more proactive and guide China's cooperation towards empowering its professionals with medical and pharmaceutical expertise in order to build capacity and promote technology transfer. If the government does this then the Chinese will put emphasis in these sectors of the economy in terms of funding and training. This will ensure that the country is not

[243] Interview with Chris Alden, Project Head, China in Africa Programme, SAIIA, Johannesburg, 9 February 2011

affected by the current problem of lack of medical staff to work in the new built hospitals which has been facing the nation since the Chinese finished building the Matala and Luanda general hospitals.

In as far as the issue pertaining to the quality of infrastructures which are being built by the Chinese in Angola is concerned; the Angolan officials need to make sure that they institute stern measures of quality control which will ensure that there will always be inspectors at the construction sites. Where this has been done effectively there is evidence to show that they carried out their work effectively as seen by the results which have been positive. Independent anti-corruption committees can be set up so that the risk of inspectors receiving bribes and not doing their job is minimised.

The government should do more to promote and improve national companies such as Secil Maritima, the country's maritime shipping company. The government needs to design policies to consolidate local firms and position them as a matter of policy to partner and learn from Chinese companies. Angolan contractors should at least be able provide basic services such as the supply and transportation of materials, as well as provision of services like security to the Chinese construction firms in a bid to promote local firms.

As indicated in the fourth chapter, there is a very strong need for joint ventures between Chinese and Angolan companies in all sectors of the economy. The absence of local players to enter joint ventures with Chinese multinationals may limit opportunities to achieve real transfer of know-how and technology. The government of Angola needs to design policies to consolidate local firms and position them as a matter of policy to partner and learn from Chinese companies. The government of Angola can also help by providing loans for the setting up of these companies. This will make the process of the transfer of technology between the Chinese and Angolan companies and the process of diffusion of skills from the Chinese to the Angolan workers easy.

If the Angolan government is going to be able to decrease the inequalities between the rich and the poor then they have to start to make sure that they develop the rural areas at the same pace that they are developing the urban areas. This can be done by ensuring that the Chinese investments are channelled to the rural areas as well in the form of schools, roads, access to clean water and even electricity. Already there have been talks that Angola has succumbed to the

“Dutch Disease”, which has fuelled resentments by the local people who feel that they are not benefiting in any way from the resources in their countries. Addressing these inequalities will not only mean the improvements in standards of living but it will also mean that conflicts can be nipped in the bud because resentment towards the government can amount to violence. An example of the violent conflict is what has been happening in the Cabinda region.

There has been a lot of criticism concerning the issue of job creation especially in the construction sector by many Angolan nationals who argue that the government is not doing much to ensure that they get employment in the Chinese firms. Angola should be wary of outsourcing jobs that Angolans could do themselves. There are big fears that if these go unchecked they may grow into what happened in DRC and Zambia in the mining sector. This will not be a desirable situation as it will badly affect the Chinese’ relations with Angola.

The government of Angola should put in place proper monitoring strategies to ensure that Chinese companies are complying with the 30% quota of employing their natives in the various sectors. The Chinese can also help in solving this pressing issue by adhering to the rules that were set out in the agreements that they signed. The Angolan government in addition to proper monitoring strategies they can make use of good labour laws which strictly stipulate the regulations to be followed by the Chinese contractors.

Working with the Angolan government, the Chinese can facilitate in the training of Angolan personnel. They could help by offering training to the people of Angola, sending them to China to learn mandarin and other basic skills which will help them in doing their duties. The language barrier is a very big issue in Angola as the Chinese cannot communicate with the Angolan natives, so if they set up language centres where they teach Chinese Portuguese and vice versa then it might be highly beneficial to both parties.

The government of Angola makes a lot of money through the selling of oil but most of this money goes unaccounted for. Over and above that, the government is not so transparent when it comes to its oil deals with foreign companies. Indeed even as Angola has been witnessing an average of 9% growth rate over the past ten years, many people still live in abject poverty, they cannot access basic services and are still struggling to make ends meet.

To be able to solve the problem of misuse of public funds, the Angolan government and civil society need to play a very active role. They could come up with a commission which will be responsible for tackling corruption issues. The establishment of this unit will stem any kind of public funds misuse and nip the vice in a bud even before the misapplication or theft is executed. This commission will ensure that financial systems and management are strengthened and that financial misappropriation is eliminated in all government ministries and departments.

In a bid to diversify its economy so that it will not be solely dependent on oil the Angolan government should promote the development of tourism and the fishing industry. Angola boasts of a good scenic view of the ocean and can stand to benefit a lot from tourism if the industry is promoted well. The Chinese can help in this regard by granting the Angolans Approved Destination Status. This will enable designated travel agents to direct destination marketing in China thus significantly boosting travel to Angola by the Chinese. The fishing industry is another area which has got so much potential for the Angolan economy. If promoted and well managed it can contribute immensely to the GDP just like in Namibia where they have organised fishing.

Another way of ensuring that their economy is diversified is by emulating China's development strategy; that of establishing special economic zones (SEZs). These will concentrate on the production of goods for export and they will benefit from special economic policies and flexible governmental measures. This allows SEZs to utilise an economic management system that is especially conducive to doing business that does not exist in the rest of Angola. These zones will be primarily geared to exporting processed goods and will integrate science and industry with trade.

China can also play a very important role in helping Angola to diversify its economy. This can be done by devoting more funds to the agricultural sector in which approximately 85% of Angola's labour force depends on it to sustain their livelihoods. The Chinese vice president Xi Jinpeng in November last year visited Angola on a tour of Africa which also took him to Botswana and South Africa and he reiterated his country's pledge to support the agricultural sector in Africa. In so doing Angola can reclaim the position that it had before the civil war broke out, that of being self sufficient.

What Is The Next Area Of Research?

The case of China and Angola is a very interesting one and provides many opportunities for scholars to continue carrying out research on it. The next research on China and Angola relations can continue focusing on the construction sector in Angola. This is because the construction industry is an ongoing process which can only be understood better if one keeps track of what is happening with the Chinese construction companies in Angola.

Apart from looking at the socio-economic side of the relationship one can also look at how the engagement between China and Angola affect the two countries politically. Obviously there are political connotations of the economic engagement between the two countries so it would be exciting to find out how this has affected the political scenarios of both countries.

More research could focus on the oil sector, especially on what both China and Angola can do to make the communities benefit more from the oil money. Or it can focus on finding out more strategies on how the two governments can make this industry employ more people and looking at the likely future of China Angola oil relations. This would be very important research which will further help in the analysis of China-Angola relations.

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Appendices



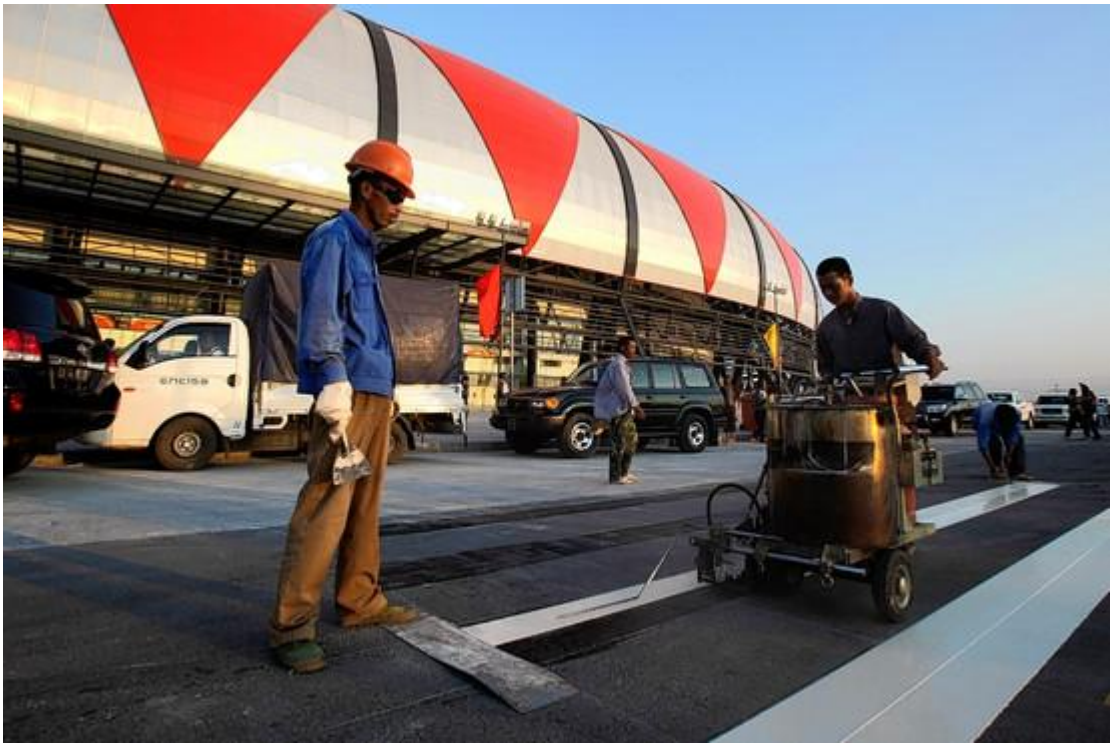
Appendix 1: Adapted from The Wall Street Journal. The Kilamba Kiaxi social housing in Luanda is being built by the Chinese.



Appendix 2: Adapted from the Wall Street Journal. The railway's new stations are in stark contrast to their bullet-marked colonial predecessors.



Appendix 3: Adapted from BBC News website. Part of the Benguela railway line which is being repaired.



Appendix 4: Adapted from Centre for Chinese Studies. Chinese workers preparing the stadium in Luanda for the African Cup of Nations tournament in January 2010.



Appendix 5: Adapted from Getty Images. The state of Angolan roads before being repaired by the Chinese.



Appendix 6: Adapted from Getty Images. Chinese man standing on an Angolan road after reconstruction.