

# Chinese Financial Assistance in Angola

Promise, Curse or an Uncertain Venture?



A Minor Field Study

John Åberg

# Abstract

China's relations with African countries represent a growing trend in international relations and South-South cooperation. One important aspect of these liaisons is China's financial assistance and its deployment of resource-backed infrastructure loans. Angola is China's biggest supplier of oil, whereas China is Angola's largest donor, having provided Angola with 7.4 billion dollars in credit lines secured with oil deliveries. These funds are channeled into Angola's post-conflict reconstruction. The study thus intends to investigate the dynamics and the determinants behind the Chinese financial assistance to Angola and its subsequent implications for Angola's development. The research is a Minor Field Study and was therefore carried out in Angola. The methods used in this inquiry are semi-structured interviews conducted in the field and secondary literature review. A great part of the thesis thereby gives an account of the topic such as the interviewees describe it, together with secondary sources and the researcher's independent appraisals.

The study builds upon theories about natural-resource management, development, dependency, and South-South cooperation and investigates how the Sino-Angolan relations fit into these theoretical schemes. On the one hand, the study concludes that the Chinese financial assistance contributes to removing infrastructure bottlenecks and provides Angola with necessary physical infrastructure in various sectors. China's credit arrangement also introduces new ways of managing oil revenues. On the other hand, fast completion of infrastructure projects, insufficient supervision, and corruption lead to uncertainties regarding the quality of the process, and the large employment of Chinese companies, material, and workers fail to kick-off a "big push" that could initiate the diversification of Angola's oil dependent economy.

*Keywords:* Sino-African, Sino-Angolan, Development, Dependency, Natural-Resource Management, South-South Cooperation, Financial Assistance

# Abbreviations

**ACCORD** – African Centre for the Constructive Resolution of Disputes  
**ADRA** – Acção para o Desenvolvimento Rural e Ambiente  
**ANIP** – Angola’s Agencia Nacional para o Investimento Privado  
**ANR** – Angolan National Reconstruction  
**CCB** – China Construction Bank  
**CIF** – China International Fund  
**DRC** – Democratic Republic of Congo  
**DW** – Development Workshop  
**Eximbank** – China’s Export-Import Bank  
**FDI** – Foreign Direct Investment  
**FNLA** – Frente Nacional para a Libertação de Angola  
**GAT** – Gabinete de apoio tecnico de gestão da linha de crédito da China  
**GDP** – Gross Domestic Product  
**GRN** – Gabinete de Reconstrução Nacional  
**GTC** – Grupo de Trabalho Conjunto  
**IMF** – International Monetary Fund  
**MOFCOM** – Chinese Ministry for Foreign and Commercial Affairs  
**MPLA** – Movimento para a Libertação de Angola  
**ODA** – Official Development Assistance  
**OECD** – Organization for Economic Cooperation and Development  
**PIP** – Public Investment Program  
**SAIIA** – South African Institute of International Affairs  
**SAP** – Structural Adjustment Programs  
**SEZ** – Special Economic Zones  
**SIDA** – Swedish Agency for International Development Assistance  
**SOE** – State-owned Enterprises  
**UN** – United Nations  
**UNDP** – United Nations Development Programme  
**UNITA** – União Nacional para a Independência Total de Angola

# Map



# Table of Content

<b>1</b>	<b>Introduction.....</b>	<b>1</b>
1.1	Aim and Research Questions .....	2
1.2	Outline of the Research.....	3
<b>2</b>	<b>Methodology .....</b>	<b>4</b>
2.1	Research Design.....	4
2.2	Methods and Data Collection.....	4
2.2.1	The Field .....	5
2.2.2	Secondary Literature Review .....	6
2.2.3	Semi-structured Interviews .....	6
2.2.4	Availability of Data .....	8
<b>3</b>	<b>Theory – Eluding the Curse.....</b>	<b>10</b>
3.1	Management of Natural Resources .....	11
3.2	Development... ..	13
3.3	...or Dependency? .....	16
3.4	South-South Cooperation .....	18
3.5	Synthesizing the Theoretical Arguments .....	19
<b>4</b>	<b>Operationalizing Development Assistance and Development .....</b>	<b>21</b>
4.1	The Importance of Infrastructure as a Fundament for Development.....	22
<b>5</b>	<b>Background .....</b>	<b>24</b>
5.1	Sino-African Relations – a Story of Historical Continuity .....	24
5.2	Sino-Angolan Relations – from Conflicting to Shared Interests.....	26
<b>6</b>	<b>Determinants behind the Sino-Angolan Cooperation .....</b>	<b>28</b>
6.1	The Rise of China and the Search for Financial Alternatives .....	28
6.2	Oil – the Glue that Made Nations Bond .....	31
6.3	The Angolan National Reconstruction and the Internationalization of Chinese Companies .....	33
6.4	Making Use of China’s Competitive Advantage .....	35

<b>7</b>	<b>The Characteristics of the Chinese Financial Assistance .....</b>	<b>38</b>
7.1	Institutional Structure Governing the Credit Lines .....	42
<b>8</b>	<b>Implications for Angola’s Development .....</b>	<b>45</b>
8.1	Evading the Legacy of Corruption and Mismanagement? .....	45
8.2	Angola – a War-Torn Country in a Process of Reconstruction.....	49
8.2.1	Foreign Workers, Fast Results – Insufficient Supervision, Defective Construction.....	50
8.2.2	Reintegration of People, Goods and Markets.....	54
8.2.3	Towards Economic Diversification? .....	55
8.2.4	Social Development .....	58
8.2.5	The Question of Aid Dependency .....	60
<b>9</b>	<b>Conclusion .....</b>	<b>63</b>
<b>10</b>	<b>References.....</b>	<b>66</b>
<b>11</b>	<b>Appendices.....</b>	<b>75</b>
<b>12</b>	<b>Pictures .....</b>	<b>91</b>

# 1 Introduction

China has grown to become an important actor in Africa. It is now Africa's third biggest trade partner, superseding the old colonial power Great Britain (Holmertz, 2006). Between 1997 and 2006 China's exports to Africa increased by 731 percent, and imports from Africa by as much as 1072 percent. This trend has continued, and from 2006 to 2008 Sino-African trade rose from 68 to 107 billion dollars (Sohlman, 2009).

The Sino-African ties cover a wide range of areas, extending not only into the fields of trade and aid, but also encompassing cultural and educational exchange. These relations are cemented by continuous high-level political visits. In addition, China has become an important source of financial assistance, providing "African states with generous aid in the form of soft loans [and] major infrastructure programs" (Horta, 2009). In 2007, China pledged no less than 20 billion dollars "to finance trade and infrastructure across the continent over the next three years" (Polgreen & Howard, 2007).

Notwithstanding, the Chinese involvement on the African continent is characterized by regional and sectoral differences. For instance, there is a geographic concentration of China's financial commitments: Nigeria, Angola, Sudan, and Ethiopia accounts for 70 percent of Chinese funding in Africa (Chen et al, 2008a; Bank Information Center, 2008). All countries but Ethiopia are major oil producers, and among them Angola is China's biggest trade partner in Africa, with annual bilateral trade reaching 25.3 billion dollars in 2008 (China Daily, 2009; China Monitor, 2009a). Angola is also one of Africa's main recipients of Chinese financial assistance.

Angola, a recent OPEC member, is the second largest producer of oil in Sub-Saharan Africa. Logically, this makes Angola one of the primary targets of China, which is "the world's second-largest consumer of oil behind the United States and the third-largest net importer of oil after the U.S. and Japan" (EIA, 2009). The importance of oil has cemented the Sino-Angolan relations. Angola is currently China's biggest supplier of oil, surpassing both Saudi-Arabia and Iran, and exports 688 000 barrels a day (Africa Today, 2010). Hence the strategic importance of Angola in the eyes of China cannot be underestimated.

It has been suggested that China's approach in dealing with African countries differs from the approach used by the IMF and the World Bank: "[China stresses] the crucial role of public investments in infrastructure and agriculture as the basis for private sector growth", while the World Bank is portrayed "as preferring to

lecture the poor, forcing African countries to privatize” (Mohan & Power, 2008:25). Furthermore, “the disappointment and the sense of failure of continuous development assistance during the post-war period has resulted in skepticism and led many to question the nature of North-South relations, trade and assistance. As a consequence a search for both practical and conceptual alternatives has become imperative” (Mahmoud, 2007:82). The supposedly “new attitudes toward politics [and] development” offered by China can be seen as such an alternative (Zafar, 2007:4). From this light, China is regarded as a development partner, committed to transmit its development experience to Africa (Alden, 2009).

Angola recently emerged from a devastating 27 year long civil war that has impeded development and severely wounded the economy. Consequently, rebuilding the country is of acute concern. In the words of former vice Minister of Environment, Luís da Mota Liz, “most important for [Angola] is the country’s reconstruction” (BBC, 2006). Chinese credit lines have made it possible for Angola to enter a phase of post-conflict transition characterized by major investments to rebuild the country. Imperative in this process is the “oil-for-infrastructure” strategy, or the “Angola mode”, consisting of oil-backed loans “whereby repayment [...] for infrastructure development is made in terms of natural resources” (Chen et al, 2008b:42). Angola has received 7.4 billion dollars through these arrangements. The funds are mainly directed towards infrastructure projects intended to renovate and build roads, railways, power lines, water and sanitation, schools, and hospitals, and form part of “the deep changes” that according to the Angolan government “have occurred in the political, social, and economic spheres” (Africa Today, 2010).

## 1.1 Aim and Research Questions

The aforementioned underlines the importance to scrutinize the case of the Sino-Angolan cooperation. The research is designed as an explorative case study that intends to investigate the nature of the oil-backed Chinese financial assistance, which has become the main source of funding for Angola’s Public Investment Program (PIP) and the Angolan National Reconstruction (ANR). More specifically, the aim of the study is to scrutinize the dynamics and the determinants behind the Chinese financial assistance to Angola and its subsequent implications for Angola’s development. This enables the research to come into terms with the characteristics of one aspect of China’s supposedly new attitudes toward politics and development. Thus the research questions are the following:

- Which are the determinants behind the Sino-Angolan cooperation?
- What are the characteristics of the Chinese financial assistance to Angola?
- What are the implications for Angola’s development?



## 1.2 Outline of the Research

The research that will be presented in the coming pages is divided along theoretical, methodological, and analytical lines, which are wrapped together in the conclusion. The theoretical underpinnings of the study will present themes concerning natural-resource management and development issues related to the country-specific characteristics of Angola, as well as matters concerning Chinese development assistance. In the methodological section, the epistemological and ontological disposition of the study will be presented together with the methods that were used and the material that was collected. This will be followed by the analytical part of the research that is structured after the research questions; namely, it will be divided into three parts that scrutinize the determinants behind the Sino-Angolan cooperation, the characteristics of the Chinese financial assistance to Angola, and the implications for Angola's development. This will be followed by a conclusion where the findings are presented.

## 2 Methodology

Theory is always for someone and for some purpose, and since there are many ways of looking at the world and its objects, knowledge is contextually bounded (Cox, 2002; Cox, 1981). This inter-subjective outlook, the transitive dimension, is an integral part of critical realism and its emphasis on epistemological relativism. However, the perception of the world cannot be reduced to the discursive level. The actual existing reality, ontological realism, or the intransitive dimension, is equally important. Objects are also structured and cannot be reduced to the events of experience; these events are in turn produced by “deep” structures and mechanisms, which often are not directly observable. On the whole this position makes it possible to create overall pictures and general frameworks in line with a qualitative methodology (Alvesson & Sköldbberg, 2008; Danermark et al., 2003; Sayer, 2000).

### 2.1 Research Design

The research strategy employed is case study. Case studies have a natural place in evaluation studies and explorative research. For instance, a case study can scrutinize the effects of a certain policy that has been implemented, it can describe an intervention and the context where it was utilized, or investigate situations where a certain endeavor did not lead to clear results. Dissecting programs and implementation processes in an explorative manner are normal themes in case studies (Yin, 2007:30-33, 42). Embarking on that tradition, this case study will be explorative, and as stated above the research intends to explore the nature of the oil-backed Chinese financial assistance in Angola. A case study makes it possible to attain a deep understanding as it generates a holistic depiction of the phenomenon under investigation. A further strength of the case study is that it can handle many different types of empirical material and methods; documents, artifacts, interviews and observations (ibid:25).

### 2.2 Methods and Data Collection

The methods and techniques that were used for gathering, organizing, and analyzing the data collected in the field are predominantly qualitative ones. However, quantitative data was also used to complement, support, and to be contrasted with the qualitative ones. A qualitative research design tries to

*understand* processes; the *dynamic* that characterizes them; and *why* and *how* different factors affect the particular reality under the magnifying glass. It basically conducts in-depth analysis to reveal the mechanisms behind the research problem.

The analysis will be based on both primary data (predominately collected through interviews with politicians, academic scholars, NGO personnel, and representatives from IGO's, but also official government documents) and secondary data (such as academic literature, news articles, and reports from international organizations). So, besides interviews other procedures, such as revising and analyzing documents, will be used to approach the issue under study. This triangulation of methods is useful to acquire broader knowledge about the matter and it illuminates different facets of the topic (Flick, 2009).

### 2.2.1 The Field

The research was carried out in Angola with the sponsorship of the Swedish Agency for International Development Assistance (SIDA). It should be taken into consideration that there exists a geographic bias regarding the study of the Chinese activities. The research was only carried out in two provinces; namely Luanda and Benguela. This can be attributed to time and money constraints. As Angola is a very expensive country (with Luanda being the most expensive capital in the world in year 2009) it basically was not affordable to find a driver and accommodation at other provinces. Furthermore, due to the volcanic eruption in Iceland and the unfeasibility of the airline company to change the date for the returning flight, the field study lasted only one month and one week instead of the planned one month and three weeks. Therefore the research also suffered a time constraint. In Benguela transportation was available, but in Luanda the lack thereof meant that many hours of walking took place in order to reach the locations of the scheduled interviews.

Luanda and Benguela are the main political and economic centers of Angola where a majority of the population lives and thus many projects and activities are located in these areas. However, as will be shown, the projects carried out and funded by the Chinese financial institutions have a quite even geographic distribution, and the Angolan government also has "a vision of decentralization"<sup>1</sup>, which could have been examined if the scope of the study would have been broader. Hence there is an urban bias in the field observations that makes the research overlook some aspects of the impact in the rural areas. Yet the research tries to cover these missing pieces as best as possible through official documents and interviews with persons who are acquainted with the field.

---

<sup>1</sup> Interview with Elmano Inácio Herculano Francisco, Provincial Director of the Ministry of Urbanism and Construction in Benguela

## 2.2.2 Secondary Literature Review

Interviews are a useful and functional methodological tool; nevertheless, they require scientific innovativeness to formulate good questions. Therefore the importance of a thorough secondary literature review before carrying out the interviews, and as the research is being carried out, cannot be overemphasized. In relation to this, the study will make use of an extensive secondary literature review and look into areas such as the direction of the Chinese funds, the Angolan National Reconstruction, background information and various country specific issues that bring out relevant insights and provide the groundwork for the investigation (see Appendix 1 for a presentation of the authors behind the most utilized secondary literature). The introduction has already shed some light on some important aspects regarding the thematic background to the research problem. This will be expanded to get broad and in-depth knowledge of the problematic put under inquiry.

## 2.2.3 Semi-structured Interviews

Interviews make it possible for researchers to get a more detailed and comprehensive understanding about the research subject than those offered by statistics and questionnaires. To be able to gain a profound insight, interviews are useful both as primary data and as a complement to other sources. The research applied semi-structured interviews using relatively open questions, which is a technique that is used to “obtain descriptions of the life world of the interviewee with respect to interpreting the meaning of the described phenomena”. It thus allows the interviewees to freely express their viewpoints while it also allows interviewers to guide the interview (Kvale, 1996:5-6; see also Flick, 2009). In conducting the interviews a general frame was used to guide the interviews (see Appendix 2). However, the study did not follow the order of the general frame in a strict sense as the interviewees often expanded on interesting issues that were not included in their entirety in the frame. As the research went on, modifications of the questions, based on the experience in the field, were made in order to make them more suitable for the study.

In recruiting interviewees the study made use of two central techniques; namely, gatekeepers and snowballing. Firstly, gatekeepers “are those individuals in an organization that have the power to grant or withhold access to people or situations for the purposes of research”. Snowballing, on the other hand, is the use of “one contact to help you recruit another contact, which in turn can put you in touch with someone else”. These methods are useful as they can overcome the problems that arise when the researcher tries to find relevant informants (Valentine, 2004:116-117; Bryman, 2001). Moreover, gatekeepers are imperative for any study as they many times are the first “load of snow”; the necessary fundament for expanding the snowball.

The research could not have been accomplished if it were not for Erika Eckeskog and Leif Biureborgh; two gatekeepers of indispensable importance. Eckeskog is working at the Benguela-based Angolan office of the Swedish NGO Afrikagrupperna (Africa Groups) and arranged invitation letters, accommodation, and many contacts, ranging from politicians and NGO-personnel. She also introduced Leif Biureborgh, Chairman of the Viking Club, who was a gatekeeper of equal weight, presenting me too many dignitaries at Luanda's Viking Club (see Appendix 3 for a complete list of all the interviewees that participated in the study).

Before entering the field, contacts were made with several of the interviewees via e-mail. In this regard Walter Lotze, formerly working with the African Centre for the Constructive Resolution of Disputes (ACCORD), was important as he made contacts available to several persons that knew people with knowledge about the field. Among them, Johanna Jansson, Independent Researcher that formerly worked at Stellenbosch University, who gave the contact information for Sylvia Croese and Carina Kiála that participated in the research.

Directly after arriving in Luanda the research was initiated as Erika Eckeskog already had scheduled interviews with Patrick Andersson, Associate at the Swedish Trade Council in Angola, and with a partner organization of the Africa Groups. The research was at the same time also introduced to Leif Biureborgh and to the Manager of the Construction Inspection Company that was interviewed. The first part of the stay in Luanda only lasted three days, before going to Benguela where further meetings had been scheduled with local representatives of NGO's working with the Africa Groups. Their contacts in turn gave me access to Angolan politicians at the local level. After two weeks, when returning to Luanda, the contact with Leif Biureborgh was further established. Consequently, the study was introduced to Tako Koning, Oil Geologist at Tullow Oil Angola, and to Cor Van Honk, Ambassador of the Netherlands. Biureborgh's contacts also allowed the former Foreign Minister, Paulo Teixeira Jorge, and the former Finance Minister, Augusto Teixeira Matos, to be incorporated in the research.

Together with the e-mail correspondence, an Angolan sim-card was bought in order to keep in touch with interviewees by telephone. The interviews were always carried out at the preferred place by the interviewees. With regard to the politicians and the NGO-personnel, it mainly meant that the interviews were carried out in their offices. The researchers that participated in the study somehow wanted to meet either at café's or at the researcher's place of accommodation. The interview with the Manager of the Construction Inspection Company took place during an entire day where he drove around Luanda, demonstrating various construction sites while discussing the research questions. Apart from the interviews with the Angolan researchers and the Dutch Ambassador, all meetings took place with time pressure, which limited the amount of questions that were posed.

In line with the ethical guidelines of the Swedish Research Council, the researcher informed the participant interviewees about the objective of the inquiry and that they are free to cancel their participation whenever they please. The names of the interviewees have been published with their consent and all were offered anonymity and informed about confidentiality. In most of the cases the interviews were held in English as many of the interviewees were familiar with that language. When the interviewees did not master English, questions were asked in Spanish and the interviewees responded either by using the same language or a “modified Portuguese”. Afterwards, the quotations that are incorporated in the research were sent to the participants for approval<sup>2</sup>.

As the research did not use quantitative selection criteria when recruiting interviewees, the participant sample is not representative. When using Gatekeepers and Snowballing as techniques to find interviewees the selection will always be distorted. In this research it is apparent as all the formal interviews were carried out with intellectuals and a very well educated clientele. Their experience of the Chinese financial assistance is necessarily not the same as that of other segments of the population. For instance, new roads and housing complexes may be regarded as sound investments, while poor people may be indifferent as they have no vehicle, neither is the road complemented with extended collective traffic, and the housing complexes might only be afforded by the upper middle class and above. Moreover, the accounts coming from official sides are ambiguous as they in general are positive towards their foreign partners. Finally, snowballing always has a general effect on how the issue under study is described. In order to compensate for this the research has made extensive use of secondary literature to complement the accounts of the interviewees.

#### 2.2.4 Availability of Data

In matters of data availability, two constraints occurred. First, the almost complete lack of archives and statistical databases represented a big hinder in the research. Regarding the Chinese financial commitments and the Sino-Angolan cooperation, “aid figures remain state secrets. The Chinese government releases only the barest of information about the quantities of aid it gives. There are no official figures on aid allocations to individual countries or regions, no breakdowns by sector or purpose” (Brautigam, 2009:12). Moreover, sometimes when interviewing politicians it was said that “the Chinese do not like statistics”<sup>3</sup>. The general and contextual data regarding Angola’s country profile was also scarce. “The

---

<sup>2</sup> Apart from Paulo Teixeira Jorge that unfortunately died during the completion of the study, and Carlos Abrantes, whose contact information until now has not been acquired, all participants were asked for approval. Yet so far all have not replied.

<sup>3</sup> Interview with Carlos Abrantes, Provincial Director of the Ministry of Agriculture and Rural Development in Benguela

deficiencies in statistical data are common in the developing world; for instance, Angola only has two educated demographers and only three statisticians”<sup>4</sup>.

Second, the little information that was available was not subjected to clear rules concerning public access: “I am not sure if I have permission to give you the data we have on the Chinese, I suggest you try another ministry”<sup>5</sup>. This is connected to the centralized management of the Chinese financial assistance where “provincial governors do not have a complete picture of what is going on in their provinces”<sup>6</sup>. “These circumstances puts the researcher at the mercy of bureaucratic routines that make the research process, in the best of cases, very time consuming or, in the worst ones, impossible” (Mahmoud, 2007:10). Overcoming these constraints obliges the researcher to establish good contacts with local institutions and people that have knowledge about where to find data and that can serve as gatekeepers to enter authorities. The statistics found in this paper are mainly taken from secondary sources.

One obstacle encountered is the lack of interviews with Chinese people from different positions. Throughout the field study Chinese companies and workplaces were visited, and intents to talk to Chinese workers and officials at various Chinese base camps were done, but the study was unsuccessful in recruiting interviewees. The major reason for this problematic was the existence of language barriers. The researcher does not know Mandarin and the Chinese that were encountered did neither speak Portuguese nor English. Also, the translator at the base camp outside Benguela did not consent to translate. Sometimes references were made to people that later referred to other people. Other times promises were made about correspondence through e-mail which never happened. The only Chinese representative that was interviewed was a bureaucrat at the Chinese Bureau for Economic and Social Affairs of the Chinese Embassy. Without minimizing the limitation of not having interviewed Chinese personnel from different positions, but due to the alarming scenarios that often resonate from the West regarding the implications of the Chinese presence in Africa, “we need to listen to what the Africans themselves are saying about China’s influence in their continent; we are not always as good at listening as we should be” (Wilson III 2005:17; taken from Mahmoud, 2007:123). A great part of the thesis will thereby give an account of the topic such as the interviewees describe it, together with secondary literature and the researcher’s independent appraisals.

---

<sup>4</sup> Interview with Fred Rasmussen, First Secretary of the Royal Norwegian Embassy

<sup>5</sup> Interview with Elmano Inácio Herculano Francisco

<sup>6</sup> Interview with Sylvia Croese, Consultant and Independent Researcher

### 3 Theory – Eluding the Curse

The soils of most African countries contain abundance of natural resources that could be of great potential for the good of the population. It is often argued that the wealth from natural resources should have improved livelihoods and ensured better quality of life. Yet such has not been the case, and the “paradox of plenty” still seems to reign supreme over resource-rich African countries (Karl, 1997). Angola is no exception. The country is rich in both oil and diamonds apart from other mineral endowments, but despite revenues from these resources the country is still very poor and occupies 143<sup>rd</sup> place in the United Nations Human Development Index (UNDP, 2010).

The alleged contradiction of countries rich in natural resources has given rise to the term “resource curse”. The resource curse can be considered an umbrella concept that captures various aspects that negatively characterizes countries with natural resource wealth. Low levels of economic growth, internal violent conflicts and authoritarian rule, high levels of corruption, and dire health care and education are examples of such characteristics (Calain, 2008; Bulte et al, 2005; Ross, 2003; Ross, 2001; Sachs and Warner, 1995).

The “Dutch Disease” phenomenon is another occurrence theoretically linked to the resource curse concept which underlines that “natural resource exploitation leads to the appreciation of a country’s currency, resulting in deterioration in the terms of trade and a contraction of the manufacturing sector” (Kolstad & Søreide, 2009:216). In addition, a constricted focus on natural resource extraction moves the means of production, like capital and labor, away from the manufacturing sector, thus hindering a diversification of the economy as industry, which brings about higher growth, knowledge transfer, and positive multiplier effects, is neglected (Auty & Mikesell, 1998; Sachs & Warner, 1997). However, without saying that resource dependent countries should not diversify its economy, other factors “explain the resource curse much better than the Dutch Disease effects” (Kolstad & Søreide, 2009:216), especially in developing countries where the manufacturing sector many times never really developed. Furthermore, while a sizeable number of studies seem to confirm the existence of a resource curse, it is not unquestionable that the curse in fact exists.

To begin with, only some natural resources, more than others, have the alleged link to what can be called a resource curse. Fuels, especially *oil*, extracted from a narrow geographical base, “are strongly and consistently related to corruption and reduced growth” (ibid:218). Additionally, even though physical capital such as oil “crowds out” human capital and that the enclave character of the natural resource



sector diminishes the linkages to the rest of the economy, the resource curse has increasingly been identified as a predicament related to *dysfunctional behavior in poor institutional contexts*. More specifically, this notion is related to institutions of *resource-rich developing countries* where the institutional framework inherited from the colonial powers was weak in its foundation. Hence, resource-rich developing countries differ to a large extent from a developed country such as Norway. This suggests that “countries that have bad institutions suffer a resource curse, whereas those with good institutions do not” (ibid:216).

Accordingly, whether Angola’s oil wealth turns out to be beneficial or detrimental to its socio-economic and political development depends on if the country manage to improve its institutional behavior and the management of its natural resources, together with “a fairly dynamic and complex interplay of a number of contextual variables” (Basedau, 2005:22). Angola recently emerged from a civil war lasting 27 years that was fuelled by oil and diamond revenues (Global Witness, 1999). Since the peace treaty was signed in 2002 the country has enjoyed a relatively stable post-conflict transition and has launched a program for National Reconstruction. Hence, the time for improving the institutional settings has never been better and the contextual situation has gone through a significant change with peace and a changing international outlook, with China as the main source of financial support. What can these new circumstances bring about?

### 3.1 Management of Natural Resources

Corruption in the management of natural resources is regarded as the main reason for the bad performance of resource rich countries. For there to be corruption in a sector three structural preconditions have to be met:

*Rents*: a benefit of some kind that motivates the act; *authority*: corruption requires influence on decisions; and *opportunity*: the quality of institutions determines the risk of being sanctioned. One can argue that all of these preconditions are particularly evident in natural resource sectors (Kolstad & Søreide, 2009:218-219; italics added).

The rents from natural resources, particularly non-renewable resources, are said to constitute windfall gains to an economy, or merely regarded as foreign-exchange gifts by actors such as transnational oil companies. In return for concessions, apart from revenue shares and taxes that the government collects, private firms pay signature bonuses and license fees, which create potentials for huge personal benefits.

Petroleum resources are most often under the authority of the state. This entails that decisions on the distribution of rents and on the licensing of extraction rights normally are *controlled by the top echelons of political power*. Thus resource exploitation is usually much politicized and decisions are taken and prevented from insight with references made to national interests or diplomatic grounds. “In

some countries the incumbent President or government holds exclusive discretionary influence on all important decisions in the sector” (ibid:219).

Oil extraction is made up of a complex web of contractual and financial arrangements, coupled by the advanced technology necessary to extract the resources. This complexity will complicate prevention and control of corruption since it makes it difficult to establish standardized procedures and identify whether important decisions have been disproportionately influenced (ibid). Hence, *opportunities to conceal corruption are greater in oil extraction than in many other industries.*

Corruption takes primarily two main forms, rent-seeking and patronage, which are the key economically detrimental mechanisms:

“Firstly, large resource rents make *rent-seeking* a profitable strategy. Hence individuals and groups compete for a share of the rents rather than use their time and skills more productively. Secondly, resource revenues induce *patronage* as governments pay off supporters to stay in power, resulting in reduced accountability and a worse allocation of public funds” (ibid:214-215; italics added).

Fighting against corruption and improving the institutional setting is not an easy task, and it is particularly difficult where the key political actors benefit from dysfunctional institutions. In numerous countries rich in natural resources the political elites have formed institutions to get more control over resource rents and gaining control of land and other pre-existing natural resources, such as oil, which are used as patronage to maintain the grip of power. Countries with such characteristics are conceptualized as *rentier states* (Ross, 2001).

Apart from outright corrupt behavior, oil states fail to bring about societal changes and do not manage to shift the asymmetrical allocation of resources because the source of “wealth stems from a small and isolated sector in economy” without linkages to the rest of the economy (Basedau, 2005:15). Moreover, without emphasizing that public spending is unsound, the global price fluctuations on oil may lead to overconsumption and excessive increase of the public sector spending in times of boom. This might be attractive as a short-term policy instrument for reducing unemployment, buying off popular dissatisfaction and showing the population that the government is providing promptly. Higher public investment may also lead to investments in economically questionable projects, such as large and prestigious projects, or so called “white elephants” (ibid:11-12). Hence politicians may over-extract the oil resources as they discount the future, and oil provides them with resources to influence elections; increasing public spending before election time to convince the public that the incumbent is making things happen and thus assuring that it will be displayed in the ballot box.

A problematic aspect related to the just mentioned is that “expenditure cuts in all these areas are often not politically feasible as soon as the resource boom comes to end. As a result, the government may run into debt problems which may well

come about even without this mechanism: Excessive borrowing may appear to be an acceptable risk given the seemingly never-ending windfall” (ibid:12). What is more, vulnerability to external price shocks is far more likely if a country depends on a single commodity than if there are a diverse set of natural resources that form part of the economy (ibid).

The management of resource revenue certainly differs from country to country. However, two aspects are fundamental in the administration of the wealth generated from resource extraction, namely; *who* receives the revenue and *how* it in point of fact is spent. “In practice, multinational companies and local elites all too often stuff their own pockets, thus considerably reducing theoretical wealth for society as a whole” (ibid:26). Moreover,

“It is certainly possible that some of the losses are also due to poor administrative capacities in the general civil service or parastatal companies. Though seemingly the most relevant part of it, resource sector management includes more than just allocating revenues: [...] resource sector management depends to a great deal on the *actors directly and indirectly involved in resource exploitation*” (ibid; original emphasis).

Transparency in the management of oil revenues is vital to come into terms with the misuse of resource wealth. Notwithstanding, transparency alone is not enough for reducing corruption.

“For access to information to have an impact on the conduct of government officials, *the officials must face some sort of sanction where misconduct is detected*. In many resource-rich developing countries, opposition parties or other groups or [judicial] institutions that would be able to punish a government for corruption, are missing or weak, or have been co-opted by the government” (Kolstad & Søreide, 2009:224; italics added).

Even though corruption and unsound management of resource revenues are quite common features in resource abundant developing countries they are by no means inescapable. Countries are not destined to be cursed by its resource endowments. Hence Angola’s resource wealth is potentially favorable for the development of the country. But does the government have the will and the capacity to extract the positive aspects of the black gold? What effects may China’s oil-backed loans have?

## 3.2 Development...

The ideas and set of policies that disseminated from the Washington based financial institutions of the IMF and the World Bank have been at the center of development thinking for around three decades. These policies and perspectives on development, termed the Washington Consensus, rejected state interventionism in the economy and emphasized that there were no policies for development but to rely fully on market forces. Neither needed development to be characterized, for it

will be what the market decides. Hence releasing the market forces “become an end in themselves” (Fine, 2005:135).

Washington Consensus replaced Keynesianism, which previously had been the dominant development current. In contrast to the market liberal policies that started to emerge with force in the beginning of the 80’s under the guise of Reaganomics and the TINA-rhetoric (There Is No Alternative) of the Thatcher administration, the former Keynesian paradigm basically included three fundamental analytical features: First, markets do not work perfectly, thus it is appropriate for the state to intervene in order to correct market distortions. Second, “development should be understood as the passage to the conditions experienced in already developed countries”. On the one hand, it meant structural change; greater share should be held by industry in place of agriculture. On the other hand, “this is only indicative of much broader changes in socio-economic structure, which are associated with the processes of development”. Third, consequently policy becomes a matter of the state to intervene to assist the structural changes and processes related to development; “the provision of infrastructure, guaranteeing sufficient resources for investment, and preserving domestic markets for infant industries” (ibid:133-134; see also Adelman, 2000).

Through this perspective the government is seen as the “prime mover”. In the immediate European post-war period this was so due to “insufficient entrepreneurship” and a lack of “potential industrialists” capable of undertaking industrial projects that would accelerate development (Adelman, 2000). However, the perspective of Washington Consensus was that the state often, especially in developing countries, do not have the capacity to improve the functioning of the badly performing market. Neither might it have the determination, because the state many time is captured by agents who use its interventions as a tool to benefit themselves (Fine, 2005).

Yet the neo-liberal policies of the SAP resulted in large down-sizes of the African state apparatuses. It forced governments to privatize state-owned companies, devalue their currencies, cut down on public expenditure, remove wage controls and subsidies on basic commodities, and dismantle tariffs and import quotas to liberalize trade and expand the export sector (Hoogvelt, 1997). It can be concluded that the impact of SAP on the whole was negative. Among other things, it affected the most vulnerable social groups; unemployment rose, wages fell, prices of everything from food to transport increased and in some countries it worsened food security (Simon, 2002). The policy prescriptions of the Washington Consensus, despite its rejection of state involvement, thus became “highly interventionists as adjusting economies [were] given more and more instructions on more and more issues” (Fine, 2006a:88).

Though the flaws in the means of reaching development delineated by the IMF and the World Bank were widely recognized, the necessity to avoid the rent-seeking behavior of the state was broadly accepted. The solution, echoing from

the same financial institutions and based on an urge to explain the success of the NIC-countries, was clearly simplistic and caught in an analytical division between politics and economy; state and market. The state should be autonomous from the economic interests that seek to get a hold of it. But “if a state is both autonomous and strong, why would it not become a ‘vampire’ state with those in command drawing upon its power for accumulation of personal wealth and patronage? In this light, the state has to be autonomous and strong, but not too autonomous or too strong” (Fine, 2005:138). Consequently,

”Autonomy has become redefined as relative, bounded, or embedded, and the conditions for the state to achieve this autonomy extend from strength to geopolitical position, independence from earlier regimes, the sequencing of democratization and national independence, the degree of cultural unity and governance, etc., with corresponding qualifications in the meanings of strong, weak, soft, hard, and autonomous as applied to the state (ibid).

In practice this lead to a continuous reinvention of autonomy. Nonetheless, “public spending aimed at reducing the impediments to growth implied by inadequate economic infrastructures (such as lack of access to electricity or an inadequate road structure) and insufficient social services (such as education and health) is of major importance in developing countries” (Hjertholm et al, 2000:366). Yet public spending must be strategically allocated across different sectors and efficiently utilized. A strong state is required to kick off development, but a state-centered capitalist approach will “not have much chances of success if the domestic political-bureaucratic environment is not capable, honest and committed” (Adelman, 2000:77).

From a Marxist perspective, “both the state and the market are the consequences of underlying economic and political interests and relations, most notably those attached to classes or fractions of classes such as those comprised from finance, industry, agriculture, or even families and ‘cronies’ or beneficiaries by patronage” (Fine, 2005:138). This brings us back to the discussion on rent-seeking, which after all may not necessarily be destined to be at the expense of development:

“All economic change [...] involves the creation, and possibly the destruction of rents that can be, or were, appropriated. The incentives to promote or obstruct that change depend upon the economic and political position of (class) agents. Corruption, cronyism or rent-seeking [...] cannot be dismissed as sources of inefficiency in the abstract, but depend upon who is gaining or losing in what circumstances and with what consequences. This is not to praise or pursue rent-seeking, or even to view it as the predominant lever of development, but only to point to *its dependence on the economic and political means by which rents are created and appropriated, or not.* (Fine, 2006b:114-115).

The representation of class interest through the state always give rise to a particular system of accumulation – sectoral composition and levels of investment; how finance is organized and coordinated between private and public institutions. Such a system of accumulation and its subsequent impact on development, although it does not stand outside the effects of international

factors, is country-specific, reflecting each country's history and dynamic as well as its class structure (Fine, 2006b).

### 3.3 ...or Dependency?

The Sino-African relations have in general received a fair amount of attention in the media. Most commentary focuses on China's quest for oil, gas, and minerals and depicts it as a "monolithic dragon scrambling for natural resources to service its own growing capitalist economy" (Mohan & Power, 2008:25), which is seen as being the main driving force behind the growing involvement on the African continent. Thus it is argued that China is a part of a "new scramble for Africa" reminiscent of the "age of empire" (ibid). Or more firmly stated China is regarded as a colonizer. This less critical perspective is often heard in the media, yet more serious scholarly debate partly analyses the Chinese involvement through neo-mercantilist lenses, understanding it as China is seeking to make use of "Africa's cheap production and natural resources to meet Chinese demand, and then use Africa as a market for its manufactured goods" (Kreitlow, 2007:6). Fears of such relations with China are voiced on the continent:

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. [...] China's export strategy is contributing to the de-industrialization of some middle-income countries (Mbeki, 2006:7; taken from Marks, 2007).

The numerous agreements that have been signed with various African states, granting access to oil, gas, and minerals, are considered evidence of China's thirst for natural resources. Coupled with the stated characteristics of Sino-African trade relations, the neo-mercantilist viewpoint can furthermore be supported by the numerous infrastructure projects, financed through loans from Chinese banks and constructed by Chinese firms. Many of these projects are regarded as intended to make the export of natural resources easier. It is no secret that "an unprecedented need for resources is now driving China's foreign policy" (Zweig & Janhai, 2005:25). China is seeking a more favorable outcome at the expense of others by upsetting an equilibrium to their own favor. That they have managed to attract African trade partners is clear, but is it really at the expense of African nations, or is it at the expense of the traditional hegemonic Western powers on the African continent competing for the same resources? May for that matter the Chinese presence lead to development?

The neo-mercantilist economic stance can for obvious reasons be connected to dependency theory as an explanation of a state's economic development, where external influences – political, economic, and cultural – on national development policies plays the major role in determining a country's condition:

[Dependency is] an historical condition which shapes a certain structure of the world economy such that it favors some countries to the detriment of others and limits the development possibilities of the subordinate economies [...] a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which their own is subjected (Dos Santos, 1971:226).

The unequal relations have traditionally been depicted by dichotomous categories such as center/periphery, dominant/dependent, or metropolitan/satellite. Interactions between these two types of states reinforce and intensify an asymmetrical relationship. Therefore, in line with this understanding China must subordinate African economies in general, and Angola specifically as the Chinese presence is strongest there, and limit the possibilities for development. It has been argued that China does “not encourage diversification, value-added industrialization, or redistribution of economic rents” (Mohan & Power, 2009:27). So, rather than *South-South cooperation* and *mutual benefit*, the diplomatic lead motif echoed by Chinese politicians describing the Sino-African cooperation, China’s involvement may resemble more of a hegemonic North-South relationship.

In a state considered to be dependent finance, goods and services do flow into the country, but the allocation of these resources are determined by the economic interest of the dominant state, and not by the economic interest of the dependent state. Dependency theorists argue that elites within the dependent country maintain the unequal relationship because their own private interests coincide with the dominant ones. These governing elites are often trained in the dominant states and share their values. Thus it can be argued that a state of dependency is very much a voluntary relation from the elite’s side.

Another aspect important to mention is aid dependence. It can be viewed “as a situation in which the aid recipient needs the aid – in effect, depends on it – to achieve certain goals”. Aid dependency can be further specified by emphasizing the size of the aid relative to the recipient’s economy or the particular sector that it is designed to assist. Moreover, it also relates to continuous aid flows “over an extended period of time” (Wangwe & Lancaster, 2000:10-12). In form of loans, foreign aid is also debt creating and debt payments require foreign exchange, thus putting a strain on government revenues. To be able to service the debt, the rate of economic growth must exceed the interest rate, and thus the problem with debt capacity arises:

“If the government uses most of the borrowed funds for investments in such areas as infrastructure, education, health services, etc., the sustainable level of debt the government can take on will depend on the government’s ability to collect sufficient domestic resources for debt service” (Hjertholm et al, 2000:358).

In the end it means, as ample evidence from the Structural Adjustment Programs (SAP) in Africa has shown, that new loans are required to pay back the old ones as the interest rates continuously exceeded the economic growth (Wangwe & Lancaster, 2000). Therefore large debts have negative effects for economic

development. Debt burdens are fiscal burdens, which make loans result in reduced public expenditure. What is more, “aid for project finance” may create dependence more than other types of aid, such as budget support:

“Where project finance leads to an overextension of the state and in particular where such finance creates future claims on government expenditure for which financing is not available, governments can become more dependent on aid to fund the continuation of those projects” (ibid:14).

Furthermore, African exports are concentrated in small groups of goods. For instance in 20 African countries, a single commodity comprises more than 60 percent of exports; in 31 countries, three commodities cover more than 80 percent of exports. Among these, 19 countries depend on three commodities for more than 95 percent of their exports (ECA, 2004). In resource-rich countries, the level of export dependence on one single commodity is highest for fuel-dependent economies (Kolstad & Søreide, 2009).

Dependency theory advocates that the development model of the advanced industrial economies does not serve as a model for the currently developing economies, instead they should pursue more self-reliant policies vis-à-vis developed and industrialized nations, which can be “interpreted as endorsing a policy of controlled interactions with the world economy: poor countries should endorse interactions on terms that promise to improve the social and economic welfare of the larger citizenry” (Ferraro, 1996). For structural reasons dependency theorists argue that *the market is not a sufficient distributive mechanism*. Moreover, social indicators have more weight than economic ones (ibid). The question is then, can the Sino-Angolan cooperation be an example of such a beneficial interaction mentioned above, or is it only a corrupt elite that profit from a new type of dependency?

### 3.4 South-South Cooperation

The Sino-Angolan cooperation can be connected to broader considerations related to the potential benefits of South-South cooperation. Scholars have advocated a deepening of trade relations between developing countries for various reasons; however, three crucial aspects stand out:

“First, the creation of a wide range of trade partners might reduce market uncertainties. Second, the increment in the share of world trade could provide more collective bargaining capacities for the south. And third, *technologies available in developing countries are perceived by many to be more suitable to the needs and requirements of the South*. It is also understood that *the manpower required for these technologies is available in the south and clearly more cost-effective than alternatives from the North*” (Mahmoud, 2007:87; italics added).



Another way of putting South-South Cooperation in perspective is to consider it as part of the reconfiguration of international politics that has been ongoing since the end of the cold war. Many thought the time for unilateralism and unchallenged American hegemony would mark the collapse of the Soviet Union and would be the ultimate corollary in a bipolar international system that was going to lead us to the “end of history”. Although nations such as China, Brazil, and Turkey are firmly challenging the notions of such a future, South-South cooperation is merely regarded to be a “facilitator and a building block for multilateral and global cooperation and never an alternative to it” (ibid:88).

Notwithstanding, the first significant step in these South-South relations occurred with the Bandung Conference where 29 countries from Asia and Africa gathered together and “pledged solidarity in the fight against colonialism”, and the South-South rhetoric of political leaders in the developing world is strongly connected to the common colonial past and the sharing of a common “adversary”. Moreover, “the disappointment and the sense of failure of continuous development assistance during the post-war period has resulted in skepticism and led many to question the nature of North-South relations, trade and assistance. As a consequence a new search for both practical and conceptual alternatives became imperative” (ibid:82). The viability of such an alternative is enhanced by the growing dynamism of South-South interactions:

“Several factors could serve as the starting point for grasping the dynamics and patterns of South-South interactions. First, the developing countries have more than 80 percent of the world’s population with huge market potentials, both as producers and consumers. Second, many of these countries are *rich in energy and natural resources* that are still crucial for the international economic system of production. Third, with few exceptions, all developing countries are now under market economy regimes, a fact that makes the outward interactions more likely to take place. Forth, *some of the most dynamic and flourishing economies in the world presently are precisely in the South, a fact that enhances the possibility and opportunities for south-south cooperation*” (ibid:89).

### 3.5 Synthesizing the Theoretical Arguments

As oil plays a dominant role in Angolan economy and politics it is necessary to utilize theoretical literature that has explored the conditions that are specific to resource-rich developing countries. However, this paper discards the notion of the resource curse as something endemic and destined. Instead the missed development opportunities have to do with the dysfunctional institutional context. Accordingly, whether Angola’s oil wealth turns out to be beneficial or detrimental to its socio-economic and political development depends on if the country manage to improve its institutional behavior, coupled with the impact of various contextual variables. How do China’s oil-backed loans affect the institutional settings related to the management of Angola’s natural resources?

Fighting against corruption and improving the institutional setting is not an easy task. In numerous countries rich in natural resources the political elites use patronage and form the institutions to get more control over resource rents. Likewise, overconsumption and unsound spending on economically questionable projects are problems that also can arise as it may seem that a never-ending flow of oil revenues, or oil-backed finance, seem to be enter the treasury. Thus the actors directly and indirectly involved in the resource exploitation, and how the revenues in point of fact are spent, are of great significance.

Also emphasized is the theoretical argument that underline that the Sino-Angolan relations might present a new form of dependency. In this line of understanding finance, goods and services do flow into Angola, but the allocation of these resources and the benefits generated from them are determined by China. This could be applied to the infrastructure projects that are financed through Chinese loans, constructed by Chinese companies and workers, and which facilitate the extraction of natural resources. Debt-servicing can also put a strain on the Angolan public expenditure and gives rise to debt capacity problems, which reinforces the uneven relation between the countries.

In addition, it is argued that the market is not a sufficient distributive mechanism to bring about development. Public spending utilized for reducing infrastructure bottlenecks and improving social services are regarded to be of great importance in developing countries. The increased public spending must be strategically allocated and efficiently utilized. The outcome of such efforts is country-specific as every country has a specific system of accumulation. Therefore the distribution of public resources depends on the economic and political underpinnings of the state.

The sense of failure from decades of development assistance from the OECD-countries has made alternative sources of cooperation more feasible. The viability of such alternatives is enhanced by the growing dynamism of South-South interactions. Technologies and manpower from other developing countries are regarded as more suitable and cost-effective than what has normally been offered by the traditional donors. Likewise, large reserves of energy and natural resources in developing countries, coupled with the fact that some of the most dynamic and fast-growing economies are found in the South, boost the prospects for South-South cooperation.

The theoretical arguments presented will now be connected to two complementing sections. First, development will be linked to a perspective that emphasizes country-specific priorities and definitions of the much disputed concept. In Angola's case the priorities of the government accentuate a connection between development and infrastructure. The other section will therefore examine the concept of infrastructure before moving further.

## 4 Operationalizing Development Assistance and Development

As the central concept embedded in the research question above is development, and since the research explores Chinese financial development assistance, it is necessary to operationalize the prevailing understanding of these terms. According to the agreed definition by the Organization for Economic Cooperation and Development (OECD), Official Development Assistance (ODA) comprises funding from governments to developing countries (bilateral dimension) and to international institutions (multilateral dimension) such as the United Nations (UN) or the World Bank. ODA also has to meet two specific criteria, namely; the objective of the funding has to promote socio-economic development and the funding “has to be given on a concessional basis” (Brautigam, 2009:14). Nevertheless, to understand the Chinese financial assistance it is necessary to have a much broader conceptual range regarding development assistance as it does not follow the conventional wisdom of what development assistance is for the traditional donors:

[Chinese Development Assistance] includes a range of instruments used by the Chinese government to mediate its economic engagement in Africa. These programs are often mislabeled as “aid” in the media. They need to be disentangled from the official aid program, and viewed for what they are: *part of a portfolio of tools used by an activist, developmental government with a clear vision of what it needs to promote its national goals overseas* (ibid; italics added).

But what is development? A variety of meanings and understandings have been attached to the concept. “These meanings range from general ones, such as change in space and time, to more specific and narrower ones, such as economic growth. The same can be said about the authors, theories and approaches where variation is rather the rule than the exception. [...] a fact that make contexts very crucial (Mahmoud, 2007:18; original emphasis). As such this research rejects a universal understanding of development, and emphasizes that its building blocks are contextual. Therefore it is necessary to look at how development is prioritized and defined in the area of study that is put under the magnifying glass. In addition, it is important to study if there are genuine efforts to develop, which makes it crucial to dissect the political and economic underpinnings of development. With this contextually specific definition of development the study achieves validity, or congruence between the research’s theoretical outlook and the operational indicators (Flick, 2009), if the study adheres to Angola’s development priorities.

At this juncture, the connection between infrastructure and development is clearly emphasized by the Angolan government. Its significance echoed at the Luanda

International Fair, visited by the former Prime Minister Fernando Dias dos Santos, whose main slogan was: “rehabilitation of infrastructures in Angola, a vote of confidence in development” (AllAfrica, 2008). Consequently, the following section will present the conceptual and theoretical foundations of infrastructure and its subsequent relation to development.

## 4.1 The Importance of Infrastructure as a Fundament for Development

The conceptual range of infrastructure is dual, consisting of both *physical infrastructure* (roads, railways, airports, seaports, telecommunication systems, power supply, water and sanitation) and *human infrastructure* (“educated labour force as well as sets of laws and regulations within which enterprises must operate”) (Dicken, 2007:180). The distribution of infrastructure is unevenly spread across the globe and the lack of it “continues to be a key obstacle to growth and development in many low-income countries” (Agénor, 2006:3). More specifically:

For most African countries, inadequate infrastructure and poor transport network make it difficult for their manufacturers to participate in new global outsourcing and just in time production because they cannot guarantee timely delivery of goods or ensure reliability or flexibility in the supply of the goods. [...] *The high transport costs of imports of African countries inflate the prices of capital goods and intermediate inputs, thereby increasing the cost of domestic agricultural and industrial production* (Mbekeani, 2007:2; italics added).

Transport provides the necessary physical access to market places for agricultural production, while it also makes possible flow of goods and services that is needed in rural areas. The provision of infrastructure that after all has occurred in Africa has been uneven; “favouring centres of population at the expense of rural areas where food and agricultural exports are produced” (ibid:8). In Angola, which faces the problems caused by internal conflict, the infrastructure is severely decomposed; the physical infrastructure bears the scars of the war and the need for human resources is immense.

To alleviate such constraints some scholars have advocated a large increase, a “big push”, in *public infrastructure investment* as it is considered to be the “main engine of growth” (Agénor, 2006:3). Thus, there is a special significance of governments in the provision of the infrastructure services (Dicken, 2007). This is further illuminated as actors that normally point to the negative effects of a large public sector stress the importance of public involvement. Accordingly, the Swedish Centre for Business and Policy Studies (1997) identifies two collective goods that have positive effects on economic growth; namely *education* and *infrastructure*.

Furthermore, *infrastructure services are part of a networked delivery system* constructed to serve a wide variety of users. “This interconnectedness means that [...] many components are required for the provision of a service; these components are thus complementary to each other” (Agénor, 2006:4). For instance, if you build a road without drainage it will be problematic to use that service during the raining season, or if you provide social housing far away from transport networks and without access to electricity and water, few will leave their squatter settlements in the city. What is more, to enhance export efficiency and attract investments, every link in the chain of infrastructure is important; from seaports, airports, roads and railway to telecommunications, water, and electricity. The management and the corruption within ministries providing the infrastructure services, such as inefficient port customs or corrupt energy management, are equally important. “The provision of financial and technical resources to address infrastructure problems” is essential to enhance a country’s transportations and communications (Mbekeani, 2007:5).

The importance of an educated labour force, or human infrastructure, cannot be underestimated. Attending social opportunities does not only affect the possibilities for individuals to live better, it also makes the participation in economic and political activities more effective (Sen, 2002). For instance, combating illiteracy expands the range of economic activities that humans can engage in. It may also increase the political participation when more people have the ability to read the news (ibid). Regarding economic growth, it should not only be judged by increasing household incomes, but also through the expansion of social services made possible by economic growth. The importance of social opportunities, and especially fundamental education, can be illuminated by the Japanese development trajectory. Japan developed its human resources and enlarged social opportunities *before* it broke away from the yoke of poverty. Here the public provision of human infrastructure was crucial, and essentially all over the world the state has played an important role in the spread of education (ibid). “In order to bring long term solutions about, the development of human capital [is] a *sine qua non*” (Mahmoud, 2007:82).

## 5 Background

For a comprehensive understanding of the Sino-Angolan cooperation, a general overview of the historic background is required. First, a general outline of the Sino-African relations will be presented. Second, a summary of the Sino-Angolan relations will be examined.

### 5.1 Sino-African Relations – a Story of Historical Continuity

During the last decade the growing relations between China and African countries have received substantial attention among scholars and in the media. The Sino-African ties cover a wide range of areas, extending not only into the fields of financial assistance and trade, but also encompassing political, cultural, and educational exchange. In spite of the relatively newly found interest, and the subsequent fear and unease concerning the rise of China<sup>7</sup>, the political and economic relations between China and the African continent have a long history.

The first significant point in these relations occurred with the Bandung Conference (as mentioned in section 3.4) and throughout the decades China has provided African states with assistance that ranges over a broad spectrum. It is argued that during the first decades of the Cold War China basically provided political, ideological and military assistance to different countries and independence movements in their fight against colonialism (Li, 2008; Sohlman, 2009). Nonetheless, China also funded state-owned factories and Chinese construction companies built infrastructure such as roads, bridges, power plants, and various flagship and politically important projects (Brautigam, 2009:34-35)<sup>8</sup>. Over the years, Chinese teachers, doctors, and agricultural experts have strengthened African expertise in education, health, agriculture, environment, and

---

<sup>7</sup> Concerns regarding China's presence in Africa echo in various publications. For instance, in a Daily Mail article from 2008 written by Andrew Malone the title states: "*How China's taking over Africa, and why the West should be VERY worried*". Other titles such as *Friends or forager? How China is winning the resources and the loyalties of Africa* (Financial Times, February 2006), *China's Trade Safari in Africa* (Servant, 2005) and *China's African Misadventures* (Newsweek, 2007) also imply the concern.

<sup>8</sup> For instance, China constructed the Tazara-railway that linked Tanzania and landlocked Zambia, which freed Zambia from its dependence on apartheid Southern Africa. China also built "prestige projects" such as government buildings or stadiums.

military, while thousands of African scholars have received scholarships for education in China (Li, 2008).

The magnitude of the Chinese development activities in Africa is considerable and continuous. Already in 1973 China's development assistance was spread across 30 African countries. This can be compared to the Soviet Union that gave aid to 20 countries, out of which it was heavily concentrated to eight countries in the strategic regions of the Mediterranean and the Horn of Africa. "In all but the same eight Soviet allies above, China gave *more aid* than the USSR" and by 1978 China "had aid programs in more African countries than did the United States" (Brautigam, 2009:34, 42; original emphasis).

After Mao Zedong's death and the subsequent reformation of the Chinese communist system and the opening of the economy, the new leadership around Deng Xiaoping issued an inquiry to review China's aid program. It commissioned a policy group to look into the past and to come with recommendations for the future. The conclusion was that many aid projects were large and costly, overstretching China's capacity. On top of that, they were highly inefficient or had completely broken down after they were handed over to African governments (ibid). As a result China decided to move away from aid and started to emphasize an engagement that could benefit both sides. It was argued that "economic cooperation between poor countries *cannot be sustained if it is limited to one-way aid*" (ibid:54; original emphasis).

Thus, since the 90's, China has focused on financial assistance that links aid to investments together with a foreign policy that emphasizes mutual exchange and shared economic benefits. At the moment Africa is the main beneficiary of Chinese development assistance and receives 30 percent China's foreign aid (Li, 2008). In 2007, China pledged no less than \$20 billion "to finance trade and *infrastructure* across the continent over the next three years" (Polgreen & Howard, 2007).

The last 15 years have witnessed a remarkable increase in the Sino-African trade volume. China is now Africa's third biggest trade partner, superseding the old colonial power Great Britain (Holmertz, 2006). Recent strong growth of trade with China is not unique; generally Africa has increased its global trade with both the EU and the U.S., however, the distinctiveness of the relations lays in the rate of increase:

"Between 1997 and 2006, exports from EU to Africa increased by 96 percent and imports from Africa by 139 percent. The corresponding figures for U.S. were 66 percent and 299 percent. However, China's exports to Africa during the same period increased by 731 percent, and imports from Africa by as much as 1072 percent. China's share of African trade rose from 2.3 percent to 8.3 percent, while EU's share fell from 50.2 percent to 39.8 percent. This trend has continued, and from 2006 to 2008, Sino-African trade rose from 68 to 107 billion dollars" (Sohlman, 2009:6).

Despite the changes towards a more economic focus on development cooperation and less emphasis on aid, China never abandoned its commitment to the continent. “This gave China a steady presence, credibility, and a strong foundation that Beijing would build on in the years after 1995. China’s increased visibility in Africa today should be seen in this context: *China never left, we just stopped looking* (Brautigam, 2009:54; original emphasis).

## 5.2 Sino-Angolan Relations – from Conflicting to Shared Interests

Most of Angola’s post-independence history is coloured by its prolonged civil war that devastated the country. During a large period of the war China’s relation to Angola was controversial and ambiguous. The Angolan civil war was a product of the Cold War where both super powers, and China, supported different sides in what for a long time best can be described as a proxy war. Although China did approach Angola’s ruling party Movimento para a Libertação de Angola (MPLA) in the beginning, China soon switched its alliance<sup>9</sup>. Instead Beijing started to support Frente Nacional para a Libertação de Angola (FNLA) in 1963. These relations were also put on a hold as Chinese delegates were not allowed in Zaire (now Democratic Republic of Congo) where the FNLA was based. Therefore, only a year later, China changed its allegiance yet again and started to support União Nacional para a Independência Total de Angola (UNITA), which was a splinter group of the FNLA (Jackson, 1995)<sup>10</sup>.

It was not until the 1980’s, after the improvements of Sino–Soviet relations, that China and MPLA moved closer. Both countries established formal diplomatic ties in 1983 and in 1984 this was followed by a trade and co-operation agreement. In 1988 a mixed Economic and Trade Commission was launched, which basically remained inactive until the turn of the millennium when the Sino-Angolan relations began to be thoroughly expanded (Alves, 2010).

The new turn in the Sino-Angolan bilateral relations, coinciding with the end of the civil war in 2002, “have been marked by an astoundingly rapid intensification of political and economic exchanges, as indicated by frequent state visits (see Appendix 4) and rapidly expanding trade flows” (ibid:5). This expanding relationship became vividly expressed in 2004 when China’s Export-Import Bank (Eximbank) offered a two billion dollar oil-backed credit line. The Eximbank loan

---

<sup>9</sup> Due to Mao Zedong’s approach in stressing the importance of a rural based struggle for independence, China found MPLA to be too urban and pro-Soviet.

<sup>10</sup> Jonas Savimbi, UNITA’s leader, received military training in China in 1964 and 1965, previous to the formal establishment of UNITA’s armed forces in 1966. However, in the early 1970s, China withdrew its support to UNITA and approached, firstly MPLA, and later the FNLA again.



was the first out of three credit lines that totally comprise 4.5 billion dollars. Apart from the loans given by the government controlled Eximbank, the private financial institution Chinese Investment Fund (CIF) has also disbursed a 2.9 billion dollar loan to Angola. The determinants behind this extensive financial assistance will be presented in the following chapter.

## 6 Determinants behind the Sino-Angolan Cooperation

The determinants behind the financial assistance and the Sino-Angolan cooperation can be illustrated by three important aspects: First, China's rapidly growing economy is outpacing its natural resource base. Through this light Africa's natural resources have become increasingly attractive. Angola is the second largest oil producer in Sub-Saharan Africa with potentially promising reserves, and is also neighboring the mineral rich countries of Democratic Republic of Congo (DRC) and Zambia. Second, China's need to diversify and increase its energy imports, coupled with Angola's desire to unearth alternative sources of international financing, have provided a fertile ground for oil-backed financial assistance. Third, the necessity to rebuild Angola's war-torn economy coincides with China's "Going Global" policy, which has made Chinese companies the largest actors in Angola's post-conflict National Reconstruction.

### 6.1 The Rise of China and the Search for Financial Alternatives

Throughout China's development trajectory, the country has slowly come to accept its emergence as a great power<sup>11</sup>. However, in its relationship with developing countries, China is careful not to confuse great-power status with hegemonic behavior<sup>12</sup>. As China's growing economy is outpacing its natural resource base it must search for natural resources abroad. Therefore it must establish a "reputation as a rising but responsible power" in order to "calm concerns that its rapid rise would preempt other developing countries' development prospects" (Brautigam, 2009:78). Basically, in order to get a foothold into Africa's and Angola's natural resource markets, dominated by the

---

<sup>11</sup> Articles in Chinese journals and newspapers have promoted that China should discard its "victim mentality", a product of its legacy as a country dominated by colonial powers, and instead prominent Chinese political analysts make the case that China should endorse a "great-power mentality" (Medeiros & Fravel 2003). Such a transformation of the Chinese self-perception can be said to have taken place as the term "great-power diplomacy", approved at the 1997 Congress of the Chinese Communist Party, now distinguishes China's relations with the major powers of the world (Shih, 2005).

<sup>12</sup> "Chinese officials have characterized hegemony as an unfavorable imperial structure in which a ruling state achieves and exerts domination over numerous less powerful states via coercion and exploitation." (Kreitlow, 2007:45)

former colonial powers, China is obliged to show that it has something different and substantial to offer.

“The Chinese credit lines were offered in a very crucial moment. Angola was in a desperate need of finance to rebuild the country after the war. The United Nations and the international donor community were not willing to support a Donor Conference that would raise funds for the post-conflict reconstruction. [...] the support from China was invaluable. We had no other alternative”<sup>13</sup>. Seen from this perspective the Chinese financial assistance worked as an alternative to the traditional international financial institutions that were not willing to invest in the ANR. However, this story is not the only side of the coin as another outlook underlines the following:

The reluctance of the Angolan government in obeying criteria for transparency, good governance and human rights made it difficult to obtain international financial aid for the purpose of national reconstruction. This is what thwarted the possibility of holding an International Donor Conference. It is within this context that the opportunity presented by the People’s Republic of China emerged, with its willingness to make huge loans available to the Angolan government at most advantageous rates [...] and with no sanctions attached (Pinto de Andrade, 2009:102-103).

Angola regarded the proposed conditionalities as unacceptable and thus decided to not move further with the Donor Conference. This posture made China a more preferable partner. The criticism directed towards Angola that underscored that “there was room for improvement in the handling of the public finances and a need to increase the transparency of the financial side of the oil revenues”<sup>14</sup> were to some extent regarded as interference in the internal affairs of Angola. At this juncture, China’s “Five Principles of Peaceful Coexistence”<sup>15</sup>, that Chinese leaders still refer to as “*the bedrock of their foreign policy and their aid strategy*” (Brautigam, 2009:30; original emphasis), made the relations between the two countries move ahead:

China respects a fundamental principle that Angola takes with great consideration: non-interference in our internal affairs. In the foreign relations with our European counterparts the tendency is the reverse. Angola is an independent state and we do not accept violations of that principle. Hence, with China we have a relationship that is based on mutual respect.<sup>16</sup>

---

<sup>13</sup> Interview with Carlos Abrantes

<sup>14</sup> Interview with Cor Van Honk, Ambassador of the Netherlands

<sup>15</sup> The Five principles of Peaceful Coexistence, which were launched during the negotiations with India over the Tibet issue in 1955, consist of the following: 1) mutual respect for sovereignty and territorial integrity; 2) mutual non-aggression; 3) non-interference in the internal affairs of other countries; 4) equality and mutual benefit; and 5) peaceful coexistence (Brautigam, 2009:30).

<sup>16</sup> Interview with Paulo Teixeira Jorge, former Foreign Minister of Angola and former Secretary for International Relations of the MPLA as well as former Member of Parliament.

“One of the greatest concerns from Angola’s side is that the West is hypocritical in its recommended development model”<sup>17</sup>. In 2000, Europe promised that it would make 15 billion dollars available to Africa in order to finance infrastructure projects, yet up to this day the pledge has not been fulfilled (Brautigam, 2009). On the contrary, “the multi-billion dollar credit lines from China have rendered possible major infrastructure projects that no Western country so far has agreed upon to fund”<sup>18</sup>. The total sum of the Chinese credit lines to Angola undertaken so far is at 7.4 billion dollars<sup>19</sup>. These figures make the largest loan ever provided to Africa by the IMF, also given to Angola, at the sum of 1.7 billion dollars turn pale. The assistance from China “exceeds the assistance provided by western INGOs and the international financial institutions by far”<sup>20</sup>. “China has invested more in Angola during the last six years than the whole international donor community has done in 40 years”<sup>21</sup>. Moreover, “the cash flow from the IMF does not meet the level of ambition of the Angolan government, so they are not satisfied because they would have to wait with many projects”<sup>22</sup>. Additionally, the interest rate on the Chinese loans to Angola has been lowered from an initial 1.7 percent to 1.25 percent at the moment; “effectively pricing other financial institutions out of the market” (CCS, 2006:20).

Angola’s history with the Bretton Woods institutions has neither been very solid and their relationship and loan commitments have stalled several times (see Hodges 2004 & 2007). Moreover, “Angola’s oil wealth and its strong sense of independence have contributed to the creation of an attitude that the country can make it on its own without any assistance from Western institutions”<sup>23</sup>. Chinese officials themselves also sustain that their policies have allowed African states to be more autonomous and in charge of their own resources (Wenping, 2006).

To sum up, having the largest monetary reserves in the world with access to extensive liquidity, China can offer large financial assistance to Angola, which regards China as a political and economic alternative to the conventional sources of finance; providing loans with no political conditionalities. However, China’s financial assistance is not part of an altruistic foreign policy posture; it

---

<sup>17</sup> Interview with Carina Kiala, Business Analyst and Independent Researcher (former Senior Analyst at the Centre for Chinese Studies at Stellenbosch University)

<sup>18</sup> Interview with Amália Quintão, Lecturer and Researcher at the Catholic University of Luanda

<sup>19</sup> Apart from the existing financial assistance there exist speculations about new loan agreements totaling 20 billion dollars. New credit lines on 6 billion, 2.5 billion, and 1.5 billion dollars have supposedly already been signed in November 2009 with Eximbank, Industrial and Commercial Bank of China, and China Development Bank (CDB) (Macro-Brief, 2010). Another credit line on 10 billion dollars from the CAD Fund is also supposed to be under negotiation (Africa Confidential, 2010). However, there exists no official statement from Angola’s side that confirms these figures. Therefore, until there is an official statement regarding the matter, the research maintains its reservation concerning the information.

<sup>20</sup> Interview with Regina Santos, Lecturer and Researcher at the Catholic University of Luanda

<sup>21</sup> Interview with an Ambassador on the celebration of the Norwegian National Day at the Royal Norwegian Embassy.

<sup>22</sup> Interview with Cor Van Honk

<sup>23</sup> Interview with Regina Santos

corresponds to its need to secure energy and natural resources as well as China's call for expansion into new markets in order to widen the scale and scope of its transnational State-owned Enterprises (SOE's). These themes will be explored in the following sections.

## 6.2 Oil – the Glue that Made Nations Bond

Oil plays a crucial role in the Sino-Angolan relations; it is the glue that makes the two nations bond. Angola is not only a major player within the African oil industry; in 2006 Angola joined OPEC and cemented its strategic position as a top global oil producer. At present Angola is the second largest oil producer in Sub-Saharan Africa, only superseded by Nigeria. It currently exports 1 990 000 barrels a day<sup>24</sup>. The limited domestic oil use allows Angola to be the 10th highest net oil exporter in the world while only being the 17<sup>th</sup> biggest oil producer (EIA, 2010). Moreover, most of Angola's oil is offshore, which "makes it less vulnerable to community problems associated with on-shore production such as the politically volatile situation that currently affects the oil production in the Niger Delta"<sup>25</sup>. Angola's current proven oil reserves are at 9.5 billion barrels (OPEC, 2010), but the fact that Angola's oil production continuously is growing and that it has some potentially promising oil deposits makes the country attractive. "From an oil perspective, Angola is a great story"<sup>26</sup>. The increase in oil production together with the rise in the cost per barrel up until the global financial breakdown created an oil boom unparalleled in the country's history. This was the prime reason for the globally unmatched growth rates, at between 10-20 percent per year, which Angola experienced from the end of the war until 2009 (The World Bank, 2009).

In 1998, the Chinese Ministry of Defense established that energy security is a fundamental part of China's overall security (Tull, 2006). "China has seen its domestic oil production peak while its demand simultaneously has skyrocketed"<sup>27</sup>. With the purpose of reducing its vulnerability, China seeks to expand its oil imports and diversify its oil suppliers. Additionally, in line with China's 21st century oil strategy, China set off the creation of a national oil reserve in 2005, anticipated to be completed in 2010 (Ziegler 2006). This has moved China far overseas in search for oil.

---

<sup>24</sup> Interview with Tako Koning, Oil Geologist, Advisor and Consultant at Tullow Oil Angola

<sup>25</sup> Interview with Tako Koning

<sup>26</sup> Interview with Tako Koning. This viewpoint is also high-lighted by Angola's state-owned oil company, Sonangol, which underlines that "numerous discoveries in the Angolan offshore have ensured that Angola will play a major role in Africa's oil industry for the next few decades and will be a world pioneer in the oil industry" (Sonangol, 2010).

<sup>27</sup> Interview with Tako Koning

Nevertheless, China has experienced a series of hinders to acquire oil around the world<sup>28</sup>. In the light of these failures, and considering that China at present is "the world's second-largest consumer of oil behind the United States, and the third-largest net importer of oil after the U.S. and Japan" (EIA, 2009), "Africa in general, and Angola in particular, has become a country of vital strategic interest in the eyes of China"<sup>29</sup>. This dynamic has resulted in a remarkable increase of the Sino-Angolan oil trade. Angola is currently China's biggest supplier of oil, surpassing both Saudi-Arabia and Iran, and exports 688 000 barrels a day (Africa Today, 2010). Hence the strategic importance of Angola in the eyes of China cannot be underestimated.

China's "state-owned oil multinationals are relatively minor players in the global oil production, and even so in Angola, as it still is the domain of the traditional giant Western oil companies"<sup>30</sup>. China does not control the production, and hence neither the decisions of where the oil exports will be allocated. However, in Angola, and in many other countries with powerful state-owned oil companies, Sonangol has a ubiquitous control over the Angolan oil industry<sup>31</sup> and "is in charge of everything from budgets, new partners in oil blocks, press releases, and to what country the operating oil companies export to"<sup>32</sup>. Thus, in order to get oil supplies, China must persuade Angola to redirect the oil flows. As illustrated above, China is sitting on a golden egg: it offers a much-needed alternative source of financial assistance. With such a powerful bargaining chip China can influence Angola's oil exports.

The strategic importance of Angola in the Chinese energy strategy has opened up for extensive cooperation that reaches into many areas. Above all it has opened up for a cooperation based around preferential oil-backed loans. "The credit lines have been especially acquired to be allocated towards the Public Investment Program and the Angolan National Reconstruction"<sup>33</sup>. These financial agreements are secured with supplies of 10 000 barrels of oil per day delivered to China as

---

<sup>28</sup> For instance, the planned pipeline that stretches from Irkutsk, Russia to Eastern China suffered setbacks, initially by Japan and then by the investigation against the Yukos oil oligarchy that was assigned to construct the pipeline. China also signed contracts with the former Iraqi government to develop oilfields after sanctions were lifted. Those arrangements were nullified by the American invasion. In 2003, China was excluded from getting a share of the North Caspian Sea oil PSA in Kazakhstan. In 2005, China's National Offshore Oil Company (CNOOC) proposed 18.5 billion dollars in order to acquire the American oil corporation Unocal, but security concerns quickly spoiled the offer. Furthermore, plans for a domestic pipeline, assigned to deliver some of China's own oil resources, were put on a hold after Gazprom, Shell, and Exxon Mobil moved out of the project in 2004 (Ziegler, 2006).

<sup>29</sup> Interview with Augusto Teixeira Matos, former Finance Minister of Angola (1981-1991)

<sup>30</sup> Interview with Tako Koning

<sup>31</sup> Interview with Tako Koning. The extent of this power can be shown by how China got its first entry into the Angolan oil industry. When Shell divested itself from its interest in Angola's deep-water Bloc 18 and negotiated a deal with the Indian state-owned oil company to take over its 50 percent equity-stake, Sonangol applied its "right of first refusal" and gave the equity stake to Sinopec instead. Sonangol also refused to extend the French Oil Company Total's concession in Bloc 3; again Sinopec was the end beneficiary of the new arrangement.

<sup>32</sup> Interview with Tako Koning

<sup>33</sup> Interview with Augusto Teixeira Matos

reimbursement for the loans (Chatham House, 2005). The fundamental dynamism in the Sino-Angolan cooperation and the rationale behind the large financial assistance can be illuminated by how the Angolan President, José Eduardo dos Santos, puts it: “China needs natural resources and Angola wants development” (Vines & Campos, 2010:193).

Before going further into the exploration of what is incorporated in the Chinese financial assistance and what impact it may have on Angola’s development, a dissection of China’s “go out” strategy, which promotes the internationalization of Chinese companies, will be carried out.

### 6.3 The Angolan National Reconstruction and the Internationalization of Chinese Companies

China has made a significant entry in the construction and infrastructure sectors of several African countries, and definitively so in Angola. This is part of China’s “go out” strategy; driven to promote internationalization, competitiveness and exports of Chinese companies (Corkin et al, 2008; CCS, 2006; Brautigam, 2009). Here Chinese SOE’s play a major role and market entry is facilitated by access to low-cost capital from state-owned financial institutions (Corkin, et al, 2008). If a transnational Chinese SOE is considered a “flagship enterprise” it can also receive supplementary preferential treatment from the government (CCS, 2006)<sup>34</sup>.

The access to capital from the Chinese state-owned financial institutions is an advantage that cannot be underestimated. “China is in many ways a typical East Asian development state. It acts to accelerate development through the deliberate use of state policies. The central characteristic of a development state is its *control over finance*” (Brautigam, 2009:80; original emphasis). The Eximbank, one of China’s so called policy banks, functions as a “tool for the government, allowing Beijing to allocate preferential or targeted finance through a hybrid of planning and market means” (ibid:79). The financial backing from the state-controlled banks and the political support from the Chinese government lessens risk-taking for the Chinese companies and render possible bids that other transnational corporations would consider uncompetitive. It basically makes sure they can provide Angola with the most cost-effective offer. Despite the small profit margins, usually under 10 percent, “due to intense competition in the home market, project profitability is mostly higher in the recipient African economy than in the Chinese economy” (Corkin et al, 2008:4).

---

<sup>34</sup> Several of such flagship enterprises are active in Angola; among them China Overseas Engineering Corporation (COVEC), China Roads and Bridges Corporation (CRBC), China Railway Construction (CRC), and China Jiangsu

The infrastructure projects undertaken by Chinese companies in Angola are financed by the credit lines. The Chinese government selects corporations for these projects “through a competitive tendering process” carried out in China (ibid). “The credit lines function like a current account with payments being made by the Eximbank directly to the Chinese company that wins the contract”<sup>35</sup>. They are “tied to Chinese companies, material, and workers that take on the development projects that the Angolan government assigns them to carry out”<sup>36</sup>. This financial model has been labeled the “Angola mode” and works as a door-opener and makes expansion more painless as the funds are disbursed directly to the Chinese companies and make sure they get contracted (see Appendix 5).

“Chinese SOEs are mainly active in the infrastructure sectors in countries where the Chinese government wishes to expand its influence”<sup>37</sup>. In relation to this, not only Angola’s oil wealth becomes interesting, but also the proximity to its resource-rich neighbors. One of China’s strategies in advancing its economic engagement in Africa is the establishment of Special Economic Zones (SEZ). This is not a part of China’s involvement in Angola, but very much so in neighboring Zambia where China established its first African SEZ in Zambia’s copper belt region in 2007. “China’s strategic supply line of copper will be secured through the investment. Other commodities that Chinese mining firms seek to secure in the region are cobalt, diamonds, tin, and uranium [...] It is therefore no coincidence that Chinese companies are constructing and refurbishing two strategic railroads that branch outwards from Zambia to Africa’s West and East coast; respectively the Benguela and Tazara Railway lines” (ibid:12)<sup>38</sup>.

The Benguela Railway is a vital transport artery, which was almost entirely destroyed during the Angolan civil war. In 2006, the restoration of the railway began, financed and undertaken by China International Fund (CIF).

The railway line, following restoration, will run 1,300 km from Benguela to Luau, on the border with the Democratic Republic of Congo. The railway also has a link to Lobito, 700 km south of Luanda. This is significant as there is a strong possibility that Luanshya, Zambia may be envisaged, providing a direct line of transport from the Zambian copper mines to the Angolan ports (ibid:12)<sup>39</sup>.

---

<sup>35</sup> Interview with Carina Kiala

<sup>36</sup> Interview with Cor Van Honk. The Eximbank credit line agreement stipulates that 70 percent of the contracted companies and the procurement of material are to be provided by China while the other 30 percent are to be supplied by Angola (CCS, 2006).

<sup>37</sup> Interview with Sylvia Croese

<sup>38</sup> The Tazara Railway was the historic and first major infrastructure project carried out by China in Africa, linking landlocked Zambia with Tanzania. The Angolan Benguela Railway is of importance for this paper.

<sup>39</sup> “Of further interest [...] is the US\$ 5 billion loan China Eximbank announced with the Democratic Republic of Congo (DRC) in September 2007. [...] Anecdotal evidence suggests US\$ 3 billion of the aid package will be directed towards a 3,200 km railway link between Sakania, in resource-rich Katanga Province, near the Zambian border, to Matadi. Part of the financing will also fund a road link of 3,500km linking Kisangani, north-east of Lubumbashi, the capital of Katanga province, and Kasumbalesa. Significantly, Lubumbashi will also be



Furthermore, the development of transport infrastructure will assist the market penetration of Chinese imported goods into the Angolan economy and facilitate market access for Chinese companies<sup>40</sup>.

China's centrally-planned strategy gives it a considerable advantage as it makes possible the coordination of the different actors involved that work in concert for a common objective – the development of China. In Angola that objective is predominately related to the country's vast oil supplies and its strategic location to neighboring landlocked countries rich in mineral resources and in need of transportation for its natural resources. Angola's war-torn country has made the conditions ripe for Chinese construction companies to play a part in the ANR, and offer Angola assistance at the same time as it benefits China. This equation has allowed Angola to make use of China's competitive advantage.

## 6.4 Making Use of China's Competitive Advantage

Angola basically trades oil for tied Chinese loans. Having a tied loan has obvious disadvantages: it limits suppliers, certain competitors will not be able to compete for contracts, and it regulates the procurement of material and labor to the advance of the lender. This may result in overlooking the products with the best quality or the most suitable technology as the money is tied according to certain agreements.

“As a general rule you want to stay master of your own game; having a Chinese credit line basically means that companies, workers and material will be Chinese. However, if you make sure that the Chinese product meets your requirements and is competitively priced, then a tied loan can be beneficial. You have to have a strong government to manage such a program and have the insights to limit the Chinese credit lines to certain areas where they have a *competitive advantage*”<sup>41</sup>.

The Chinese credit line came in a moment when Angola had difficulties in raising money for its post conflict reconstruction. Taking into consideration that Angola has the distinction of being the place of one of the most destructive wars ever the needs were enormous. However, “the requirements were not rocket science”<sup>42</sup>. It is not possible to get reparation of roads, buildings, schools and hospitals, and

---

connected to Lobito port in Angola, once the rehabilitation of the Benguela railway is complete. The DRC's mineral wealth lays in deposits of cobalt, gold, uranium, diamonds, tantalum, copper and tin” (Corkin et al, 2008:13).

<sup>40</sup> “Chinese enterprises have also served to promote Chinese entrepreneurship in Africa, more especially its presence amongst the informal sector through the establishment of new markets. Once established in a specific locality, Chinese enterprises often seek to expand the scope of their operations, both geographically and in terms of the types of projects undertaken. For instance, many Chinese companies look for opportunities within regional contexts” (Corkin et al, 2008:4).

<sup>41</sup> Interview with Cor Van Honk

<sup>42</sup> Interview with Cor Van Honk

parts of other public infrastructure cheaper than from Chinese contractors. Thus “establishing a tied loan agreement for that part of the national reconstruction did not pose any risks for competitiveness as far as Angola is concern. Probably it was the wisest thing the Angolan government could do”<sup>43</sup>. “Regarding basic infrastructure, the Chinese are very efficient, cost-effective, and skillful”<sup>44</sup>.

It can be argued that Angola is on its move to enter a new phase of economic development; going from rehabilitation of basic infrastructure to capital investments and to initiate construction of new seaports, airports and to start power generation in a large scale. “If large power plants, electricity grids, power generation, and seaports will come under a potential new Chinese credit line and will be tied to Chinese companies, then it is not so sure that China can provide such services as good and productive as western counterparts”<sup>45</sup>. This perspective is shared by the Senior Project Manager at the Swedish-Finish company ELTEL, which constructs power lines in the Benguela province.

“ABB’s transformers are much better than those that our Chinese counterparts are offering. The Chinese transformers break down after three to four years, which leaves Angola vulnerable. Though we are much more expensive, it is obvious that the government has contracted us because our quality exceeds the Chinese by far.”<sup>46</sup>

If Chinese contractors would be used as a part of a new credit line in areas where their know-how is limited, “it may result in a major economic catastrophe; the consequential damage would be much worse than a hole in the asphalt which is easy to repair”<sup>47</sup>. Within the energy sector, which at the moment is a priority sector within the PIP, 18 billion dollars have been earmarked for investments. “Here it would be wise to contract less Chinese companies and more from other advanced countries”<sup>48</sup>.

“In the international capital market the interest rate on commercial loans reflects the cost and the risk that is associated with doing business in the country. In order to get a low interest rate you have to convince the international financial community that there is a low level of risk in making investments. In relation to this, countries are dependent on rating agencies and the ratings these agencies

---

<sup>43</sup> Interview with Cor Van Honk. He also stated that “Angola must assure that the Chinese actually can manage what they are assigned to do. Many infrastructure works are very prestigious, difficult to carry out, and requires advanced expertise; here the Chinese have been left out. The new bridge over the Catumbela River is an example of such a work, which was built by the Portuguese company Mota Engil. So there is some degree of consideration among the Angolan government in dealing with the Chinese”.

<sup>44</sup> Interview with Regina Santos

<sup>45</sup> Interview with Cor Van Honk

<sup>46</sup> Interview with Christer Bergman, Local Project Manager at ELTEL Networks Angola

<sup>47</sup> Interview with Cor Van Honk

<sup>48</sup> Interview with Augusto Teixeira Matos. Despite these objections it should be noted, as will be demonstrated below, that Chinese companies have provided electric infrastructure in various Angolan cities. The CIF-credit line also involves a power generation project on the Kwanza River. Although this can seem to contradict the argument of the chapter, the great deal of the projects financed by the Chinese credit lines so far regards basic infrastructure.

give translate into an interest rate”<sup>49</sup>. The Chinese Eximbank stands outside of this system and does not base its assessment on rating agencies. Being a policy bank it is a political tool that has a much higher venture-risk marginal and can offer incentives in form of lower interest rates, which reflect the strategic interest of the country. Here the competitive advantage in taking a Chinese loan is evident. “Angola has a diversified international relations and a large set of foreign companies are involved in the economy. [...]. We do not have problems with finance anymore; the problem now is how to use the funds and how to make the right priorities in order to benefit Angola’s development the most. Here, China will be a natural partner, but not the only one, neither necessarily the dominant one. We will cooperate with the Chinese in the areas where they give us the most advantageous offers. To do otherwise would be foolish”<sup>50</sup>.

---

<sup>49</sup> Interview with Cor Van Honk

<sup>50</sup> Interview with Carlos Abrantes

## 7 The Characteristics of the Chinese Financial Assistance

The Chinese credit lines<sup>51</sup> to Angola are reserved for key public investment projects in infrastructure and construction work under the PIP and the ANR. The first line of funding to Angola provided by China was given by China Construction Bank (CCB) and Eximbank in 2002. The projects included in this minor first credit line were the following:

- Phase 1 of the rehabilitation of the 444-km Luanda Railway (worth 90 million)
- Phase I of the rehabilitation and expansion of the electrical network of Luanda (15 million)
- The rehabilitation of electricity networks of Lubango (15 million)
- The rehabilitation of electricity networks of Namibe and Tombowa (25 million)
- A project related to telecommunications (N/A)  
(Vines & Campos, 2008)

In March 2004, the financial assistance was thoroughly expanded through a new agreement that came to be the first of three new oil-backed Chinese credit lines from the Eximbank totaling 4.5 billion dollars<sup>52</sup>. The credit lines have long repayment terms and are due over 17 years at a very concessional interest rate, LIBOR<sup>53</sup> plus a spread of 1.25 percent, including a grace period of five years (Vines & Campos, 2008; CCS, 2006). Other commercial lenders “have charged Angola LIBOR plus 2.5 percent or more, without any grace period and while requiring faster repayment” (Brautigam, 2010). Moreover, in comparison to other expensive oil-backed loans, the Chinese credit lines have a much smaller amount of oil as collateral and are secured with supplies of 10 000 barrels of oil per day

---

<sup>51</sup> The Chinese financial assistance to Angola has throughout the paper been referred to as loans and credit lines interchangeably. However, there is a difference between a loan and a credit line. The Chinese credit line refers to the general agreement that the Angolan government has signed with the creditor. After the agreement is signed stipulations must be met prior to it becomes effective, as projects need to be developed and accepted by the Angolan government as well as the creditor. It is not until the project starts to be implemented and disbursements are made that a debt is attained. This can be postponed a long time. Some credit lines may not even be used fully and some repayment can take place before the credit line gets completely disbursed depending on how rapid the projects are completed and how long it takes for the credit line to be disbursed (Macro-Brief, 2010).

<sup>52</sup> The credit arrangements were signed in March 2004 (two billion), July 2007 (500 million), and September 2007 (2 billion).

<sup>53</sup> LIBOR (the London Interbank Offered Rate) is the rate banks charge each other on loans (Brautigam, 2010).

(Chatham House, 2005). Additionally, the financial model applied by China in Angola is tied to development purposes and regarded as having been “beneficial for China’s development” when it was utilized in its dealings with Japan:

“This practice of interweaving aid and trade was alien to the foreign aid norms of the West. Oil companies and private banks have provided oil-producing countries with oil-backed loans for decades, but there was no tying of the loans to development purposes. This model grew in part from China’s earlier experience as the recipient of aid, particularly aid from Japan” (Brautigam, 2009:56).

The first loan on 2 billion dollars was divided into two phases, with \$1 billion assigned to each. The first part of the loan was released in December 2004 and in March 2007 the second half of the loan was made available. The projects being framed, except for the contracts related to the energy and water sectors included in the second phase, have all been completed (Ministry of Finance, 2010)<sup>54</sup>.

The first phase involved 31 contracts on energy, water, health, education, communication, and public works. Seven Chinese firms were engaged in this initial phase, and the largest project is the rehabilitation of 371 kilometers of road between Luanda and Uíge. In the health sector, the priority has been the rehabilitation and enlargement of the provincial and municipal hospitals, together with the construction of various district health centers. In the education sector, the focus has been on the rehabilitation of secondary schools and the construction of polytechnic institutes. In agriculture, 149 million dollars were earmarked for the acquisition of new agricultural machinery and the rehabilitation of irrigation systems in the areas of Caxito, Gandjelas, Luena and Waco-Kungo (ibid; see Appendix 6 for sectoral distribution of spending).

In the second phase of the loan 18 contracts were signed and included 57 projects, some of which were unfinished projects of the first phase. Out of these projects seven were allocated to the health sector and thirty-three to the education sector. Additionally, four projects were assigned to the sectors of energy and water, three to the fisheries sector, four projects to postal services and telecommunications<sup>55</sup>, two projects were allotted to area of public works, and four projects were given to the agricultural sector (ibid; see Appendix 7 for sectoral distribution of spending).

The second credit agreement is being used to finance complementary actions to the projects covered by the first loan, and is assigned to handle the effects related to poor preparations (preparation of studies, managerial and project specifications)

---

<sup>54</sup> This data taken from the homepage of Angola’s Ministry of Finance is from 2008. Therefore the projects that remained to be completed at the time may now have been finished. However, the information provided by the Ministry of Finance has not been complemented up to this day; neither could the study find other sources of information that was reliable.

<sup>55</sup> “In telecommunications, approximately \$276 million will be used for the construction of the next generation of networks, including optical transmission networks, Internet protocol, very small aperture terminals, and intelligent networks across 13 provinces” (Vines & Campos, 2008:7).

and inadequate identification of multiple components such as access, water and energy (ibid; see Appendix 8 for sectoral distribution of spending).

Concerning the third credit line on two billion dollars a few projects have been proposed so far, while others are being identified for subsequent inclusion. So far a framework has been established for the rehabilitation and expansion of electricity networks in Luanda, Benguela, Huambo, Bié, Lubango and Namibe, and improvement of the water supply in Luanda. Furthermore, construction of infrastructure in Cabinda, Malange and Zaire, as well as the construction and equipping of the production center for the Angolan State-Owned Television are also included (ibid)<sup>56</sup>.

In 2005, CIF<sup>57</sup> disbursed a 2.9 billion dollar credit line to assist Angola in its post-conflict reconstruction. The mission of the CIF is to aim at South-South cooperation; to consider win-win situations as the key criterion while pursuing profits; to sincerely share experiences and achievements of China's economic reforms with developing countries; to explore a new framework for Chinese enterprises to expand overseas. "[Their] major businesses include large-scale national reconstruction projects and infrastructure construction in developing countries" (CIF, 2010)<sup>58</sup>. According to CIF, they have undertaken the construction of 215 500 units of public housing in Luanda and 17 other provinces (ibid). "The housing projects provided by CIF, among other actors, including the Angolan government, are a part of the national goal set to build one million housing units"<sup>59</sup> (see Picture 1). What is more, in order to accommodate the booming population of Luanda<sup>60</sup>, a "new city" (the Kilamba Kiaxi housing project) is under construction by CIF outside the capital (see Picture 2). In the area of public utilities construction and rehabilitation projects the following works have been launched (ibid):

---

<sup>56</sup> Up to this moment no further specified details about the allocation of the funds and the projects have been made public or accounted for by the Ministry of Finance. Yet it is stated that this third credit line will fund a total of 100 projects approved by the Council of Ministers in November 2007 (ANGOP, 2007). Moreover, according to the government there will be a continued prioritization of "health and education by carrying on the construction of schools and hospitals throughout the country as well as investing in the energy and water sectors" (Vines & Campos, 2008:9).

<sup>57</sup> CIF is stated to be the construction business arm of Dayuan International Development Ltd (formerly Beiya International Development LTD), parent company of China Angola Oil Stock Holding Ltd, which imports oil from Angola to China. Chinese government officials deny that CIF is connected to the government and depict it as entirely private. "Others say the relationships are too complex to reach such clear-cut conclusions, and hint that some private interests could be front companies" (Katsouris, 2009).

<sup>58</sup> No information about the CIF projects could be provided other than the information CIF provide itself.

<sup>59</sup> Interview with Elmano Inácio Herculano Francisco

<sup>60</sup> Luanda, designed to house 500 000 inhabitants, is currently estimated to have a population around 5 million people (China Monitor, 2009a).

- Improving Luanda's drainage and water supply;
- Reconstruction of the main drainage and water supply in Senado da Câmara, Rio Seco, Surcoa and Cazenga;
- Restoration of 6 main roads in Luanda;
- Re-planning and reconstruction of various infrastructures in Precol, Cazenga-Cariango, and in the small towns of Nelito and Maiamga;
- Restoration of the highway from Luanda to Lobito and the highways stretching from Malanje to Saurimo, Saurimo to Luena and Saurimo to Dundo (see Appendix 9).

The railway system, which was almost totally damaged during the civil war, is also under restoration and amelioration. In this area, CIF have undertaken the following projects (ibid; see Appendix 10):

- Second phase of restoration of the Luanda Railway (478 km)
- Restoration of the Benguela Railway (1 343 km)
- Restoration of the Mocamedes (Namibe) Railway (859 km)

“In order to provide adequate supply of construction materials to [the] projects and for the long term development of Angola, [CIF] have planned to establish an Industrial Zone in Luanda. As an initial stage, a number of factories for the production of aggregate, sand, brick, corrugated sheet, etc will be established” (ibid). Furthermore, for the provision of an efficient deployment and organization of the imported resources it has also built logistics centres in Benguela, Luanda, and Namibe. “These three logistic centers are not only for supporting [CIF’s] projects in Angola but also for serving the local corporations” (ibid). Additionally, it is planned that CIF will undertake the construction of Africa’s largest airport, the new international airport of Luanda<sup>61</sup>. It is also developing a series of irrigation projects in the Kwanza River together with the construction of a hydro-electric power station. Moreover, CIF has commenced the planning of the National Administration Complex (see Picture 3), which will include the Presidential Palace, the Parliament and the Supreme Courts, ministry buildings as well as a conference center (ibid). However,

“In 2007, many GRN projects came to a standstill, drawing a lot of media speculation. [...] It was reported that CIF had some difficulties in raising funds to complete the projects [...]. Chinese construction firms have also complained about CIF cajoling contractors into taking part in projects in Angola, routinely delaying payment for completed work, and keeping rates as low as possible. As a result, some of the funds from the second Eximbank loan will be used to continue the major programs of GRN, but the Ministry of Finance was forced to raise \$3.5 billion in domestic funding by issuing treasury bonds. This is a new departure for Angola, as Angolan funds for the first time are being used to finance Chinese firms to ensure completion of these projects” (Vines & Campos, 2008:10).

---

<sup>61</sup> Up to this day the project has not been initiated.

The standstill “continued right into the global financial crisis, but the economy began to recover last year. In December 2008 President Dos Santos paid an official visit to Beijing, during which he was reassured that China’s continued support for Angola’s development would not be interrupted by the crisis”<sup>62</sup>. In Angola several people also witnessed that many projects recently had resumed after some break in proceedings.

Apart from the Eximbank and the CIF credit lines, speculations regarding new credit lines totaling 20 billion dollars have yet to be confirmed and are not included in this analysis<sup>63</sup>. However, some of the problematic that may occur with future arrangements have been shallowly touched upon in section 6.4, and other potential predicaments will be analyzed in chapter 8. From having exhibited the content of the Chinese credit lines, the research will now move further and look into the specific administrative structure of the credit lines.

## 7.1 Institutional Structure Governing the Credit Lines

The projects financed by the Eximbank are identified by the Angolan ministries, which classify the ventures that are most prioritized. Proposals are put forward to the Grupo de Trabalho Conjunto (GTC), a joint committee consisting of the Angolan Ministry of Finance and the Chinese Ministry for Foreign and Commercial Affairs (MOFCOM). Due to devastating nature of the civil war almost every project is considered a priority; therefore disputes rarely occur regarding the projects proposals (Vines & Campos, 2008). In comparison to the loans given by the IMF, “the Chinese credit line gives Angola more power over what to prioritize in its development process”<sup>64</sup>.

In the bidding process of the assigned projects the Chinese government recommends three to four Chinese construction companies. All projects are inspected by companies not financed by the credit arrangement. “A multisectoral technical group, Gabinete de apoio tecnico de gestão da linha de crédito da China (GAT), oversees the implementation of projects financed by the Eximbank credit line, ensuring fast and efficient completion of the projects. Sectoral ministries are in charge of managing these public works and making certain that sufficient staff is trained” (ibid:9). With regard to the disbursements, “the credit lines function like a current account with payments being made by the Eximbank directly to the

---

<sup>62</sup> Interview with Carina Kiala

<sup>63</sup> There have also been speculations regarding a 1.2 billion dollar credit line from CDB in order to revive agriculture and increase food security. The first transactions were believed to be transferred in 2009 (Macauhub, 2009), but none of the interviewees that participated in the study could confirm the information.

<sup>64</sup> Interview with Paulo Teixeira Jorge



Chinese company that wins the contract”<sup>65</sup>. Repayment is made in oil and does not start until after the completion of the work. The oil revenues “sold under this arrangement is deposited into an escrow account from which the exact amount toward servicing the debt is then deducted” (ibid). Through this arrangement “Angola does not get the money, but it gets the value of the money”<sup>66</sup>.

As the loans are serviced with revenues from oil that are deposited directly into an escrow account and “the value of the oil is set at prevailing market prices<sup>67</sup>”, the arrangement cut off potentially corrupting hands and removes inequitable prizing on natural resources. The Eximbank agreement is made public on the Ministry of Finance’s homepage, including details about project location, contractors, date of completion, amount of Chinese and Angolan workers, and the project costs (Ministry of Finance, 2010). Although this information “was made public after mounting international and domestic pressure to reveal the allocation of the funds”<sup>68</sup> it must be stated that the Eximbank agreement is fairly transparent.

In contrast to the Eximbank loans, managed by ministries and joint committees, the institutional framework behind the CIF credit line is very opaque. “The CIF credit line is managed and supervised by the Gabinete de Reconstrução Nacional (GRN), which is exclusively accountable to the Angolan presidency”<sup>69</sup>. The GRN was created in 2005 as a cabinet under the state ministry Casa Militar and is headed by General Herald Viera Dias “Kopelipa”, the Angolan President’s military intelligence adviser. “It is a military creation planned to keep the demobilized military occupied with projects assigned for the National Reconstruction”<sup>70</sup>. The payments from the CIF credit line is arranged similar to the Eximbank loans and transferred on a “project-by-project” basis. The “financial flows of the GRN officially pass through the Finance Ministry’s accounts; however, the day-to-day management of projects does not” (Vines & Campos, 2008:10). The institutional framework of the GRN is very centralized and it is devoid of public oversight<sup>71</sup>:

“Being a branch of the military there is basically no insight into the affairs of the GNR and what it does with the funds. It has a military structure and is accountable directly to president. The parliament has no control over it and the ministries, which are supposed to be responsible for projects carried out in their area of responsibility, do not manage nor oversee the works being done. GRN is a cabinet at the margin of the ministries and at the margin of any kind of supervision”<sup>72</sup>.

---

<sup>65</sup> Interview with Carina Kiala

<sup>66</sup> Interview with Carina Kiala

<sup>67</sup> Interview with Paulo Teixeira Jorge

<sup>68</sup> Interview with Regina Santos

<sup>69</sup> Interview with Regina Santos

<sup>70</sup> Interview with Regina Santos

<sup>71</sup> Up to this day not even the researchers from the Angolan Catholic University have managed to get an interview from the GRN

<sup>72</sup> Interview with Regina Santos

The role of the GRN was justified on the grounds that it was created at a special moment in Angola's history. "After the war the government wanted the country to recover fast"<sup>73</sup>. GRN was assigned to "manage large investment projects and ensure rapid infrastructure reconstruction prior to national elections. [...] It was also created on the assumption that the ministries would not have the organizational and technical capacity to manage the large inflows of money directed to the GRN" (ibid:9-10). The centralized and opaque structure has created a situation where the "provincial governors do not have a complete picture of what is going on in their provinces". The lack of insight into the GRN and the absence of published information on the projects give the research no details on the how the spending has been divided or how far the projects have come into their completion. The Angolan professor and economist Alves da Rocha went so far as to say that "in the absence of a reliable statistical system nobody knows what happened in 2009 and 2008, nor 2007" (Brito, 2010)<sup>74</sup>.

The characteristics of the Chinese financial assistance have given the study an outline of a most important aspect of the Sino-Angolan cooperation. The character of the credit lines and the institutional structure that governs them is imperative to be aware of before analyzing the implications for development. The research will now present the most important elements that emerged from the field research concerning the impacts on Angola's development.

---

<sup>73</sup> Interview with Carlos Abrantes

<sup>74</sup> According to Sylvia Croese, after the publication of the interview from where the statement is taken, Alves da Rocha no longer works with the Ministry of Planning. This gives a hint of the atmosphere in the Angolan corridors of power.

# 8 Implications for Angola's Development

Angola is rich in natural resources, but its human development is still very poor. This contradiction was emphasized in the theoretical section. As the civil war has ended, Angola is facing an opportunity to take on its distinctive challenge: to convert its petrodollars into development; to combat the alleged resource curse. The settlement of the peace in 2002 and the international context, with high oil prices and Chinese credit line agreements, created an unparalleled conjuncture (internal and external) in Angola's history that offered a unique opening for the economic development of the country. This historic moment was put on a hold with the international financial crisis and the decline of the oil prize in 2009; however, the Chinese credit lines are still in place and continue to have implications for Angola. Consequently, this chapter will give an appraised account concerning the financial assistance and the prospective impact on Angola's development. The most recurring themes that emerged from the interviews and the secondary literature will be analyzed and represents the fundament of this section. Yet before being able to say anything about the matter, a scrutiny of Angola's management of public resources, and how it might be affected by the Chinese credit lines, will be carried out. This is essential as "the quality of resource management is indeed a decisive factor for future development" (Pinto de Andrade, 2009:103).

## 8.1 Evading the Legacy of Corruption and Mismanagement?

Angola is regarded as one of the twenty most corrupt countries in the world (Transparency International, 2009). A surprisingly revealing statement by the Angolan ambassador to Brazil, Alberto Correia Neto, clarifies the magnitude of it and the relation to oil:

A major part of the Angolan money comes from oil, but does not enter the financial system [...] State money is not in banks in Angola. Oil companies deposit tax in foreign banks, American, French etc. The chairman of the Central Bank and other people manage the money according to orders given by juridical persons they represent [...] Capitalism engenders corruption. Why do you think there are people fighting to become ministers, MP's, Senators? Is that because they care for the country or the people? No. It's because of *bufunfa*, money (O Globo, 21 November 2005; taken from Vidal, 2007:156).

After the launching of the campaign “Publish what you pay”, backed by many International NGO’s, Sonangol threatened the operating oil companies in Angola with reprisals in future business dealings if they did not remain silent about their financial relations (Pinto de Andrade, 2009). The extent of Angola’s corrupt system can further be described by the measures that followed the international scandal labeled “Angolagate”<sup>75</sup>. President dos Santos did a disreputable thing by appointing the main criminal in the scandal, Pierre Falcone, minister and advisor for the Angolan delegation to UNESCO, and by that way making sure that he escaped jurisdiction (ibid). Moreover, in relation to the international donor conference supposed to collect funds for the ANR, but which was never held, the potential donors acknowledged that Angola was mismanaging public resources and wanted it to be corrected before any loan agreements could be signed.

The appropriation of public goods and the subsequent impunity for such acts is something that has continued unchallenged throughout Angola’s history. In the 1990’s, when Angola formerly went from a Marxist-Leninist centrally planned economy to a capitalist market economy, the former communist elite ensured that it maintained its economic and political power in the transition. High ranking generals and military personnel was guaranteed access to countless socio-economic and political benefits, such as public goods, land, and diamond exploration permits. Privatization has been entirely in favor of the old communist nomenclature. State representatives, government officials, and MPLA party members are “involved in all the most profitable businesses in Angola”, ranging from commercial agriculture, real estate, insurance and banking. Therefore “it is nothing new to say that favoritism, clientelism and private use of public resources are the norm in the political and economic administration of Angola” (ibid:100; see also Vidal, 2007).

Needless to say, and without diminishing the devastating effects of corruption, it has been argued that it was unavoidable to “buy off” and use public resources to silence the generals after the war:

“When the war ended the government and the president were forced to prove that the war was worth fighting for. During the war so much was promised about what peace would be like, so when peace came they basically had to ‘pay for what they promised’. The generals served the nation for many years. If the men in power did not pay them off they would have faced a coup d’état”<sup>76</sup>.

---

<sup>75</sup> “The scandal involves arms-for-oil deals between French businessman Pierre Falcone, the head of a firm called Brengo International; his colleague Jean-Christophe Mitterand, the son of the former French president; and a Russian-born Israeli named Arkadi Gaydamak. [They] funneled billions of dollars in arms and oil-backed loans to Angola’s government in return for lucrative oil contracts with Western oil companies. Falcone and Gaydamak, relying on the special access that Mitterand had to the Angolan government, managed to transfer some \$463 million in arms to Angola” (Corpwatch, 2002).

<sup>76</sup> Interview with Businessman waiting in the lobby at the Ministry of Urbanism and Construction in Benguela

Whatever the *raison d'état* of this legacy is, it stands clear that corruption hampers development and therefore also the potential benefits of China's financial assistance. Yet a willingness to fight corruption is supposedly assumed at the political level. During the meeting of MPLA's Central Committee in November 2009, President dos Santos launched a "zero tolerance" policy to battle the irresponsibility of government leaders and the country's widespread corruption. However, "neither he nor his government has presented any plan or programme to fight corruption. It has remained nothing but rhetoric. [...] corruption continues to define the government's actions, since the president and head of government has not taken serious and adequate measures to stop the looting of state assets" (Marques de Morais, 2010:5-6). Furthermore, as MPLA has an absolute majority in the National Assembly, occupying 191 of the 220 seats, the internal dynamics and the decisions made by the party plays a very important role. Yet "there is no internal criticism within the MPLA and nobody questions the President. Neither does any trustworthy opposition exist. The political class stands very far away from the people"<sup>77</sup>.

China's willingness to make huge loans available with no conditionalities attached may result in decreasing international pressure on the Angolan government, which could slow advancements in the fight against corruption and the move towards good governance and transparency. Nonetheless, "western conditionality was never especially effective in Angola, not least because financial flows were always small in size and because these flows originate from many different sources, often with divergent approaches to conditionality" (Aguilar & Goldstein, 2009:1557). In its place, there are voices underlining that the Chinese credit lines may result in a more effective resource management that limits the opportunities for corruption.

"When peace was settled the government wanted to commence the reconstruction fast to show the people quick results"<sup>78</sup>. Therefore large sums of money were needed. China offered that, but emerging from three decades of war "Angola had no administrative capacity to manage a whole zoo of international donors"<sup>79</sup>. In particular, a major obstacle to financial assistance is the lack of coordination between donors and recipients (Kovsted, 2000). In this light, the agreement surrounding the Chinese credit lines could be regarded as a more efficient accord:

"The Angolan government did not only outsource the work, they also outsourced the management of the work. If Angola would have managed each and every individual project and preparing tender procedures with another bilateral donor they would probably have had hundreds of contracts, with ten or twenty different suppliers, with five or six different donors. All of them having bilateral loan agreements and credit insurance arrangements. It would have been an

---

<sup>77</sup> Interview with Activist from church-based NGO

<sup>78</sup> Interview with Cor Van Honk

<sup>79</sup> Interview with Cor Van Honk

administrative nightmare, which would have been very difficult to organize, but also to manage and follow up on. Now they have one account with the Chinese Eximbank and the Chinese government takes care of the contracts. Angola only decides what they want to have built, which makes the task manageable; they have few big suppliers and they can easily supervise the work”<sup>80</sup>.

Accordingly, the Angolan government avoids troubling donor coordination through a centralized institutional management and an efficient implementing capacity. It may also lessen corrupting mismanagement as “there are fewer hands involved in the arrangement made with the Chinese government, which reduces the risk of corruption”<sup>81</sup>. It is also essential “not to confuse absence of conditionality with lack of controls. This is reflected in frequent evaluations by Chinese officials [...]. Also, Angolan officials visit China frequently in order to inform the creditors about the development of their loans. According to several Angolan public servants, Chinese officials are very rigorous and demanding when it comes to the use of the credit line and the meeting of its conditions” (Aguilar & Goldstein, 2009:1557).

It also appears that China has assisted Angola in dealing with some of the country’s corrupt elements. At the time when the credit lines started to be disbursed, a struggle within the Angolan elite took place for admission and management of the funds. Apparently, senior presidential advisers have been marginalized after China became alarmed about rent-seeking and consequently gave President dos Santos information on which persons and businesses that attempted to benefit illegally from the Chinese arrangement (Vines & Campos, 2008). Shortly after these happenings dos Santos created the GRN in order to manage the CIF loan and to tighten the control over the Chinese credit lines by making the GRN directly responsible to him (ibid). Likewise, “China has been intervening to make certain that its assistance does not go into the wrong hands. This was the case when Antonio Pereira Mendes de Campos Van Dunem, secretary of the Angolan council of ministers, was forced to resign from his post after it became known that he tried to divert money”<sup>82</sup>.

With the Chinese financial assistance a more centralized and tightly controlled system of resource management has been introduced. As the Eximbank directly reimburses the Chinese companies, and as the oil revenues used for debt service are deposited into an escrow account, it actually cut off potentially corrupting hands. Hence the arrangement governing the Chinese credit lines can be said to decrease the elements of authority and opportunity embedded in corruption. “In poor, resource-rich countries, which are often cursed rather than blessed by their mineral wealth, resource-backed infrastructure loans can act as an ‘agency of restraint’ and ensure that at least some of these countries’ natural-resource wealth

---

<sup>80</sup> Interview with Cor Van Honk

<sup>81</sup> Interview with Carina Kiala

<sup>82</sup> Interview with Augusto Teixeira Matos

is spent on development investments” (Brautigam, 2010). On the other hand, another consequence of the Chinese financial assistance could be a further concentration of “all economic and social activity in the country [...] under the absolute private control of the business interests that benefit the ruling families” (Marques de Morais, 2010:20). This is especially so within the construction sector where “new construction inspection companies have been created by people close to the political elite”<sup>83</sup>. Even though a tightening of control may result in a more organized use of public resources through the deployment of Chinese companies with “an enormous implementing capacity”<sup>84</sup>, parts of the funds spent in the ANR may be shattered in “mechanisms such as ‘established’ commissions or ‘percentages’ (that are no more than institutionalized corruption)” (Pinto de Andrade, 2009:104).

Although Angola has a history of entrenched corruption that seem to persist, it is necessary to move further and investigate what is actually on the ground in order to get a fuller picture. It can be underlined that “China offers development opportunities, but it depends on Angola to steer the process”<sup>85</sup>.

## 8.2 Angola – a War-Torn Country in a Process of Reconstruction

Angola is in a process of change. Luanda, the capital city, is a virtual construction site, filled with cranes in process of assisting the construction of numerous office buildings, apartment complexes, schools, hospitals, roads, power lines and hotels. The commercial signs posted around the city tell something about what is going on; “we grow with Angola” and “towards the future”, accompanied by pictures of construction sites, are just some of many slogans that give a hint that something is in a course of action. The government announcements have a similar resonance. The GRN confidently highlights that it provides Angola with “Development, Quality, and Speed” in its ongoing efforts to reconstruct the country (see Picture 4). It is obvious that “Angola is a country in transition – from war to peace and from poverty to prosperity” (The World Bank, 2005:15).

China’s considerable financial involvement play “a pivotal role in the development of infrastructure” (Angola Infrastructure Report, 2009) and has made it possible for Angola to embark on a path of national reconstruction more extensively and rapidly. The infrastructure projects do not only encompass transport infrastructure, but also provision of electricity, telephone

---

<sup>83</sup> Interview with Manager of an Angolan Construction Inspection Company

<sup>84</sup> Interview with Elmano Inácio Herculano Francisco

<sup>85</sup> Interview with Carina Kiala

communication, and water supplies, together with the necessary physical infrastructure for the health and education sectors, such as hospitals, health clinics, and school buildings. Consequently, the range of the financial assistance actualizes various themes of development that will be examined. For instance, the infrastructure projects facilitate the reintegration of Angola and touch upon the potentials to diversify the Angolan economy. The process also involves the deployment of foreign Chinese workers and the subsequent issues of quality and supervision. Inadequate linkages to the local economy and insufficient supplies of human resources to bring about sustainable social and economic changes are also examined, as well as the imperative question of aid dependency.

### 8.2.1 Foreign Workers, Fast Results – Insufficient Supervision, Defective Construction

Chinese workers are a common view in Angola. They are seen performing all kinds of jobs, from providing the technical expertise to working with the most rudimentary tasks. One common perception is that “the Chinese are everywhere”<sup>86</sup>. According to Vines & Campos (2008), Angola issued 22 100 Work Visas to Chinese nationals in 2007. Other sources tell us about a populace of around 60 000 Chinese currently residing in Angola<sup>87</sup>, while rumors sometimes say they constitute as many as 100 000. Some of these stories are connected to the view that emphasize that there is no plan to bring back the Chinese. “China wants to populate Africa and Angola is an ideal country with its large areas of uninhabited land. The Chinese will stay and become settlers”<sup>88</sup>. The absence of reliable data fuels confusion and speculation.

According to the Angolan constitution, 70 percent of the workforce of private investors must consist of Angolans, but as the projects financed through the Chinese credit lines are not considered to be Foreign Direct Investment (FDI) such regulations do not apply (ANIP, 2010). The wide use of Chinese labor is connected to the truism that they have a high working morale and a disciplinary spirit at the same time as they are cheap. “They live very modest and they do not cost much”<sup>89</sup>. Even according to one functionary at the Chinese Bureau of Social and Economic affairs in Luanda, the reason for the wide use of Chinese labor is that “they do not demand high salaries and they work hard”<sup>90</sup>. Another aspect is that the Angolan government wanted to see fast results after the war, and especially before the elections of 2008. In order to complete the task Chinese

---

<sup>86</sup> Interview with street vendor

<sup>87</sup> Interview with Cor Van Honk

<sup>88</sup> Interview with Christer Bergman

<sup>89</sup> Interview with Manager of an Angolan Construction Inspection Company

<sup>90</sup> Interview with a Chinese functionary at the Bureau of Economic and Social Affairs of the Chinese Embassy in Angola



laborers were considered ideal. “The Chinese have never worked as fast as they currently are doing in Angola. The speed of Angola’s reconstruction process is unmatched in history”<sup>91</sup>.

In Luanda, the swiftness of the work becomes vivid by night. The Chinese workplaces illuminate Luanda’s skyline and various buildings and construction sites, lit up by thousands of lamps; give a striking insight into the firm work schedule employed by the Chinese. “Chinese workers share beds. For every bed there are two Chinese workers, one working day-shift and one working night-shift”<sup>92</sup>. This model ensures double shift productivity. In contrast to having rigid hierarchies of workers, where every person is assigned a specific task, “it has been found that Chinese artisans can also double up as manual laborers and participate in manual labor as well as the more skilled undertakings of an artisan. Thus one Chinese worker will dig the foundations, lay the cables and orchestrate the electricians of a construction site. Such a *modus operandi* drastically reduces the number of workers required on a site” (Corkin et al, 2008)<sup>93</sup>.

Notwithstanding the efficient and organized work strategies deployed by the Chinese, frequent criticism highlights that Chinese companies do not contribute to job creation. “The presence of the Chinese companies is very bad. They steal our jobs. [...] All workers are imported directly from China. In the best case Angolans get to paint the façade of the construction sites, but normally the Chinese do even the most basic jobs”<sup>94</sup>. In addition, “the Angolan minimum wage is at 400 dollars, and in rural Angola you will find people that are willing to work for 200 dollars, but you will find Chinese workers willing to work for 100 dollars. [...] I have heard of Chinese workers getting 125 dollars a month, plus food and accommodation”<sup>95</sup>. Accordingly, the practice of hiring Chinese workers has been condemned on the grounds that it contributes to wage-dumping and violations of Angolan labor laws<sup>96</sup>.

However, the reasons behind the strong presence of Chinese workers can be related to the severe deficit of an educated labor force. Apart from language

---

<sup>91</sup> Interview with Elmano Inácio Herculano Francisco

<sup>92</sup> Interview with Manager of an Angolan Construction Inspection Company

<sup>93</sup> It is also worth to mention that “Chinese worksites are usually highly organized and all the personnel, from the executive down, invariably live and work on the site full time. This ‘hands on’ style of management saves considerable time and provides management with a profound understanding of the project and the ability to handle challenges as they occur. [...] Chinese managers, engineers and laborers usually live together with little visible difference between them. This facilitates understanding and communication, drastically reducing costs. A number of Chinese managers interviewed suggested that the low cost of labor was the main advantage they had over other foreign companies that paid expatriate engineers exorbitant salaries and provided them each with their own housing and transport” (Corkin et al, 2008:8).

<sup>94</sup> Interview with Chauffeur for an Angolan Construction Inspection Company

<sup>95</sup> Interview with Cor Van Honk

<sup>96</sup> According to Sylvia Croese, at a conference on the socio-economic impact of the Chinese presence in Angola, an Angolan business entrepreneur emphasized irritably that construction companies “would prefer to hire a slave”.

barriers that make it hard to communicate, Chinese construction companies consider “the lack of skills and exceptionally high turn-over of the Angolan workforce as a serious obstacle for hiring Angolans” (ibid). “The lack of human resources is a big problem and an enormous challenge for Angola. The war impeded us to invest in education and now we are in need of technicians of all kind. It is not that the Chinese companies do not employ Angolans, Chinese workers are used because there is not enough qualified Angolan labor to use”<sup>97</sup>. What is more, the accounts regarding the excessive use of Chinese labor might be a truth with modification. Consistent with the reports released by the Ministry of Finance concerning the credit lines from the Eximbank, the amount of workers is 4090. Out of these, 1379 are Chinese and 2711 are Angolan<sup>98</sup>. The information affirms that the vast majority of the employed Angolans are unskilled while the Chinese have advanced duties (Ministry of Finance, 2010).

There is a common and widely shared view that underlines that the Chinese credit lines were needed, offered at the right time and required to set the economy in motion, but the Angolan government has not taken the full advantage to direct the resources to enhance the human resources. “The Chinese offered concrete action that was needed, but the way the credit lines are used do not maximize the potential for job creation, local input in the process, nor a deeper impact on the economy”<sup>99</sup>. Additionally,

“It is quite obvious that the country does not have sufficient technical or human capacity for undertaking works of any great magnitude, but this could be the opportunity for imposing certain procedures for contract workers such as making it mandatory that contractors can compete for business only if they employ foreigners when there are no nationals [...] who have the necessary competencies to undertake the work. [...] and ensuring that foreign businesses would leave behind training programmes” (Pinto de Andrade, 2009:103-104).

Another issue of contention concerns quality. Chinese construction companies are usually regarded to be of lower quality (Corkin et al, 2008). This is counter-argued from official sides: “We have come across deficiencies in the infrastructure at a few places, but that are something we cannot escape from.

---

<sup>97</sup> Interview with Carlos Abrantes

<sup>98</sup> It is important to note that this information is incomplete as it does not include the CIF projects, neither is the data complete for what the Eximbank projects are concerned as the amount of workers are not accounted for on all the projects. Above it is also stated that the information on how many Chinese nationals that reside in Angola varies from between 20 000 to 100 000, which make the figure on the labor disposition belonging to the extreme lower edge. Nevertheless, it may tell something about the relative ratio between Angolan and Chinese workers.

<sup>99</sup> Interview with Carlos Figueiredo, Agronomist and Director of the Angolan NGO Acção para o Desenvolvimento Rural e Ambiente (ADRA) in Luanda. Nevertheless, what regards job creation, it has been stated that China’s assistance will “finance the acquisition of 36 large fishing trawlers and 3,000 boats for industrial and artisanal use, as well as 10 coast guard vessels” (Vines & Campos, 2008:7). This will have a noticeable effect on job creation. Moreover, “in telecommunications, approximately \$276 million will be used for the construction of next generation networks, including optical transmission networks, Internet protocol, very small aperture terminals, and intelligent networks across 13 provinces. This investment of \$267 million envisages the creation of employment for 20,000 people directly and 100,000 indirectly” (ibid). Yet, as will be shown below, the effect on the agricultural sector is ambiguous.

There exists no flawless work. That China provide us with bad quality is simply not true<sup>100</sup>. However, a Manager at an Angolan Construction Inspection Company gives a more nuanced picture:

“It is not that the Chinese workers are not skilled. China has very good engineers and technicians, this is not the problem. The troubles that Angola is facing with the Chinese companies relate to supervision and quality. Sometimes the material is not well-suited, especially when it comes to electrical and water systems. In Angola we use different tubes and have another voltage level in our electricity networks. But the Chinese often adjust to our standards”<sup>101</sup>.

At one of the construction sites that were visited rotten beams had been used and the asphalt utilized for waterproofing had rained off after two weeks according to the Inspection Manager (see Picture 5). The Angolan Inspection Company had the knowledge and the power to force the Chinese contractor to change supplies. This underlines the importance of supervision in the fast evolving Angolan reconstruction process. “During the raining season bridges fell apart and roads without drainage were destroyed as the earth layers below simply floated away”<sup>102</sup>. Often Angolan politicians boast the fast pace of the reconstruction process, but it seems that many projects were completed in a hurry in order to show the population results. “Before the election 2008 very much were built, but it was only built to maintain a façade as the works were not fully completed. Right now at several construction sites they are destroying the asphalt to put tubes and to construct drainage. This is supposed to be done before, not after. But MPLA wanted to show the people that a road was built. The prize for that is a waste of money”<sup>103</sup>. The fact that the second credit line on 500 million dollars was assigned to minimize the effects of poor preparations tells something about the dilemma.

Wrongdoings in the use of construction materials and faulty workmanship are in the end a product of poor regulation and control. All over the world the construction sector is known to be easily corrupted, and so also in Angola. The undertakings of construction inspection are often used in a discretionary manner. “Such allocation does not depend on any form of public competition and usually benefits businesses owned fully or partly by the new nomenklatura of power and their foreign partners, with whom they are in collusion” (Pinto de Andrade, 2009:103). This reality was agreed upon by the Inspection Manager that was interviewed who underlined that “many [inspection] companies have been created by cousins or family members to politicians that have no education or knowledge related to the construction sector”<sup>104</sup> (see also Marques de Morais 2010). Furthermore, given the opaqueness of the GNR, major uncertainties exist

---

<sup>100</sup> Interview with Elmano Inácio Herculano Francisco

<sup>101</sup> Interview with Manager of an Angolan Construction Inspection Company

<sup>102</sup> Interview with Patrick Andersson, Associate at the Swedish Trade Council in Angola

<sup>103</sup> Interview with Manager of an Angolan Construction Inspection Company

<sup>104</sup> Interview with Manager of an Angolan Construction Inspection Company

regarding the quality of the end products. The amount of what has been built in Angola is surely impressive and Angola definitely gives a feeling of fast growth, but what will happen in 10 years? Even on one Sunday, at a Pentecostal church outside Luanda, the local priest blessed China for what it had given to Angola and gave thanks to the Chinese company that built the church. Wonder if he contemplated the meaning of Proverbs 21:5 in the Bible in relation to the Chinese presence in Angola: “The plans of the diligent lead to profit as surely as haste lead to poverty”.

## 8.2.2 Reintegration of People, Goods and Markets

China’s contribution to the reintegration of Angola, increasing the movement of people and goods and making markets more accessible, is another area where the interviewees shared common views. “Infrastructure is needed to reintegrate the country and to increase the mobility of the people and the transport of goods”<sup>105</sup>. Carlos Figueiredo from the Angolan NGO Acção para o Desenvolvimento Rural e Ambiente (ADRA) highlights some of the positive aspects that have come with the construction of roads and railways:

”After the civil war Angola was in a situation where most of the country was isolated from the markets. The coastline has several harbors that traditionally have had a strong interaction with internal markets to which they are connected by three perpendicular railways. With the bad shape of the roads and the none-functioning railways, destroyed during the war, prices of goods, transportation, and agricultural products have become extremely expensive and made infrastructure an acute concern. If you do not have roads or railways the domestic markets will be isolated. And if you do not have access to Luanda you miss access to a huge market. This has made local products uncompetitive to international products coming with boat. The infrastructure can ease Angola’s extreme import dependency and stimulate the domestic agricultural production”<sup>106</sup>.

The rehabilitation of the infrastructure network will obviously assist commercial activities on the whole<sup>107</sup>, as it will be favorable for people commuting into towns across the country. Formerly isolated towns are connected and the domestic transport system gets upgraded. It is also a fact that the extension of electrical infrastructure and telephone and internet networks has increased the connectivity for thousands of people in various localities in Angola. The measures made possible by the credit lines are important as ”without the reintegration of the country no economic development will be possible”<sup>108</sup>.

The development of transport infrastructure will certainly assist the penetration of Chinese goods into the Angolan economy and facilitate market access for Chinese

---

<sup>105</sup> Interview with Elmano Inácio Herculano Francisco

<sup>106</sup> Interview with Carlos Figueiredo

<sup>107</sup> According to the Swedish Construction Industries (2003), road networks and other transport infrastructure are of great importance for the operation of the economy

<sup>108</sup> Interview with Regina Santos

companies. The consequences of such realities have been much debated as they pose a threat to domestic industries. This has particularly been a concern in South Africa where local textile industries have faced fierce competition from cheap Chinese imports (SAIIA, 2008). Similar concerns are voiced in Angola: "China's presence in Africa is about conquering the African market"<sup>109</sup>. However, cheap Chinese consumer goods may also be beneficial. "Poor people can get access to products they never afforded before. For instance, in the Angolan countryside you can find many Chinese motorcycles and all over the country construction material from China is used. Basically, people get more for the same amount of money"<sup>110</sup>.

### 8.2.3 Towards Economic Diversification?

Oil plays a dominant role in the Angolan economy, accounting for over 90 percent of export incomes and 55 percent of Angola's Gross Domestic Product (GDP), followed by services and commerce (20 per cent) and fisheries and farming (10 per cent) (AllAfrica, 2010). Yet the oil sector occupies a very small percentage of national employment, whereas the informal economy is very significant. Therefore it is imperative to diversify Angola's economy and move away from the oil dependence. This is also recognized from official sides, which regard infrastructure as the first step towards such a transformation of the economy. "Without infrastructure we cannot attract investment as we cannot supply investors with electricity and water, and we cannot diversify our import- and oil-dependent economy"<sup>111</sup>.

As mentioned above, provision of transport infrastructure could stimulate domestic agriculture. Besides, embedded in the Chinese credit lines from the Eximbank are 203 million dollars assigned for the agricultural sector and used to acquire new agricultural machinery and to build irrigation systems. Here, another dimension of physical infrastructure has been provided. It is also argued that China adds a new element to the Angolan agriculture by projects designed to enhance the productivity of Angola's domestic food supply. "Many colonized countries have one problem in common: agriculture was only developed for the export of cash crops. Now China is helping us to scientifically investigate the productivity of cassava, sweet potato, beans etc"<sup>112</sup>. Accordingly, this involves the training of farmers in order to teach them how to cultivate efficiently with cheap technology and thus increase production. It is a programme of investigation, rural extension, and production. "The Chinese have experience from tropical agriculture, Europeans do not. In this area they can teach us a lot"<sup>113</sup>. This is a part of an objective that aims at getting away from Angola's extreme import

---

<sup>109</sup> Interview with Inacio Gil Tomás, Director at the Angolan NGO ADRA in Benguela

<sup>110</sup> Interview with Regina Santos

<sup>111</sup> Interview with Paulo Teixeira Jorge

<sup>112</sup> Interview with Carlos Abrantes

<sup>113</sup> Interview with Carlos Abrantes

dependency and obtaining food security through classical import-substitution policies. “We cannot start to export before we are self-sufficient in our food production. But we aim at once again becoming a big agriculture exporter”<sup>114</sup>.

Inacio Gil Tomás, Director of ADRA’s office in Benguela, underlines that the Chinese projects have increased the circulation of goods and thus contributed to enhance domestic agriculture, but he is skeptical about the nature of the Chinese assistance:

The irrigation systems are mega-projects meant for big rivers and dams. In ADRA we work with small farmers with small plots, we have not seen anything of the Chinese assistance. [...] The information regarding the Chinese presence is not systematic and it is only made public through notes in the government controlled media. Who is involved in the agricultural production that China supports? Who is in control of the irrigation systems? Are they going to educate commercial farmers or small farmers?<sup>115</sup>

The overall picture regarding who benefits from the efforts in the agricultural sector is quite blurred. Apart from accounts that the assistance will “benefit the small farmers”<sup>116</sup> and data about the provinces where it will be located, the field study did not visit the areas nor does the study have information on the exact ownership structures, neither the details behind the location of the assistance. Notwithstanding, it is stated that China is educating technicians in irrigation techniques that later are going to take on the management. However no timeline or further details was given<sup>117</sup>. Moreover, during the civil war, mass displacement of the population to Angola’s coastal areas took place and a great amount of agricultural land was abandoned. Today many do not regard it as economically viable to return or people are scared of going back to mine-infested areas. It can also be added that none of the interviewees had any details about the supposed Chinese credit line on 1.2 billion dollars specifically assigned for the agricultural sector, and which was under negotiation in September 2009 (Macauhub, 2009).

Infrastructure is also needed to enhance the efficiency of Angola’s exports apart from oil. China’s projects in Angola could be criticized for repeating the colonial schemes that constructed infrastructure in order to exploit natural resources. Yet

---

<sup>114</sup> Interview with Paulo Teixeira Jorge. The creation of an economically viable agriculture is of special importance to get away from Angola’s import dependency, to obtain food security, and to hamper the migration to the urban centers already overcrowded since the massive influxes during the civil war. Here the Angolan government is said to play an active role in directing the development, while China assist with finance and know-how. The government is also investing through their own means on micro-credits to agricultural producers. A program of commercialization is also under construction where the government considers creating a mechanism to buy the farmers’ production, distribute it and sell it nation-wide.

<sup>115</sup> Interview with Inacio Gil Tomás

<sup>116</sup> Interview with Paulo Jorge

<sup>117</sup> The Chinese assistance to the agricultural sector is not unique to Angola. According to Carlos Abrantes, “China is negotiating with the Food and Agricultural Organization (FAO) to send specialists and agronomists to Africa in order to solve the food crisis”.

such a comparison is misplaced<sup>118</sup> and from the official side “it is no secret that some of the projects included in the national reconstruction financed by China will facilitate the exports of natural resources”<sup>119</sup>. Apart from the vision to become a leading African agricultural exporter, the development of roads and railways will help to increase exports in Angola’s mining sector as well as it makes Angola a transit country for the exports of the mineral rich land-locked neighbouring countries. In this regard the Benguela Railway is very important, for both China and Angola, as it enables new opportunities of resource exploitation and opens access to global markets, while “the Mocamedes Railway passes through areas where iron ore formerly was exploited and the province of Huila is rich in marble and granite”<sup>120</sup>. China’s intervention is expected to lower transportation and production costs. “It is important to eradicate the infrastructure bottle-necks that are keeping costs high”<sup>121</sup>.

The process of national reconstruction, with its large program of public works and rehabilitation projects in various sectors, have the potential to be used to kick off the non-mineral economy and make use of public expenditures to launch a “Keynesian” multiplier effect. However, Pinto de Andrade (2009:103) underlines that “what is happening in fact is a far cry from an economic growth propelled by the process of reconstruction. Most businesses entrusted with the main projects are foreign and employ foreign workers”. The credit line agreement stipulates that 70 percent of the contracted companies and the procurement of material are to be provided by China while the other 30 percent are to be supplied by Angola (CCS, 2006). This may seem as a low share for the Angolan part, yet “the need for rapid completion of projects before the elections of 2008 and the low Angolan capacity, as a result of the war, actually made the local content lower”<sup>122</sup>. Consequently, it appears as if Angola misses the opportunity to use the labor-intensive construction sector to create jobs, which could be one of the main mechanisms to make oil spending transform into income for regular people. The interviewees could neither identify that the infrastructure projects had created or intensified activities in the

---

<sup>118</sup> The colonial development of infrastructure is well explained by Walter Rodney: “Means of communication were not constructed in the colonial period [...] to facilitate internal trade in African commodities. There were no roads connecting different colonies and different parts of the same colony in a manner that made sense with regard to Africa’s needs and development. All roads and railways led down to the sea. They were built to extract gold or manganese or coffee or cotton. They were built to make business possible for the timber companies, trading companies and agricultural concession firms, and for white settlers” (Rodney, 1973). However, such a description is not accurate to describe the Sino-Angolan cooperation. As has been displayed China’s assistance has contributed to the reintegration of people and domestic goods and markets through roads that connect formerly isolated areas, and not only facilitate exports. In addition, Angola is no longer a colony, but an independent nation that decides what to prioritize. Here efforts to facilitate exports and increase international trade are desirable in order to generate more revenues, of which, in contrast to colonial times, the Angolan state is in control of. China will surely benefit, as it makes natural resources available, but so will Angola, as it now owns the resources China is in need of.

<sup>119</sup> Interview with Elmano Inácio Herculano Francisco

<sup>120</sup> Interview with Inacio Gil Tomás

<sup>121</sup> Interview with Juan José Almagro, Project Manager at the European Union’s Delegation in Luanda

<sup>122</sup> Interview with Sylvia Croese

manufacturing sector. Likewise, Angola's cooperation with China has hitherto not shown any signs of breaking away from the traditional natural-resource based trade pattern.

Nonetheless, it can be argued that through the Chinese credit lines Angola is investing 7.4 billion dollars in its national reconstruction. The industrial zones and logistics centres together with telephone and internet networks, power lines and water systems provided by the Chinese credit lines are likely to have implications for cutting the high costs of production and in making Angola more attractive as an investment destination. For instance, according to a survey made by the World Bank, the biggest obstacle to investment in Africa is the uncertainty of electricity supplies (Broadman, 2007). Although success in attracting FDI relies on various other factors, such as tax incentives, political connections, attractiveness of the market etc., it is safe to say that China's assistance gives Angola a hand in transforming its competitive landscape. If it will be enough to attract investors and build a domestic industry remain to be answered. Even so, the implications of China's financial assistance depend on social development and relate to the question of aid dependency, which will be scrutinized in the following sections.

#### 8.2.4 Social Development

In terms of poverty reduction, it is too early to say something concrete. A lack of reliable data, at the same time as it is difficult to measure, complicate matters. At present, Angola occupies the 143<sup>rd</sup> place in the United Nations Human Development Index and 68 percent of the population lives below the poverty line, with 26 percent living in extreme poverty (UNDP, 2010). However, at a seminar in Luanda on Angola's informal sector, carried out by the NGO Development Workshop (DW), it was stated that poverty has been reduced with ten percent since the end of the war. The contribution of China to this is uncertain, but its contribution still has some tangible benefits.

According to Paulo Teixeira Jorge, "the relation with China is very important and has allowed Angola to make a leap in its economic and social development"<sup>123</sup>. The location of the Chinese projects are also said to have been "preceded by a demographic and need-based calculus that direct the funds"<sup>124</sup>, and "if petro dollars go into the reconstruction, then surely the oil money is actually being redistributed"<sup>125</sup>. It is a fact that the widespread provision of transport infrastructure has facilitated economic activities and made goods more available, while water supply systems have made clean water available to segments of the population. The many schools, polytechnic institutes, hospitals and health centers

---

<sup>123</sup> Interview with Paulo Teixeira Jorge

<sup>124</sup> Interview with Elmano Inácio Herculano Francisco

<sup>125</sup> Interview with Carina Kiala



(as well as the malaria center) have obvious benefits, including the provincial and municipal hospitals that were built and equipped by the Chinese, which serve as important pillars in Angola's public health care system. "The Chinese projects do not have a direct effect on poverty figures, but it will have positive consequences in a longer perspective"<sup>126</sup>.

The Angolan government also has visionary plans for the housing sector. "The government will build one million houses that are going to replace the Musseques"<sup>127</sup>. The many housing projects financed by China have certainly made a visible impact on development as housing complexes are raised at an incredible speed. Adequate housing is surely needed, but how much of the projects that will be assigned for social housing is very unsure. For instance, "the Nova Vida housing complex in Luanda started off as a social housing project designed to be used for the settlement of ex-soldiers, but instead government officials and other segments of the upper class are living there today"<sup>128</sup>. It is also said that "the housing projects mainly benefit the upper middle class and the upper class"<sup>129</sup>. The question of access to housing is also unclear: "How do you get access to the houses? How do you apply? How do people pay for them? Interest rates are extremely high. What the government is doing is really vague"<sup>130</sup>. "The policies of reconstruction, rebuilding by demolishing"<sup>131</sup> have resulted in demonstrations as squatter settlements are demolished and residents forcedly evicted, while families are offered housing in places "without proximity to economic activities, transportation networks or social services"<sup>132</sup>.

Another issue of contention is the insufficient provision of educated personnel to occupy the newly built hospitals and schools. The fact that "schools stand empty"<sup>133</sup> illuminates the dilemma that "governments can build wonderful schools, hospitals and roads, but they are almost unable to establish delivery services" (Onyango-Obbo, 2010). The lack of human infrastructure is one of the big problems the government must solve. "Capacity building and institutional development are important issues to deal with"<sup>134</sup>. The Chinese credit lines are almost exclusively connected to projects in physical infrastructure. Moreover, it can be stated that China stands outside certain cooperation in this area "due to language barriers", and instead "teachers are coming from Brazil, Cuba, and Portugal"<sup>135</sup> assisting Angola in reducing some of its educational shortages.

---

<sup>126</sup> Interview with Regina Santos

<sup>127</sup> Interview with Elmano Inácio Herculano Francisco. Musseques is the Angolan word for slum/ghetto/squatter settlements

<sup>128</sup> Interview with Manager of an Angolan Construction Inspection Company

<sup>129</sup> Interview with Manager of an Angolan Construction Inspection Company

<sup>130</sup> Interview with Sylvia Croese

<sup>131</sup> Interview with Sylvia Croese. Also the title of one of her articles written on the subject.

<sup>132</sup> Interview with Amália Quintao.

<sup>133</sup> Interview with Sylvia Croese

<sup>134</sup> Interview with Juan José Almagro

<sup>135</sup> Interview with Carlos Abrantes

According to the official side changes are underway: “Angola is certainly not self-sufficient in human resources, but we are going in the right direction. Much is invested in education and the situation will be changed step-by-step”<sup>136</sup>.

If Angola will manage to complement the developments that have been made in areas of physical infrastructure with necessary human resources is a question for the future. What exactly that is done and under process in this area, and how it will contribute, is unclear for the moment. It is here Angola’s biggest challenge is to be found; namely, to set off investments in human infrastructure that can complement the tangible and visible effects of the Chinese credit lines and make them sustainable. Development needs more than cement.

### 8.2.5 The Question of Aid Dependency

The extensive use of Chinese labor is regarded as beneficial in the sense that it is productive and cheap, which provides Angola with fast results. Yet the approach is criticized for not contributing to job creation, nor having linkages to the rest of the economy. The lack of an educated Angolan labor force and the existence of language barriers are some obstacles concerning this matter, together with the Angolan government’s reluctance in imposing strict regulations to steer the process as rapid tangible transformation are valued higher. However, “velocity is never a friend of quality”<sup>137</sup>, and the developmental impacts are affected by the lack of supervision and the faulty infrastructural complementarity. Yet the Chinese projects have undoubtedly contributed to the reintegration of Angola and the increased mobility of people and goods. This is said to have effects on domestic agriculture as well as it facilitates export of natural resources. Removing infrastructure bottle-necks also have effects on cutting production costs and in transforming the competitive landscape of Angola. Apart from this no major substantiation have been found concerning the dissemination and provision of human infrastructure.

What is more, due to the large financial assistance the question of aid dependency becomes important. Interestingly, none of the interviewees considered Angola to be dependent on China, neither as a financial partner nor as a trade partner. Historically, Angola has had a diversified foreign relations policy. In the midst of the civil war the Soviet and Cuban backed MPLA sold oil to USA, the supposed enemy that supported the rivaling UNITA rebels. The same pragmatism seems to govern Angola at present: “The Americans did not build our railways, but we still have a great relationship with them”<sup>138</sup>. With regards to trade, the EU is by far the greatest source of imports for Angola, and concerns about floods of Chinese

---

<sup>136</sup> Interview with Paulo Teixeira Jorge

<sup>137</sup> Interview with Manager of an Angolan Construction Inspection Company

<sup>138</sup> Interview with Carlos Abrantes

goods have not yet come to materialize, while the biggest part of Angola's exports, almost entirely consisting of oil, go to China and the USA (see Appendix 10). In the words of the former Finance Minister,

"We are not dependent on China. If you look at the energy sector, our oil exports [...]. In the telephone sector Huawei is here, but also Eriksson. Not even in the infrastructure sector would I say that we are dependent on China as there are different actors involved there as well"<sup>139</sup>.

When touching upon the issue of dependency the interviewees mention that Angola is dealing with many different actors, which is used to negate any claims of dependency. However, aid dependency relates to "a situation in which the aid recipient needs the aid – in effect, depends on it – to achieve certain goals", or to be able to maintain certain projects. The size of the aid relative to the particular sector that it is designed to assist, and if the aid flows continue "over an extended period of time", also have to be taken into consideration (Wangwe & Lancaster, 2000:10-12).

In terms of finance, there exists an asymmetrical relationship as China indisputably is the biggest actor in the ANR, and it is no question that Angola depends on China's assistance to achieve the goals embedded in the PIP. Yet such a situation is expected after three decades of war (and maybe even the disputed notion of development implies a situation of dependency?). Is it reasonable to think that Angola could embark on a process of post-conflict reconstruction by itself? The Angolan government simply does not have the capability to finance and carry out large-scale projects necessary for its infrastructural rejuvenation. The gigantic needs, where basically everything needs to be done, and the low level of domestic capacity (finance, know-how etc), forces Angola to become dependent on China to reach its level of ambition. Especially so when the offers from other donors still is very modest.

However, given that Angola is a war-damaged and impoverished country without a secure supply of foreign reserves, China's financial assistance makes Angola avoid the problem of debt servicing. It can be criticized for being similar to a barter arrangement that benefits China, but it overcomes the problem of creditworthiness in the global financial markets. Since the credit lines are secured with oil deliveries, Angola escapes the predicament of raising foreign reserves to reimburse loans with high interests. Instead Angola pays back with its abundant resource – oil. The oil-for-infrastructure arrangement thus avoids the vicious circle that many African countries have been trapped in; namely, taking new loans to refund old loans. However, "the structure of the credit lines does not contribute in giving Angola more liquidity"<sup>140</sup>, and in order to get cash flow into the economy Angola may be forced to take more expensive commercial loans. The

---

<sup>139</sup> Interview with Augusto Teixeira Matos

<sup>140</sup> Interview with Augusto Teixeira Matos

arrangement also mortgage Angola's oil resources as a specific amount of oil is saved to deduct the debt, which leaves less oil to be sold on the global market. This seems to be a risk that the Angolan politicians are willing to take as the Chinese credit lines are regarded "as more positive than negative"<sup>141</sup>, and, as pointed out above, "Angola does not get the money, but it gets the value of the money"<sup>142</sup>. After all, Angola's oil production is currently increasing, which at present make mortgaged oil resources a lesser concern.

But what will happen when the projects are finished? According to Elmano Inácio Herculano Francisco, Provincial Director of the Ministry of Urbanism and Construction in Benguela, the Angolan state and the provincial governments, depending on area of responsibility, are in charge of maintaining and servicing the projects provided by the Chinese. But will finance be made available? Will buildings cave in? Will water and electricity systems be properly maintained? Will Angola continue to be dependent on Chinese finance and expertise? It is still too early to comment on these future scenarios, but if corruption is not seriously combated, and if the economy does not get diversified and break away from Angola's oil dependence, it is probable that continued reliance on China will seem as an uncomplicated solution as long as oil is abundant<sup>143</sup>.

Finally, it can also be argued that China's involvement in Angola has opened the doors to other actors as "now everyone wants to come to Angola"<sup>144</sup>. "We do not have problems with finance anymore; the problem now is how to use the funds and how to make the right priorities in order to benefit Angola's development the most"<sup>145</sup>. Therefore it can be argued that "China has given Angola leverage"<sup>146</sup>; and according to the former Angolan Minister of Finance, José Pedro de Morais, China has, "by setting 'a new benchmark', helped Angola negotiate better terms for other commercial loans" (Brautigam, 2010).

---

<sup>141</sup> Interview with Regina Santos

<sup>142</sup> Interview with Carina Kiala

<sup>143</sup> If the speculations regarding future credit lines totaling 10 or 20 billion dollars will turn out to be true, then the circumstances will be of another magnitude. It is almost the same size as Angola's current external debt, which means that the state has more than doubled Angola's external debt in just one month. When China's 9 billion dollar credit line to DRC was being negotiated, there was much international havoc on the subject. It will have implications for debt sustainability and sound lending practices.

<sup>144</sup> Interview with Patrick Andersson

<sup>145</sup> Interview with Carlos Abrantes

<sup>146</sup> Interview with Carina Kiala

## 9 Conclusion

---

The research has investigated the determinants and the characteristics of China's financial assistance to Angola and the subsequent implications for the country's development. The importance of the study is accentuated as China has established itself as a great financial power, providing new dynamism in the area of development cooperation and natural-resource management.

The determinants behind the Sino-Angolan cooperation are manifold. Through centrally planned strategies, China coordinates politics, finance and business and thus enables to offer attractive package deals. The various Chinese actors work in concert for a common objective – the development of China. In Angola this translates into securing oil deliveries in order to keep the motors of the Chinese economy lubricated. Angola's wish to unearth financial alternatives (to escape political conditionalities and to meet its level of economic ambition) has provided a fertile ground for oil-backed credit lines and state-centered capitalist cooperation. The flourishing Chinese economy makes impressive sums available. The funds are channeled into Angola's post-conflict reconstruction where Chinese construction companies carry out the prioritized infrastructural development projects simultaneously as Angola serves as a jump-off from where Chinese SOE's expand their scale and scope. In this situation the Angolan government makes use of China's competitive advantage as the financial assistance, in comparison to other donors, offers the most cost-effective deals in providing various physical infrastructures. On a whole, the determinants behind the Sino-Angolan cooperation give interesting insights into a number of growing trends of South-South cooperation.

The Chinese financial assistance consists of oil-backed credit lines, encompassing favorable terms in comparison to traditional donors. The concessional characteristics of the credit lines make them attractive. Angola decides what projects to prioritize and is in charge of supervision, while the management in terms of debt administration, tendering processes, and project implementation is outsourced to China. The institutional structure of the Eximbank arrangement is fairly clear and transparent, with quite detailed information published on its homepage, whereas the CIF credit line is very opaque. The institutional framework of the GRN is shadowy and devoid of public oversight, resulting in absence of information on how the funds have been spent, how far the process has gone, and what actors are involved. This diminishes monitoring and accountability in the process.

Development is an all-encompassing process consisting of many components and various challenges. Notwithstanding the holistic complexity of the matter, the Chinese financial assistance has noticeable implications for Angola's development. The infrastructural projects have contributed to the reintegration of the Angolan economy; increasing electric and fiber-optic connectivity as well as the mobility of people and goods. China has provided the groundwork for enhancing domestic agriculture as infrastructure projects have made rural markets accessible, as well as it has created potentials for exports of mineral resources. Therefore it can be stated that China has given a hand in transforming parts of Angola's competitive landscape. The financial assistance is geographically extensive and much needed health and education facilities have also been provided throughout the country. Nevertheless, huge undertakings remain and the sustainability of the investments depends on the provision of human infrastructure, which at the moment is severely deficient and represents a huge challenge for Angola. The developmental impacts are also affected by faulty supervision, maintenance and incomplete infrastructural complementarity. Here the entrenched presence of corruption in Angola and the political use of financial assistance, for instance before elections, play a much contributing part. This compromises the quality of the process and contributes to misuse of resources.

On the one hand, the oil-for-infrastructure arrangement makes Angola avoid the problem of debt-servicing and overcomes the problem of creditworthiness as the credit lines are reimbursed with oil. On the other hand, the structure of the arrangement mortgage oil-resources and does not provide Angola with liquidity; however, this is of a lesser concern compared to the tangible results it produces: rapid mobilization of productive forces and fast completion of large-scale infrastructural development. Such accomplishments are only made possible through the concerted actions of the Chinese state. Offers that match the Chinese magnitude have not been presented by other OECD-countries; neither is it deemed feasible from a strict private-business and profit-oriented market logic. Nonetheless, the heavy presence of Chinese companies, material, and labor in the ANR minimizes potentials for a "big push" to set off Angolan job creation and generate linkages to the rest of the economy. Any substantial transformations away from Angola's traditional trade pattern have so far not been launched. Yet what can be expected of the bargaining power of the Angolan government and the capacity of the Angolan economic forces after three decades of war? Rapid tangible effects were prioritized, whereas imposing strict conditions regarding rules of local content in the process was sidelined and probably not even realistic at this first phase of Sino-Angolan cooperation.

The fact that China does not impose political conditionalities has been criticized, mainly for not tackling the predicament of unsound management of natural-resources and the lack of transparency. However, as the oil revenues are transformed directly to the Chinese companies that carry out the construction projects, the oil-for-infrastructure arrangement actually redistributes Angola's oil wealth through the ANR. Fewer intermediaries can influence the direction of the

funds compared to traditional donor arrangements of the IMF or OECD-countries that are considered to stretch over various actors. This implies that natural-resources can be efficiently utilized when coordinated by the Chinese state-apparatus as it has the administrative capacity to make management more straightforward and implementation of projects swifter. In general, the insights from the Chinese financial assistance give appealing contributions to discussions concerning development and management of natural resources.

A clear asymmetrical relationship that favors China exists in terms of finance; however, the same can be emphasized in terms of oil resources, which favors Angola. China is not in control of Angolan oil production, and Angola does not have a problem finding customers for its treasured resource. This opens up for a cooperation where needs are matched. In return for oil, China offers development opportunities; what is made of them depends on how Angola is steering the process. Only five years have gone since the first large agreement was signed, which leaves much to scrutinize for future research. One aspect to monitor could be if the Angolan leaders have the determination to negotiate harder and not get stuck in a comfortable position of dependence, or will they continue to rely on Chinese finance and implementing capacity, while reimbursing services with oil? What implications will a continuation of the financial assistance have on Angola's economy? Will Angola make sure more is invested in people, and not merely in cement? So far much remain before economic and social development can be self-sustained.

The relationship between Angola and China is profound and a deeper dissection of the political connections between the countries could therefore be of interest. What are the political effects of China's "non-political" approach? Will the guiding non-interference principles and the unconditioned arrangements alter if Chinese interests come to be seriously challenged? Will the political relations and exchanges with China translate into ideological export of a "Chinese political model" to Angola? Will Angola's already fragile democracy be negatively influenced by China in areas such as labor rights and environmental regulations?

Another interesting undertaking could be to make a comparative research on how China's financial assistance is structured in other countries. Guinea-Conakry and DRC also have large credit lines tied to provisions of infrastructure, but they are secured with other natural-resources. What stories disseminate from them? A further comparative inquiry could be to contrast the policies of the IMF and The World Bank with those of China. Could the strong and growing presence of China in Africa influence the approach of the Bretton-Woods Institutions? The Sino-Angolan cooperation is extensive, as well as it is part of growing transformations of international relations and South-South Cooperation. Prospects for further research to be undertaken are therefore promising.

## 10 References

- Adelman, Irma 2000: "The Role of Government in Economic Development", in *Foreign Aid and Development – Lessons Learnt and Directions for the Future*; Routledge: New York
- Africa Confidential, 2010: "Boom-Bust All Over Again", *Africa Confidential*, 51 (10)
- Africa Today, 2010: "Angola is the Main Supplier of Oil to China", *Africa Today*, May
- Agénor, Pierre-Richard, 2006: *A Theory of Infrastructure-led Development*; Centre for Growth and Business Cycle Research; University of Manchester; available 2010/08/15 at: <http://www.socialsciences.manchester.ac.uk/cgbc/dpcgbc/dpcgbc83.pdf>
- Aguilar, Renato & Goldstein, Andrea, 2009: "The Chinization of Angola", *The World Economy*
- Alden, Chris, 2009: *China in Africa*; Zed Books: London
- AllAfrica.com, 2008: *Government Focuses on National Reconstruction*; available 2010/03/15 at: <http://allafrica.com/stories/200807210656.html>
- AllAfrica.com, 2010: *Oil Sector Contributes Percent to GDP*; available 2010/08/15 at: <http://allafrica.com/stories/201006230399.html>
- Alves, Ana Christina, 2010: *The Oil Factor in Sino–Angolan Relations at the Start of the 21st Century*; South African Institute of International Affairs; China in Africa Project, Occasional Paper no 55
- Alvesson, Mats & Sköldbberg, Kaj, 2008: *Tolkning och Reflektion – Vetenskapsfilosofi och Kvalitativ Metod*; Studentlitteratur
- Angola Infrastructure Report, 2009: available 2010/08/15 at: <http://www.reportlinker.com/p0134947/Angola-Infrastructure-Report-Q3.html>



- ANGOP, 2007: *Aprovado acordo de crédito com Eximbank*; available 2010/08/15 at: [http://www.portalangop.co.ao/motix/pt\\_pt/noticias/economia/2007/11/48/Aprovacao-Acordo-Credito-Eximbank-China-marca-semana-economica,66ef909d-de41-4b08-b7b5-f8b1540a0b53.html](http://www.portalangop.co.ao/motix/pt_pt/noticias/economia/2007/11/48/Aprovacao-Acordo-Credito-Eximbank-China-marca-semana-economica,66ef909d-de41-4b08-b7b5-f8b1540a0b53.html)
- ANIP, 2010: available 2010/08/15 at: <http://www.anip.co.ao/Guia-do-Investidor/Proteccao-ao-Investimento.aspx>
- Auty, Richard M. & Mikesell, Raymond F. 1998: *Sustainable Development in Mineral Economies*; Clarendon Press, Oxford
- Bank Information Centre, 2008: *Bretton Woods Institutions Send Mixed Messages About China's Role in Africa*; available 2010/08/15 at: <http://www.bicusa.org/en/Article.3877.aspx>
- Basedau, Matthias, 2005: *Context Matters - Rethinking the Resource Curse in Sub-Saharan Africa*; the German Overseas Institute, Institute of African Affairs
- BBC, 2006: *Angola: China's African foothold*; available 2010/08/15 at: <http://news.bbc.co.uk/2/hi/5080626.stm>
- Brautigam, Deborah 2009: *The Dragons Gift – The Real Story of China in Africa*; Oxford University Press
- Brautigam, Deborah 2010: “Africa’s Eastern Promises – What West Can Learn From Chinese Investment in Africa”, *Foreign Affairs*, January 5
- Brito, Agnaldo, 2010: *Reconstrução de Angola precisa alcançar o Estado*; available 2010/08/15 at: <http://www1.folha.uol.com.br/mercado/740451-reconstrucao-de-angola-precisa-alcancar-o-estado.shtml>
- Broadman, Harry, 2007: *Africa's Silk Road – China and India's New Economic Frontier*; The World Bank: Washington DC
- Bryman, Alan, 2001: *Social Research Methods*; Oxford: Oxford University Press
- Bulte, Erwin et al, 2005: “Resource intensity, institutions and development”, *World Development* 33 (7)
- Calain, Philippe, 2008: “Oil for Health in Sub-Saharan Africa: health systems in a ‘resource curse’ environment”, *Globalization and Health*, 4 (10)

- CCS, 2006: *China's Interest and Activity in Africa's Construction and Infrastructure Sectors*; Centre for Chinese Studies: Stellenbosch University
- CCS, 2010: *Evaluating China's FOCAC Commitments to Africa and Mapping the Way Ahead*; Centre for Chinese Studies: Stellenbosch University
- Chatham House, 2005: *Angola: Drivers of Change, Position Paper Two: Politics*; Royal Institute of International Affairs: London
- Chen et al, 2008a: *China's emerging role in Africa - Part of the changing landscape of infrastructure finance*"; Gridlines; Note no. 42
- Chen et al, 2008b: *Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa*; The World Bank
- China Daily, 2009: *Angola China's largest African trade partner*; available 2010/08/15 at: [http://www.chinadaily.com.cn/china/2009-01/19/content\\_7407941.htm](http://www.chinadaily.com.cn/china/2009-01/19/content_7407941.htm)
- China Monitor, 2009a: *China's Involvement in Angola: Mutually Beneficial Commercial Pragmatism?*; available 2010/08/15 at: <http://www.ccs.org.za/?cat=13&paged=2>
- China Monitor, 2009b: *New Directions in China-Africa Relations*; available 2010/08/15 at: <http://www.ccs.org.za/?cat=38>
- CIF, 2010: available 2010/08/15 at: <http://www.chinainternationalfund.com/>
- Corkin, Lucy et al, 2008: *China's Role in the Development of Africa's Infrastructure*, SAIS Working Papers in African Studies; The Johns Hopkins University: Washington DC
- Corpwatch, 2002: *Report Alleges US Role in Angola Arms-for-Oil Scandal*; available 2010/08/15 at: <http://www.corpwatch.org/article.php?id=2576>
- Cox, Robert, 1981: "Social Forces, States and World Orders: Beyond International Relations Theory", *Journal of International Studies*; 10; 126
- Cox, Robert 2002: "Civilizations and the twenty-first century: some theoretical considerations", in Mozaffari, Mehdi: *Globalization and Civilizations*; Routledge: London
- Danermark, Berth et. al. 2003: *Att förklara samhället*; Studentlitteratur: Lund

- Dicken, Peter, 2007: *Global Shift – Mapping The Changing Contours of The World Economy*; Guilford: New York
- Dos Santos, Theotonio 1971: “The Structure of Dependence”, in K.T. Fann & Donald C. Hodges, *Readings in U.S. Imperialism*; Boston: Porter Sargent
- ECA (Economic Commission for Africa), 2004: *Assessing Regional Integration in Africa*; Addis Ababa: ECA
- EIA, 2009: *China Energy Data*; available 2010/08/15 at:  
<http://www.eia.doe.gov/emeu/cabs/China/Full.html>
- EIA, 2010: *Angola Energy Profile*; available 2010/08/15 at:  
[http://www.eia.doe.gov/emeu/cabs/topworldtables1\\_2.htm](http://www.eia.doe.gov/emeu/cabs/topworldtables1_2.htm)
- Ferraro, Vincent, 1996: *Dependency Theory: An Introduction*; Mount Holyoke College
- Financial Times, 2006: “Friend or forager? How China is winning the resources and the loyalties of Africa”, *Financial Times*, February 2006
- Fine, Ben, 2005: *Social Capital versus Social Theory – political economy and social science at the turn of the millennium*; Routledge: New York
- Fine, Ben, 2006a: “Financial Programming and the IMF”, in KS, Jomo & Fine, Ben: *The New Development Economics – After the Washington Consensus*; Zed Books: New York
- Fine, Ben, 2006b: “The Development State and the Political Economy of Development”, in KS, Jomo & Fine, Ben: *The New Development Economics – After the Washington Consensus*; Zed Books: New York
- Flick, Uwe, 2009: *Introduction to Qualitative Research*; Sage Publications: London
- Global Witness, 1999: *A Crude Awakening – The role of the Oil and Banking Industries in Angola’s Civil War and the Plunder of State Assets*; available 2010/08/15 at:  
[http://www.globalwitness.org/media\\_library\\_detail.php/93/en/a\\_crude\\_awning](http://www.globalwitness.org/media_library_detail.php/93/en/a_crude_awning)
- Hjertholm, Peter 2000: “Foreign Aid and the Macroeconomy”, in Tarp, Finn & Hjertholm, Peter: *Foreign Aid and Development – Lessons Learnt and Directions for the Future*; Routledge: New York

- Hodges, Tony, 2007: "The Economic Foundations of the Patrimonial State"; in Vidal Nuno & Chabal Patrick: *Angola – The Weight of History*; Hurst & Company: London
- Hodges, Tony, 2004: *Angola: Anatomy of an Oil State*; Indiana University Press
- Hoogvelt, Ankie M M 1997: *Globalisation and the Postcolonial World: the new political economy of development*; MacMillian: Basingstoke
- Holmertz, Gert 2006: "Kampen hårdnar om Afrikas olja"; *Världspolitikens Dagsfrågor*, 2006/7
- Horta, Loro, 2009: *China in Africa: Soft Power, Hard Results*; YaleGlobal Online: available 2010/08/15 at: <http://yaleglobal.yale.edu/content/china's-soft-power-africa-could-have-hard-results>
- Human Development Report, 2009: available 2010/08/15 at: <http://hdr.undp.org/en/reports/global/hdr2009/>
- Jackson, S.F., 1995: "China's Third World Foreign Policy: The case of Angola and Mozambique, 1961–93", *China Quarterly*
- Karl, Terry Lynn 1997: *The Paradox of Plenty – Oil Booms and Petro-States*; Berkeley: University of California Press.
- Katsouris, Christina 2009: "Angola: China's Complex Connections", *Energy Intelligence*; available 2010/08/15 at: [http://www.energyintel.com/documentdetail.asp?document\\_id=633690](http://www.energyintel.com/documentdetail.asp?document_id=633690)
- Kolstad, Ivar & Søreide, Tina, 2009: "Corruption in Natural Resource Management: Implications for policy makers"; *Resources Policy*, 34
- Kovsted, Jens, 2000: "Financial Sector Aid", in Tarp, Finn & Hjertholm, Peter: *Foreign Aid and Development – Lessons Learnt and Directions for the Future*; Routledge: New York
- Kreitlow, Brian 2007: *Business or Pleasure? Examining the Reasons behind China's African Venture*; Creighton University
- Kvale, Steinar, 1996: *Interviews: An Introduction to Qualitative Research Interviewing*; Sage Publications

- Li, Xiaoyun: *China's Foreign Aid and Aid to Africa: Overview*, Presentation by Li Xiaoyun: POVNET China Workshop; available 2010/08/15 at:  
[http://www.oecd.org/officialdocuments/displaydocumentpdf?cote=DCD/DAC/POVNET/M\(2008\)2&doclanguage=en](http://www.oecd.org/officialdocuments/displaydocumentpdf?cote=DCD/DAC/POVNET/M(2008)2&doclanguage=en)
- Malone, Andrew 2008: "How China's taking over Africa, and why the West should be VERY worried", *Daily Mail*
- MacauHub, 2009: *China funds US\$1.2 billion project for revival of agriculture in Angola by 2012*; available 2010/08/15 at:  
<http://www.macauhub.com.mo/en/news.php?ID=7853>
- Macro-Brief, 2010: Electronic newsletter produced by Ricardo Gazel, Brazilian Senior Economist at the World Bank's Angola office.
- Mahmoud, Yahia 2007: *Chinese Development Assistance and West African Agriculture: A Shifting Approach to Foreign Aid?*; Lund University
- Marks, Stephen, 2007: "Introduction"; in Manji, Firoze & Marks, Stephen: *African Perspectives on China in Africa*; Fahamu: Oxford
- Marques de Morais, Rafael, 2010: *MPLA, Ltd*; available 2010/08/15 at:  
<http://makaangola.com/>
- Mbekeani, Kennedy, 2007: *The Role of Infrastructure in Determining Export Competitiveness*; African Economic Research Consortium: available 2010/08/15 at:  
[http://www.aercafrica.org/documents/export\\_supply\\_working\\_papers/KMbekeaniInfrastr8DB3B.pdf](http://www.aercafrica.org/documents/export_supply_working_papers/KMbekeaniInfrastr8DB3B.pdf)
- Mbeki, Moeletsi, 2006: *South African Journal of International Affairs*, 13(1)
- Medeiros, Evan & Fravel, Taylor, 2003: "China's new diplomacy"; *Foreign Affairs*, 82 (6)
- Ministry of Finance, 2010: available 2010/08/12 at:  
<http://www.minfin.gv.ao/docs/dspProjGov.htm>
- Mohan, Giles & Power, Marcus, 2008: *Africa, China and the 'New' Economic Geography of Development*; Durham University, Durham, UK
- Newsweek, 2007: *China's African Misadventures*; available 2010/08/15 at:  
<http://www.newsweek.com/2007/11/24/china-s-african-misadventures.html>

- Onyango-Obbo, Charles 2010: *Nothing Works, Not Even Angola's Army*; available 2010/08/15 at: <http://allafrica.com/stories/201001180661.html>
- OPEC (2010): Angola Facts and Figures; available 2010/08/15 at: [http://www.opec.org/opec\\_web/en/about\\_us/147.htm](http://www.opec.org/opec_web/en/about_us/147.htm)
- Pinto de Andrade, Justino, 2009: "The Process of Change in Angola: Civil Society, Political Parties, Economic Factors and General Population"; in Vidal, Nuno & Chabal, Patrick: *Southern Africa: Civil Society, Politics and Donor Strategies*: Media XXI & Firmamento: Luanda
- Polgreen, Lydia & Howard W. French (2007): "China's Trade in Africa Carries a Price Tag"; in *The New York Times*, August 21
- Rodney, Walter, 1973: *How Europe Underdeveloped Africa*; available 2010/08/15 at: <http://www.marxists.org/subject/africa/rodney-walter/how-europe/ch06.htm>
- Ross, Michael 2001: "Does oil hinder democracy?", *World Politics*; 53
- Ross, Michael 2003: *How Do Natural Resources Influence Civil War? Evidence from 13 cases*; Department of Political Science, UCLA
- Sachs, Jeffrey & Warner, AM 1995: *Natural Resource Abundance and Economic Growth*; Development Discussion Paper No. 517a 1995; Harvard Institute for International Development, Cambridge, MA; available 2010/08/15 at: <http://www.cid.harvard.edu/hiid/517.pdf>
- Sachs D. Jeffrey & Warner M. Andrew, 1997: *Natural Resource Abundance and Economic Growth*, Harvard University, Cambridge
- SAIIA, 2008: *Made in China, Made Scared in a Textile Mill in Africa*; available 2010/08/15 at: <http://www.saiia.org.za/archive-eafrica/made-in-china-made-scared-in-a-textile-mill-in-africa.html>
- Sayer, Andrew 2000: *Realism and Social Science*; Sage: London
- Sen, Amartya 2002: *Utveckling som frihet*; Daidalos: Uddevalla
- Servant, Jean Christophe, 2005: "China's Trade Safari in Africa", *Le Monde Diplomatique*; available 2010/08/15 at: <http://mondediplo.com/2005/05/11chinafrica>

- Shih, Chih-Yu, 2005: "Breeding a Reluctant Dragon: can China rise into partnership and away from antagonism?", *Review of International Studies*, 31 (4)
- Simon, David 2002: "Neo-liberalism, structural adjustment and poverty reduction strategies", in Desai, Vandana & Potter, Robert B: *The Companion to Development Studies*, Arnold: London
- Sohlman, Sascha, 2009: *Kinas relationer med Afrika ur ett handelsperspektiv*; Kommerskollegium
- Sonangol, 2010: available 2010/08/15 at:  
[http://www.sonangol.co.ao/wps/portal!/ut/p/c1/04\\_SB8K8xLLM9MSSzPy8xBz9CP0os3gDC2NnH0NjAxdHA38Pb1NDIwsjAwjQDwfpAKrAARwNoPJoJoSYwE3AKu8SZihXPtQcrt\\_Plz83Vb8gOzvIo9xREQDpnf7J/d12/d1/L2dJQSEvUUt3QS9ZQnB3LzZfMDgzQ0wxMzBEQTBPSEs1MTc4MjAwMDAwMDA!/](http://www.sonangol.co.ao/wps/portal!/ut/p/c1/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gDC2NnH0NjAxdHA38Pb1NDIwsjAwjQDwfpAKrAARwNoPJoJoSYwE3AKu8SZihXPtQcrt_Plz83Vb8gOzvIo9xREQDpnf7J/d12/d1/L2dJQSEvUUt3QS9ZQnB3LzZfMDgzQ0wxMzBEQTBPSEs1MTc4MjAwMDAwMDA!/)
- Swedish Centre for Business and Policy Studies, 1997: *I otakt med omvärlden*; Konjunkturrådets Rapport: SNS förlag
- Swedish Construction Industries, 2003: *Infrastruktur och ekonomisk tillväxt*; en rapport från Sveriges Byggindustrier.
- The World Bank, 2005: *Private Solutions for Infrastructure in Angola*; The World Bank: Washington DC
- The World Bank, 2009: "World Development Indicators"; available 2010/08/15 at:[http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT\\_ID=9147&REQUEST\\_TYPE=VIEWADVANCED](http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED)
- Transparency International, 2009: Corruption Perceptions Index 2009; available 2010/08/15 at:  
[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009/cpi\\_2009\\_table](http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table)
- Tull, Denis M. 2006: "China's engagement in Africa: scope, significance and consequences", *Journal of Modern African Studies*, 44 (33); Cambridge University Press
- UNDP, 2010: available 2010/08/15 at:  
<http://www.ao.undp.org/Poverty%20Reduction.htm>

- Valentine, Gill 2004: "Tell me about...:using interviews as a research methodology", in Cloke, Paul et. al. 2004: *Practising Human Geography*; SAGE Publications: London
- Vidal, Nuno, 2007: "The Angolan Regime and the Move to Multiparty Politics", in Vidal, Nuno & Chabal, Patrick: *Angola – The Weight of History*; Hurst & Company: London
- Vines, Alex & Campos, Indira 2008: *Angola and China – A Pragmatic Relationship*; Working Paper Presented at a CSIS Conference, "Prospects for Improving U.S.-China-Africa Cooperation," in December 5, 2007
- Vines, Alex & Campos, Indira, 2010: "China and India in Angola", in Cheru, Fantu & Obi, Cyril: *The Rise of China & India in Africa*; Zed Books: London
- Wangwe, Samuel & Lancaster, Carol 2000: *Managing a Smooth Transition from Aid Dependence in Africa*; John Hopkins University
- Wenping, He 2006: "Partners in Development"; *Beijing Review*, 49 (44)
- Wilson III, E, 2005: "China's Influence in Africa: Implications for U.S. Policy", *Testimony before the Sub-committee on Africa, Human Rights and International Operations U.S. House of Representatives*; Washington D.C., July 28, 2005
- Yin, Robert, 2007: *Fallstudier: Dersign och genomförande*; Liber
- Zafar, Ali, 2007: *The Growing Relationship Between China and Sub-Saharan Africa: Macroeconomic, Trade, Investment, and Aid Links*; Oxford University Press
- Ziegler, Charles 2006: "The Energy Factor in China's Foreign Policy", *Journal of Chinese Political Science*, 11 (1)
- Zweig, D. & Bi Janhai. 2005: "China's global hunt for energy", *Foreign Affairs* 84 (5)



# 11 Appendices

## Appendix 1

### Profile of the Authors behind the Most Utilized Secondary Literature

**Deborah Brautigam** – Deborah Brautigam is Professor in the American University's International Development Program. She has lived in Asia, studied Chinese for years, and done research in more than a dozen countries in Africa. She is probably the most proficient researcher on China-Africa relations. In January 2010 she published *The Dragon's Gift*, a book on Chinese aid and economic engagement in Africa (Oxford University Press).

**Lucy Corkin** – Lucy Corkin is Research Associate of both the Africa-Asia Centre at SOAS, University of London and the Centre for Chinese Studies, University of Stellenbosch. Until mid 2008 Lucy Corkin was Projects Director at Stellenbosch University's Centre for Chinese Studies (CCS). Lucy has worked for several years at the Department of Political Science at Stellenbosch. She has also worked at the Centre for International and Comparative Studies, Stellenbosch University. Her research interests focus on the China's emerging role as a financier of African development, as well as China-Angola relations.

**Alex Vines** – Alex Vines is Research Director of Regional and Security Studies; and Head of the Africa Programme at the Royal Institute of International Affairs (Chatham House) – an independent international affairs think-tank and membership organization. His research interests focus on Politics in sub-Saharan Africa, especially Angola, Private security and political risk in Africa, and proliferation of light weapons and landmines in Africa. His ongoing publications, among others, include 'Asia in Africa' and 'Impact of oil and gas in Africa'.

**CCS** – the Centre for Chinese Studies at Stellenbosch University is the only research Centre on the African continent dedicated to China-Africa research. The research disseminated from this research institution has touched upon a wide range of topics and issues related to China's relations with Africa and Angola.

**Justino Pinto de Andrade** – Justino Pinto de Andrade ranks as one of the greatest political analysts in Angola. He is Dean of the Faculty of Economics at the Catholic University of Angola. He has participated in conferences, in Angola and abroad, on issues of political, social and economic development. Now expelled, he was a former protagonist member of the MPLA.

**Rafael Marques de Morais** – Rafael Marques de Morais is an Angolan journalist and writer with a special interest in Angola's political economy and human rights. In 2000 he won the distinguished Percy Qoboza Award for Outstanding Courage from the National Association of Black Journalists (US). In 2006, he received the Civil Courage Prize, from the Train Foundation (US) for his human rights activities. He has also published various reports on human rights abuses. Rafael holds a MS in African Studies from the University of Oxford, and a BA in Anthropology and Media from Goldsmiths University of London.

## Appendix 2

### General Frame of Research Questions Guiding the Interviews

#### **Angolan Officials**

How is Angola benefiting from the cooperation with China in the National Reconstruction?

How much of the National Reconstruction Program so far has been financed by the Chinese credit line?

What kind of infrastructure are the Chinese companies building? (Geographic location, sectoral spending)

What can infrastructure do for development?

Has it done anything for Angola's development?

How available is the infrastructure for the population? Do they afford the services?

To what extent are the Chinese projects creating employment opportunities, direct or indirect?

What kind of employment (skilled, low-skilled, administrative)?

Are the infrastructure projects creating or intensifying any kind of economic activities? Which are these?

Are the projects facilitating the spread of new technology or knowledge to be used by actors in the Angolan economy?

Is Angola getting dependent on Chinese capital, technology, knowledge?

China construct infrastructure, but who is responsible for the maintenance, services, operation of the infrastructure? Does the Angolan state have the capacity to provide the necessary human capital needed to service the infrastructure?

What would happen if the Chinese assistance ceased to exist?

Do the infrastructure projects facilitate resource extraction? Where?

In which other sectors are the Chinese active? (agriculture, construction of infrastructure, industry, fisheries?)

Statistics? (Chinese loans, aid, FDI, trade)

## **Chinese businessmen/officials**

What is main reason for choosing Angola to do business?

What do you think about the business climate in Angola?

What do you think of the economic future of Angola?

How is China benefiting from their involvement in Angola?

To what extent are the Chinese projects creating employment opportunities, direct or indirect?

What kind of employment (skilled, low-skilled, administrative)?

Are the infrastructure projects creating or intensifying any kind of economic activities? Which are these?

Are the projects disseminating any kind of technique, technology or knowledge to be used by actors in the Angolan economy?

In which other sectors are the Chinese active? (agriculture, construction of infrastructure, industry, fisheries?)

What services are the Chinese providing, who decides what and where to locate the services?

Mutual benefit - What can China assist Angola with and what can Angola assist China with?

Statistics? (Chinese loans, aid, FDI, trade)

## **Researchers, IGO's, NGO's, and others**

Is Angola benefiting from the Chinese involvement in Angola? Why? How?

What is the perception of the Chinese presence in Angola?

What can infrastructure do for development?

Is the infrastructure the Chinese companies are building a good investment? (Good geographic location, sectoral spending?)

Why? Where are the resources allocated? How available is the infrastructure for the people (water, electricity, roads etc)? Do people afford the services?

How does the projects/activities benefiting the surrounding area (both physical and social)?

To what extent are the Chinese projects creating employment opportunities, direct or indirect?

What kind of employment (skilled, low-skilled, administrative)?

Are the infrastructure projects creating or intensifying any kind of economic activities? Which are these?

Are the projects disseminating any kind of technique, technology or knowledge to be used by actors in the Angolan economy?

Any special reason for the geographical location of the projects? (the political economy of the Chinese presence)

Do the infrastructure projects facilitate resource extraction?

Do the infrastructure projects benefit specific segments of the Angolan elite?

China construct infrastructure, but what happens with the maintenance, services, operation of the infrastructure? Does the Angolan state have the capacity to provide the necessary human capital needed to service the infrastructure?

In which other sectors are the Chinese active? (agriculture, construction of infrastructure, industry, fisheries?)

Statistics? (Chinese loans, aid, FDI, trade)

Is Angola getting dependent on Chinese capital, technology, knowledge?

What would happen if the Chinese assistance ceased to exist?

How is China benefiting from their involvement in Angola?

## Appendix 3

### Participating Interviewees (Formal Interviews)

Carlos Abrantes, Provincial Director of the Ministry of Agriculture and Rural Development in Benguela

Elmano Inácio Herculano Francisco, Provincial Director of the Ministry of Urbanism and Construction in Benguela

Sylvia Croese, Consultant and Independent Researcher

Carina Kiala, Business Analyst and Independent Researcher (former Senior Analyst at the Centre for Chinese Studies at Stellenbosch University)

Paulo Teixeira Jorge, former Foreign Minister of Angola (1976-1984) and Secretary for International Relations of the MPLA, as well as Member of Parliament.

Augusto Teixeira Matos, former Finance Minister of Angola (1981-1991)

Regina Santos, Lecturer and Researcher at the Catholic University of Luanda

Amália Quintão, Lecturer and Researcher at the Catholic University of Luanda

Cor Van Honk, Ambassador of the Netherlands

Tako Koning, Oil Geologist, Advisor and Consultant at Tullow Oil Angola

Carlos Figueiredo, Agronomist and Director of the Angolan NGO ADRA in Luanda

Inacio Gil Tomás, Director at the Angolan NGO ADRA in Benguela

Juan José Almagro, Project Manager at the European Union's Delegation in Luanda

Patrick Andersson, Associate at the Swedish Trade Council in Luanda

Christer Bergman, Local Project Manager at ELTEL Networks Angola

Interview with Manager at an Angolan Construction Inspection Company

Interview with Chinese functionary at the Bureau of Economic and Social Affairs of the Chinese Embassy in Angola

## Participating Interviewees (Informal Interviews)

Fred Rasmussen, First Secretary of the Royal Norwegian Embassy

Interview with Ambassador at the Royal Norwegian Embassy on the celebration of the Norwegian National Day

Interview with Businessman waiting in the lobby at the Ministry of Urbanism and Construction in Benguela

Interview with activist from church-based NGO

Interview with street vendor

Interview with Chauffeur for an Angolan construction inspection company

Interview with Coordinator of the Spanish NGO Medicos del Mundo

## Appendix 4

### Sino-Angolan State Visits

Since the normalization of Sino-Angolan relations numerous high-ranking officials from both countries have made State Visits. The data is taken from Christina Alves (2010), Vines & Campos (2008) and ANGOP.

#### Chinese officials that have visited Angola include:

Gong Dafei (vice minister of foreign affairs, visited Angola 1983)

Qian Qichen (foreign minister, visited Angola 1989)

Zhu Rongji (vice premier, visited Angola 1995)

Li Zhaoxing (vice minister of foreign affairs, visited Angola 1996)

Ji Peiding (assistant minister of foreign affairs, visited Angola 1997)

Tang Jiaxuan (foreign minister, visited Angola 2001)

Li Tieying (member, political bureau, Central Committee of the Communist Party, visited Angola 2001)

Wang Wenyuan (vice president, Chinese People's Political Consultative, visited Angola 2002)

Yang Wenchang (vice minister of foreign affairs, visited Angola 2002)

Yang Zilin (president of China Eximbank, 2004)

Zeng Peiyan (vice premier, 2004 & 2005)

Lü Xinhua (vice minister foreign affairs, 2005)

Jiang Yaoping (vice minister of information industry, 2005)

Wen Jiabao (prime minister, 2006)

Li Ruogu (president of China Eximbank, 2007)

Chen Deming (minister of commerce, 2009)

Jiang Zengwei (vice minister of commerce, 2009).

Chen Jian (deputy minister of Commerce, 2010).

Several delegations from Chinese banking institutions, such as the China Eximbank and China Development Bank (CDB), and a variety of entrepreneurs have also made visits.



Angolan officials that have visited China include:

José Eduardo dos Santos (president 1988, 1998, and twice in 2008; in August for the Olympics inauguration and again in December)

Fernando José de França Dias Van Dunem (speaker of the National Assembly, 1993)

De Mora (minister of foreign affairs, 1994)

Lopo do Nascimento (general secretary of the MPLA, 1998)

Kundy Payama (defense minister, 2000)

João Lourenço (general secretary of the MPLA, 2000)

Roberto de Almeida (speaker of the National Assembly, 2001)

Manuel Vicente (CEO, Sonangol, 2004)

Fernando da Piedade dos Santos (prime minister, 2004 and 2006)

João Bernardo de Miranda (minister of foreign affairs, 2004)

General Agostinho Nelumba Sanjar (commander of the Angolan Armed Forces, 2005)

Joaquim Icuma Muafuma (minister of commerce, 2006)

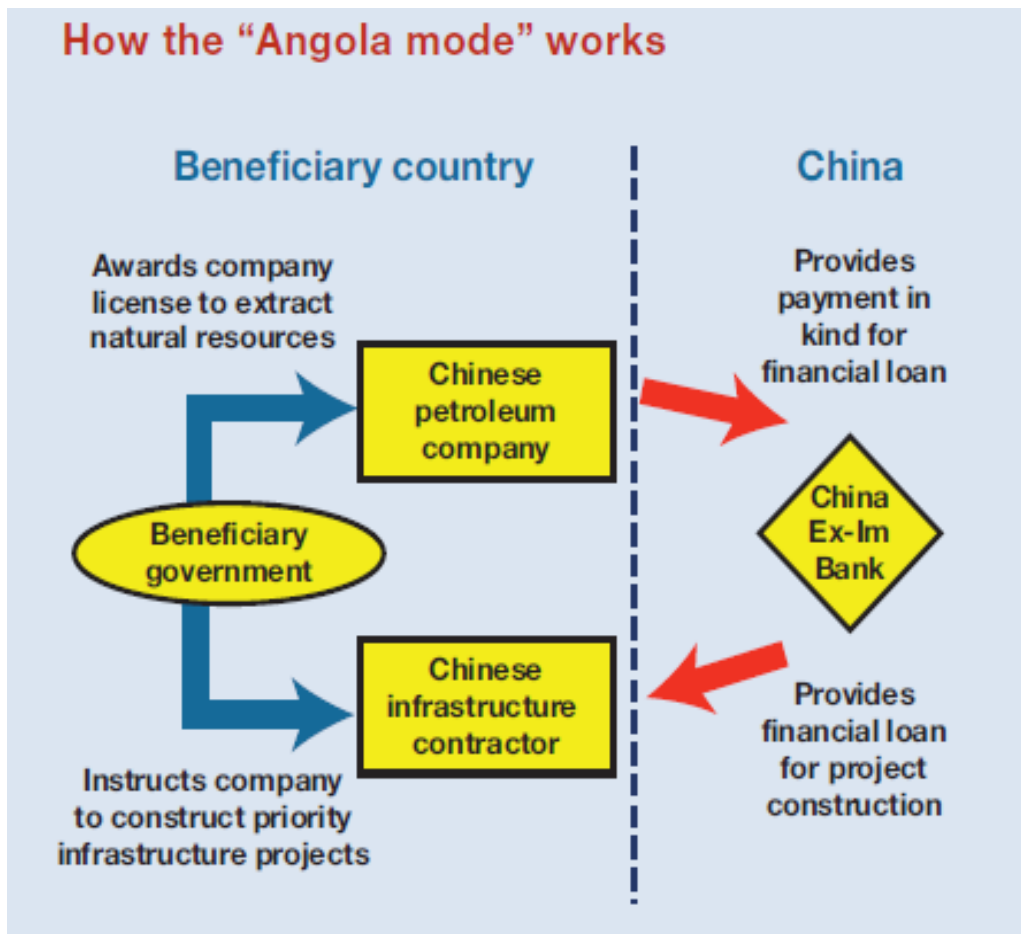
Irene Neto (vice minister of foreign affairs, 2006)

Antonio Burity da Silva (minister of education, 2007)

Candido Pereira dos Santos Van-Dunem (minister of National Defense, 2010)

Maria de Fátima Monteiro Jardim (minister of Environment, 2010)

## Appendix 5



Source: Chen et al (2008)

## Appendix 6

### Projects Financed by Eximbank (Phase 1)

Sector	Number of contracts	Total Value (US\$)
Health	9	206,100,425.42
Education	8	217,158,670.63
Energy and Water	8	243,845,110.58
Agriculture	3	149,753,214.00
Transport	1	13,840,468.00
Social Communication	1	66,905,200.00
Public Works	1	211,684,100.65
<b>TOTAL</b>	<b>31</b>	<b>1,109,287,188.28</b>

Source: Ministry of Finance, 2010; table taken from Vines & Campos (2008)

## Appendix 7

### Projects Financed by Eximbank (Phase 2)

Sector	Number of contracts	Total Value (US\$)
Health	1	43,805,500
Education	3	229,642,314
Energy and Water	3	144,902,615
Agriculture	1	54,006,958
Fisheries	3	266,847,509
Post and Telecommunications	4	276,307,189
Public Works	2	89,490,000
<b>TOTAL</b>	<b>17</b>	<b>1,105,002,085</b>

Source: Ministry of Finance, 2010; table taken from Vines & Campos (2008)

## Appendix 8

### Complimentary Projects Financed by Eximbank

Sector	Total Value (US\$)
Health	159,413,272.36
Education	145,648,999.00
Energy and Water	76,450,000.00
Education and Health	1,660,415.00
Fisheries	40,000,000.00
Telecommunications	56,336,500.00
Public Works	65,500,000.00
<b>TOTAL</b>	<b>545,009,187.18</b>

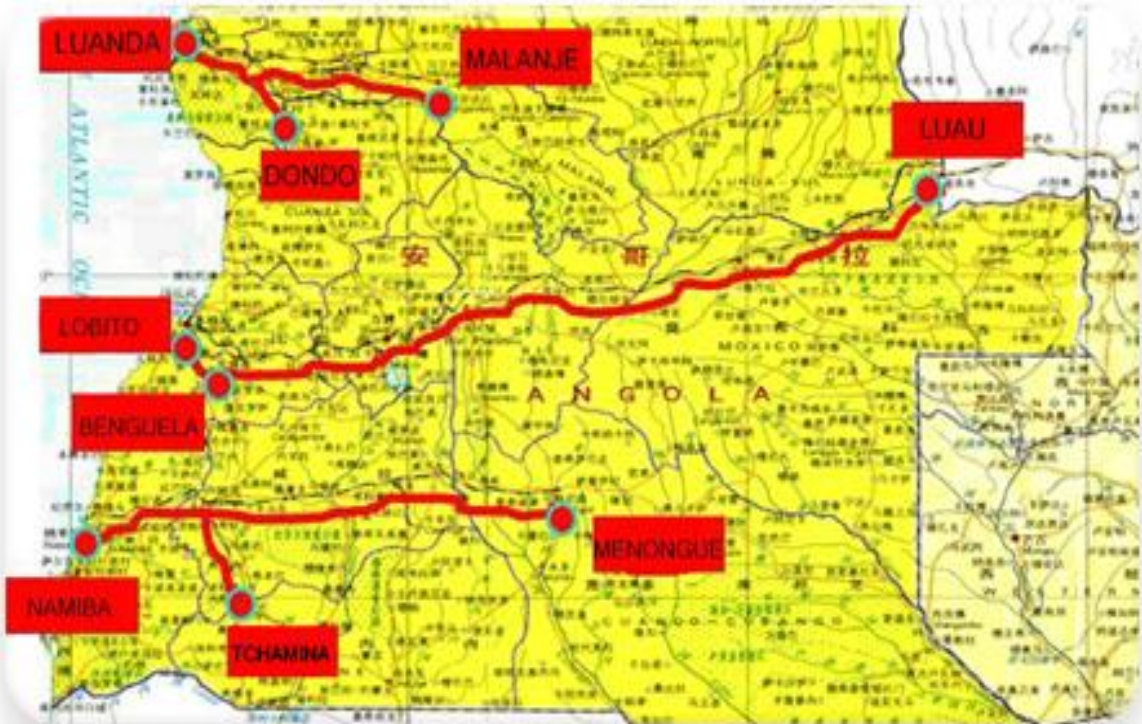
Source: Ministry of Finance, 2010; table taken from Vines & Campos (2008)

Appendix 9



Source: CIF (2010)

# Appendix 10

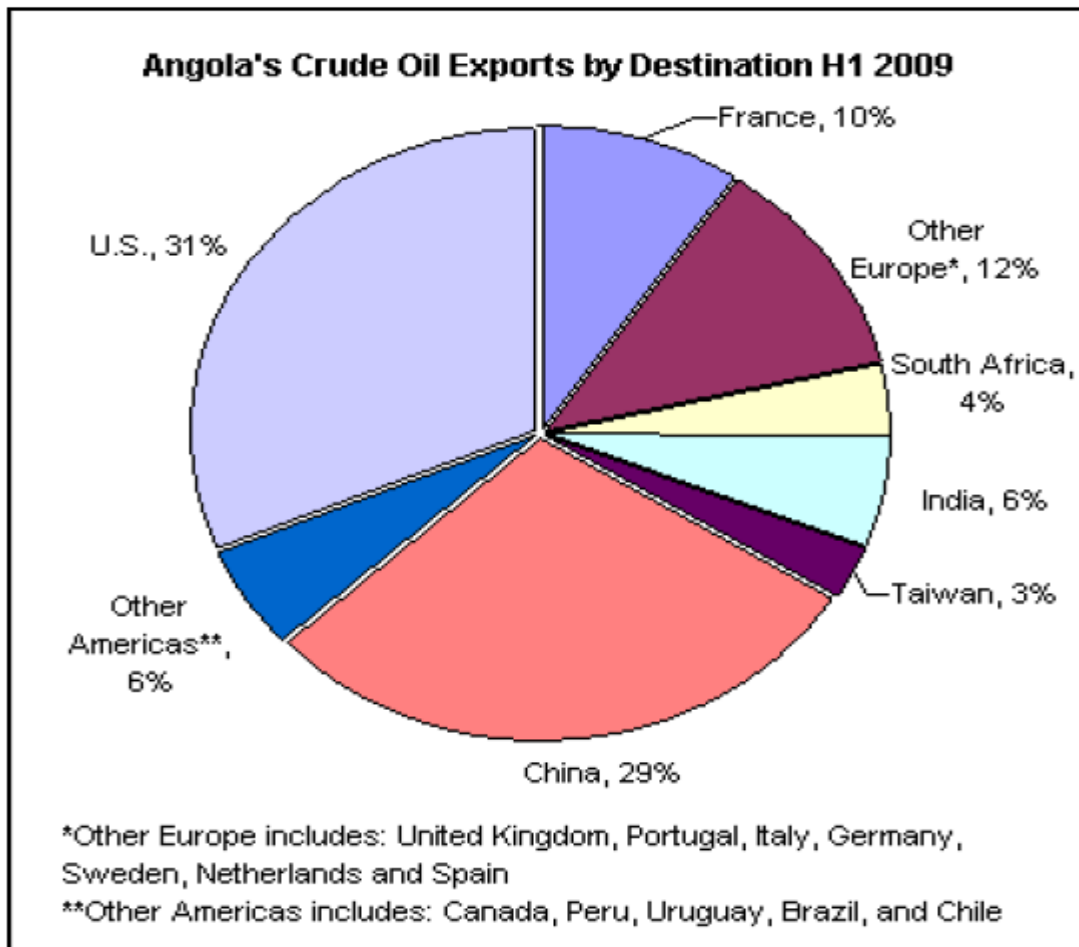


Source: CIF (2010)



Source: CCS (2010)

## Appendix 11



Source: EIA (2010)

Angola's Imports by Destination, 1997–2006 (percentage)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
World Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
China	2.6	3.1	1.4	2.7	1.9	2.8	4.2	5.1	5.0	8.3
India	0.4	0.5	0.3	0.6	0.4	0.5	0.5	1.7	1.8	1.5
US	12.2	17.5	12.4	11.0	8.6	13.0	12.2	12.8	12.5	14.3
EU	52.2	51.7	44.1	46.5	38.0	46.2	52.9	43.8	33.8	35.2
– Portugal	20.1	20.2	14.4	17.1	14.0	18.9	18.2	13.1	13.4	14.1
South Africa	8.3	9.6	9.4	15.6	11.8	14.5	12.4	10.3	7.4	6.3
Brazil	3.6	5.9	3.1	5.3	4.7	7.3	6.1	6.6	7.0	5.9

Source: Aguilar & Goldstein (2006)



# 12 Pictures

## Picture 1

Apartment buildings and houses under construction in Luanda and Benguela

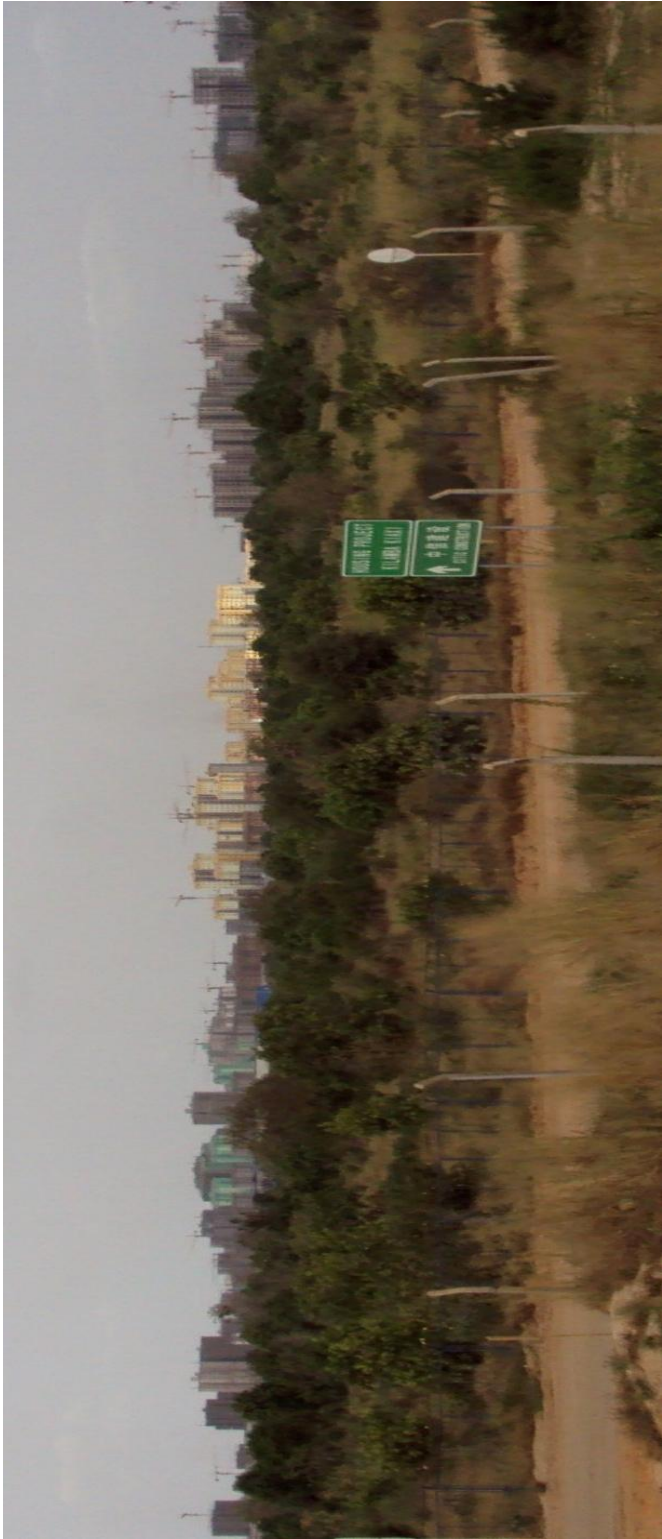






Picture 2

The Kilamba Kiaxi housing project (“The New City”) outside Luanda



# Picture 3

The plan and project design for the National Administration Complex



Source: CIF, 2010

## Picture 4

GRN Government Announcement informing the citizens of the supposed Development, Quality, and Speed (“Desenvolvimento, Qualidade e Rapidez”) of the National Reconstruction



# Picture 5

A case of faulty workmanship: the Chinese asphalt supposed to cover the walls had rained off; the asphalt down to the left is Angolan.



All photos except picture 3 were taken by the author.