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UNCOVERING AGENCY: ANGOLA'S MANAGEMENT OF RELATIONS WITH CHINA

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Thesis submitted for the degree of PhD in Politics

2011

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Declaration for PhD thesis

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Abstract

The prevailing view of China's engagement in Africa is that African countries are being exploited for their mineral wealth by a country whose political and economic power is much greater than their own. These largely government – to – government contracts are criticized by the international community, ostensibly due to their lack of transparency and accountability but also because China is perceived to be gaining preferential access to natural resources.

One of the more prominent cases cited is that of state-owned China Export-Import Bank making available loans for Angolan post-war infrastructure rehabilitation. This work sets out to analyse the mechanism of these contracts and the infrastructure construction that they are intended to facilitate. It is consequently an interrogation of the nature of the relationship between the Chinese and Angolan governments. I will argue that previous analyses of the relationship between China and Angola, while noting the role of African agency in such a mechanism, have not fully explored its implications and explanatory powers for China-Angola relations. The Angolan government plays an important role in the outcome of this bilateral co-operation.

The strength of the rhetoric surrounding China's relations with Africa, from Chinese, Western and African sources is of central importance to this study. This, ultimately, I argue here, shapes the context in which the relationship is viewed. China's approach to development in Africa is interpreted as a threat by the West and is broached as such. The Angolan elite are in a position to exploit such tensions between China and the West to leverage their own political agenda. I argue that while the political relationship has not been without its problems, both the Angolan and the Chinese government view the relationship as necessary, as much for the economic gains it brings as for its importance in trying to define and establish both states' positions in the eyes of the international community.

For Rolf

My rock and my pillar of strength. We made it.

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Contents

CHAPTER ONE: Introduction to the Study	16
1.1 Introduction	16
1.2 Contextualising China-Angola Relations	23
1.3 Angola's Political Elite: the Rise of the MPLA	27
1.3.1 The <i>Assimilados</i> and the question of legitimacy	27
1.3.2 The Decolonisation Struggle	29
1.3.3 Fair-weather Marxists?	30
1.3.4 Internal Party Rivalry	31
1.4 Conceptualising African Agency	33
1.4.1 Sovereignty and Statehood	34
1.4.2 Extraversion	35
1.4.3 African Agency in China-Africa Relations	39
1.5 Conceptualising Angola as a 'weak state'	42
1.5.1 Legitimacy and Internal Weakness	43
1.5.2 Re-emergence of Cultural Identity as a Vehicle for Political Opposition	45
1.5.3 Atrophying bureaucracy	47
1.6 Central Research Question	48
1.7 Methodology	53
1.8 Literature Review and Chapter Outline	63
CHAPTER TWO: The role of rhetoric in constructing China-Africa relations	66
2.1 From the 'West': Emerging Concerns regarding China's Role in Africa	67
2.1.1 Western Perceptions of China as a 'Status quo' or 'Revisionist Power'	68
2.1.2 The 'China threat' – 'Responsible Stake-holder Dichotomy	71
2.1.3 Changing development paradigm: China as the donor 'outsider'	71
2.1.4 China's Outlier Perspective on Development and Aid	72

2.2	Playing to the Gallery: Rhetoric’s intended audience	79
2.2.1	Message from the East: China’s Rhetorical Priorities in Africa	81
2.2.2	China’s Soft Power in Africa	82
2.2.3	Distinguishing China from Western donors	84
2.2.4	Chinese Model, Beijing Consensus	86
2.2.5	Third world solidarity, when appropriate	89
2.3	The View from Angola	92
2.3.1	Narrative on Corruption	97
2.3.2	Good relations between Friends	99
2.4	Conclusions	102
CHAPTER THREE: The Development of China’s Africa Foreign Policy		104
3.1	A Brief History	104
3.2	China’s Prioritization of Foreign Policy Principles	108
3.3	China’s Foreign Policy in a ‘Great Power’ Context	111
3.4	China’s foreign policy actors and institutions	113
3.5	Chinese Concessional Loans as a Foreign Policy Tool	117
3.6	Competing Ministry Agendas	125
3.7	Separating Politics from Economics	128
3.8	Conclusions	130
CHAPTER FOUR: Angola’s China Exim Bank Loan Negotiation		133
4.1	China Exim Bank’s Entry into Angola	133
4.2	Angola’s China Exim Bank Loan Agreement Mechanism	135
4.2.1	Basic Framework	136
4.2.2	Loan Terms	138
4.2.3	Debt Servicing through Oil	141

4.3	Financing infrastructure projects in Angola	144
4.3.1	China Exim Bank-funded infrastructure contracts	145
4.3.2	Local Procurement Component	148
4.4	Discrediting Assumptions surrounding the China Exim Bank Credit Line	149
4.4.1	The ‘Angola Model’	149
4.4.2	Negotiating Risk	149
4.5	Categorising China Exim Bank Loans to Angola – Aid, Trade or Investment?	156
4.5.1	The Case for China Exim Bank loans as ‘Aid’	159
4.5.2	The Case for China Exim Bank loans as ‘Investment’	162
4.5.3	The Case for China Exim Bank loans as Trade facilitation	164
4.6	Conclusions	166
CHAPTER FIVE: Angola’s National Reconstruction Implementation		169
5.1	Angola’s Local Construction Industry and Capacity	169
5.2	Chinese contractors in Angola	171
5.3	Varied Chinese Actors in Angola	173
5.4	China Exim Bank’s Role as Financier vis-à-vis Local Participation	178
5.5	Chinese Companies’ Procurement Practices in Angola	182
5.6	A Chinese supply chain	183
5.7	Local Employment Challenges	186
5.7.1	Transplanting of Domestic Modus Operandi to Overseas Markets	189
5.7.2	Lack of adequately skilled local labour	190
5.7.3	Communication problems	190
5.7.4	Misalignment of Chinese employers’ expectations	191
5.7.5	The Cost-benefit of wages	193
5.8	Barriers to Local Content Law Effectiveness	194
5.8.1	Removal of Import Duties on Construction Materials	194
5.8.2	Maintenance of the Hard Kwanza Policy	195

5.8.3	Labour Law Rigidity	196
5.8.4	Lack of Implementation	196
5.8.5	Vested Interests and Lack of Political Will	198
5.8.6	Institutional Reshuffling around Chinese credit lines	199
5.9	Conclusions	201

CHAPTER SIX: Restoring Angolan Agency **208**

6.1	Angola's Political Elite	212
6.2	'Angolanisation' of the China Exim Bank loan	219
6.2.1	The Rise and Fall of the GRN	220
6.2.2	Parallel Structures of Chinese Financing in CIF	224
6.2.3	The Oil Intermediary	231
6.2.4	Elite Subversion of the China Exim Bank credit line	233
6.3	Further Debunking the 'Angola Model'	236
6.3.1	Angola's policy of finance diversification	236
6.3.2	More Chinese State Financing	238
6.3.3	An Angolan chimera: China's access to oil equity	239
6.3.4.	Not a preferred creditor	245
6.4	Extraversion in the context of China Exim Bank loans	246
6.4.1	Balancing International Relations	247
6.4.2	State Infrastructure Provision and the 2008 National Elections	249
6.5	A Chinese case for 'win-win'	250
6.6	Conclusions	253

CHAPTER SEVEN: Conclusions **258**

7.1	Emerging Themes	258
7.2	Evaluating the 'strategic partnership'	266
7.3	Contribution to Research	268

Appendix 1: Chinese companies in Angola (May 2010)	270
Appendix 2: High-level visits between China and Angola	273
Appendix 3: Projects financed by the China Exim Bank Credit Line	278

References	295
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LIST OF FIGURES

Figure 1.1: Research Design	51
Figure 1.2: China Interview Spread	62
Figure 1.3: Angola Interview Spread	63
Figure 2.1: Li Ruogu's conceptualisation of a sustainable development path	78
Figure 3.1: China Exim Bank Lending (1996 – 2009) US\$ millions	119
Figure 3.2: China Exim Bank Loan Cycle	124
Figure 4.1: Government bodies involved in China Exim Bank concessional loans: The Case of Angola	135
Figure 4.2: China Exim Bank loan interest rate (2004 – 2011)	138
Figure 4.3: China Exim Bank compared to Angola's other creditors (June 2009)	139
Figure 4.4: Angola's Oil Exports to China (2006-2009)	142
Figure 4.5: Cumulative Bilateral credit pledged to Angola (2010), US\$ millions	145
Figure 4.6: Chinese FDI in Angola, (2003 – 2009), US\$ millions	154
Figure 4.7: Angola-China Trade, (2000 – 2009), US\$ millions	164
Figure 5.1: Chinese companies Angolan contracts, (2003 – 2009), US\$ millions	172
Figure 5.2: Matrix of Chinese Actors in Angola	176
Figure 5.3: Chinese contracting and procurement process in Angola	187
Figure 5.4: Visas Issued to Chinese Nationals (2004 – 2007)	188
Figure 6.1: Angolan parallel management structures	231
Figure 6.2: Fluctuating Price of Brent Crude Oil (2002 – 2011) US\$ millions	233

Figure 6.3: Chinese companies' shareholding in Angola (2010)	242
Figure 6.4: Angola oil exports by Chinese Company (2005-2009)	244

List of Abbreviations

AAPSO	Afro-Asian Peoples Solidarity Organization
AERC	African Economic Research Consortium
AFP	Agence-France Press
AFRODAD	African Network of Debt and Development
AIA	Associação Industrial de Angola
AJOCO	Angola Japan Oil Company
AU	African Union
ANIP	<i>Agência Nacional para o Investimento Privado de Angola</i>
BMI	Business Monitor International
BNA	<i>Banco Nacional de Angola</i>
BNDES	<i>Banco Nacional de Desenvolvimento Económico e Social do Brasil</i>
BP	British Petroleum
BWI	Bretton Woods Institutions
CABGOC	Cabinda Gulf Oil Company
CADF	China-Africa Development Fund
CAITEC	Chinese Academy for International Trade and Co-operation
CAMC	China National Construction and Agricultural Machinery Corporation
CASS	Chinese Academy of Social Sciences
CBRC	China Banking Regulatory Commission
CCP	Chinese Communist Party
CDB	China Development Bank
CEIC	<i>Centro de Estudos e Investigação Científica</i>
CIF	China International Fund
CITIC	China International Trust and Investment Corporation
CMEC	China National Machinery & Equipment Import & Export

CMIC	China Machine-building International Corporation
CNOOC	China National Overseas Oil Company
COCAN	African Cup of Nations
Complant	China National Machinery Industry Complete Engineering Corporation
COVEC	China National Overseas Engineering Corporation
CPLP	Community of Portuguese-speaking Countries
CRBC	China Road and Bridge Corporation
CRCC	China Railway Construction Corporation
CSRC	China Securities and Regulation Commission
CSSC	China State Ship-building Corporation
DAC	Development Assistance Committee
DFID	Department for International Development
DRC	Democratic Republic of Congo
EAIF	Emerging Africa Infrastructure Fund
ECCOP	<i>Associação dos Empreiteiros de Construção Civil e Obras Públicas de Angola</i>
EIA	Energy Information Administration
EICA	European International Contractors Association
EIU	Economist Intelligence Unit
ERA	Executive Research Associates
EU	European Union
FLEC	<i>Frente para a Libertação do Enclave de Cabinda</i>
FOCAC	Forum on China-Africa Co-operation
FNLA	<i>Frente Nacional de Libertação de Angola</i>
FPTP	First-Past-The-Post
GAT	<i>Gabinete de Apoio Técnico</i>
GRN	<i>Gabinete de Reconstrução Nacional de Angola</i>

HRW	Human Rights Watch
ICBC	Industrial and Commercial Bank of China
ICC	International Criminal Court
ICG	International Crisis Group
IDA	International Development Association
IDIA	<i>Instituto de Desenvolvimento Industrial de Angola</i>
IMF	International Monetary Fund
INE	<i>Instituto Nacional de Estatísticas de Angola</i>
INEA	<i>Instituto Nacional de Estradas de Angola</i>
INRQ	<i>Instituto Nacional de Regulação de Qualidade de Angola</i>
IWAAS	Chinese Institute for West Asian and African Studies
MDG	Millennium Development Goals
MFA	Chinese Ministry of Foreign Affairs
MinFin	Angolan Ministry of Finance
MMD	Zambian Movement for Multi-Party Democracy
MOFCOM	Chinese Ministry of Commerce
MOFTEC	Chinese Ministry of Foreign Trade and Economic Co-operation
MPLA	<i>Movimento Popular para a Libertação de Angola</i>
NDRC	Chinese National Development and Reform Commission
NGO	Non-governmental Organisation
NORINCO	China North Industries Group Corporation
OAU	Organisation for African Unity
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation for Petroleum Exporting Countries
PAANE	<i>O Programa de Apoio aos Actores Não Estatais</i>

PF	Zambian Patriotic Front
PIP	Angolan Public Investment Programme
PRC	People's Republic of China
PRSP	Poverty Reduction Strategy Paper
RMB	<i>Renminbi</i>
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SASAC	Chinese State Assets Supervisory Commission
SBA	Stand-by Agreement
Sinopec	China Petroleum and Chemical Corporation
SOE	State-owned Enterprise
Sonangol	<i>Sociedade Nacional de Combustíveis de Angola</i>
SSI	Sinopec-Sonangol International
UNITA	<i>União Nacional para a Independência Total de Angola</i>
UK	United Kingdom
UN	United Nations
UNAVEM	United Nations peacekeeping mission in Angola
UNSC	United Nations Security Council
USSR	Union of Soviet Socialist Republics
WB	World Bank

CHAPTER ONE: Introduction the Study

1.1 Introduction

China's growing role in African countries has been a subject of some controversy for the past decade, generating sensational headlines across the world. Muekalia's (2004:5) claim that Sino-Africa relations were a 'little noticed trend' would hardly hold water now. Having caught the imagination of the mainstream media, much of the academic debate necessary to develop this field of study has been overshadowed by its treatment in the popular press. A lack of access to empirical data has also caused academic literature to lean heavily on journalism, exacerbating this problem.

One of the earliest books attempting to investigate China's emerging contemporary role in Africa is Snow's *Star Raft* (1988). What is striking about his analysis of Chinese contact with the African continent in the late nineteenth and early twentieth centuries¹, are the many parallels in the fears evinced by Western observers of this dynamic then, and those voiced now. Debates regarding the Chinese traders that were infiltrating even the remotest African villages to sell cheap goods occurred as far back as 1886² (Snow, 1988:55-56). Newspapers carried headlines warning that China would 'drive the white man from the Continent', such fears having emerged as early as the 1920's³ (Snow, 1988:49; 53). Interestingly, there was a fixation on the crafty Celestial corrupting the essentially pure nature of the African 'noble savage' (1988:52). The problematic nature of this theme, quite aside from its racist undertones, occurs with tedious regularity in contemporary China-Africa discourse, assuming passivity on the part of African actors. Consequently, 20 years later, a substantial

¹ Snow's (1988) work actually documents Chinese relations with Africa beginning with the first ever records of such contact, some 600 years ago. For the purposes of this study, however, only his analysis beginning at the turn of the twentieth century is immediately relevant.

² The irony to note here is that these Chinese traders came to Africa in the wake of Chinese indentured labour brought to Africa in a European colonial attempt to engrain the 'Chinese work ethic' into the African populations of their colonies (Snow, 1988:47). The contemporary influx of Chinese traders to Africa have also come in the wake of Chinese labourers coming to Africa, but this time the former are working largely on Chinese state-sponsored infrastructural projects.

³ This refers particularly to the misgivings of Sir William Butler, among many Europeans who feared that Johannesburg, after having received Chinese indentured labour to work in the gold mines, would become a giant China town. Rather bizarrely he voiced the fear that the city's principal language would become Chinese! (Snow, 1988:49).

portion of commentary on China's role in Africa has changed little⁴ as Mawdsley's (2008) content analysis of British broadsheets reporting on China-Africa relations attests. This underlines Inayatullah and Blaney's (2004:2) assertion that 'the current shape of International Relations is shaped by the legacy of colonialism'.

It is clear that there are two inherent problems with the approach of previous literature on China's foreign policy towards Africa. Firstly, there is a systematic neglect of the 'power of words', as identified by Beer and Hariman (1996:2). Where Chinese foreign policy towards Africa is interpreted solely through a realist positivist lens (an excessive focus on China's search for raw materials in Africa), with scant regard for the importance of the political rhetoric in this relationship, the analysis loses the depth it might otherwise attain. This leads to the second issue, in that a neglect of Chinese and African rhetoric allows a Western-centric perspective to dominate the discourse. According to Beer and Hariman (1996:11) '...the rhetorical tradition includes appreciation of the dynamics of power, the valorisation of both argument and style, a focus on negotiation, involvement in the dialectic of elites and their publics, a strategic sensibility, and an ambivalent mixture of technical skill and ethical themes'. The importance of these aspects in framing an analysis of negotiation between elites and their resultant political posturing cannot be underestimated in terms of their influence on shaping the resultant discourse.

Forcing a Eurocentric interpretation of two non-Western actors obscures the agencies at work in the relationship. I propose to set out a new framework for analysis that incorporates the importance of rhetoric from not only Western, but African and Chinese sources⁵, in order to address these issues.

Rhetoric aside, while it is disingenuous to believe that academia occurs in a political and sociological vacuum, much of the literature, by Western, African and Chinese scholars alike

⁴ See for instance Naím (2007).

⁵ This is to be discussed and analysed in chapter 2.

is remarkable in its departure from objective analysis. The focus to a great degree is on whether China *should* be in Africa and what Chinese actors' motivation are, rather than first establishing a solid empirical basis on which to ground an analysis.⁶

Conspicuous in its absence from this discourse until recently, African scholars' contribution to the literature on China-Africa relations is under-represented. Gaye (2006) is perhaps one of the first attempts to address this. Manji and Marks' (2007) edited volume, followed by Ampiah and Naidu (2008) are also important offerings in this regard, but even these volumes are supplemented with contributions by non-African authors. A follow-up volume Harneit-Sievers, Marks and Naidu (2010) was much more successful in producing a volume solely of Chinese and African perspectives on China in Africa as the eponymous title suggests. The African Economic Research Consortium (AERC) has also since 2008 produced a series of scoping studies and in-depth analyses on Chinese relations with African countries.⁷

Chinese Africanists have however not been as prolific as their European and African counterparts. Li (2009b:6) argues that Chinese scholars' writings on Sino-African affairs, while in existence, were previously scattered and isolated, with little international exchange, resulting in Western scholars being more well-known in this regard. Despite the long history of China-Africa relations, continually referred to by politicians from both sides; arguably neither has regarded the other as a foreign policy priority until very recently.⁸ One Chinese diplomat remarked that African studies in China had become dominated by a small group of academics who had until recently never been to Africa, calling them 'dragonflies', due to the superficiality of their research.⁹ Furthermore, in international scholarly fora, as noted by Lagerkvist (2009:120) 'Chinese perspectives have seldom been noted or even sought.' This is

⁶Perhaps partially explaining this is the notable difficulty many researchers observe in acquiring empirical data in this field, from either Chinese or Africa sources, on which to base their studies. This is recognised as one of the principle research challenges in this field, and will be treated with other methodological issues below.

⁷ The author is a member of this consortium. See www.aercafrica.org for their available research papers.

⁸ Furthermore, it is unlikely that Africa, despite the media sensationalism of the past decade has accrued the status of a foreign policy priority even now (Raine, 2009). Shirk (2007) suggests that Chinese foreign policy priorities are the relations with the US, Japan and cross-strait relations with Taiwan.

⁹ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009. He went on to say that these academics relied on Western-based Africa studies sources and did none of their own in-depth research.

probably due to the fact that many Western academics distrust the independence of Chinese research and commentary, assuming it to be merely government propaganda, particularly with regards to a topic as overtly political as China's relations with Africa. In recognition of this, and the negative connotations of the term 'propaganda' in the West, the Chinese Communist Party (CCP) has changed the English translation of the Propaganda Department to the Publicity Department and its sister organisation, tasked with international communications, is known as the State Council Information Office (Jakobsen & Knox, 2010:7) The Chinese government furthermore has embarked on a considerable drive to revitalise the image of its state media agency *Xinhua* and develop closer links with their African counterparts (Efande,2010). Chinese official rhetoric communicated through this channel is important in flagging foreign policy evolution.

A core issue raised both in academic research on China-Africa relations as well as in popular media, is what kind of impact China's strengthening relations with Africa will have on the latter. Inevitably such questions are couched within the assumptions of developmental discourse. As previously mentioned, through the normative slant of many such investigations, there seems to be an implicit expectation that China has a duty to 'develop' Africa. This is in fact indirectly recognised through Chinese officials' use of the 'win-win' partnership rhetoric (He, 2006). It appears that China has accepted that one of the duties of 'great powers' is to develop the third world as described by (Berger, 2008:4). The problem that arises however is the lack of a satisfactory definition of 'development' generally, and what it entails.

Theories of how best to 'develop' poor countries have not remained constant; they have changed continually over the years (Browne, 2006:23). During the 1950's and 1960's, it was accepted wisdom that infrastructure development was important and such projects were in fact a large portion of aid money to developing countries. Buoyed by the success of the Marshall Plan, much of the development aid at the time was geared towards reconstruction (IDA, 2007:35). Particularly in the 1960's, the role of the state was central. Despite the Cold War, the Western and Soviet blocs' approach were remarkably similar. Western

development theory at the time espoused the vision that assisting with large-scale construction projects that provided public goods were the best way to ensure economic take-off (Rostow, 1960; Rosenstein-Rodan, 1943). Soviet aid sought to replicate its own heavily industrialised development experience in satellite states. Indeed, as Browne (2006:25) notes, 'The Soviet Union also developed elaborate trade and barter schemes to provide essential imports'. China was at the time a recipient of considerable aid in this manner and it is clear that China's approach to development was informed by this experience. Interestingly, (Vines, et al, 2005:4) have also remarked on the 'Soviet-style' approach to development employed by Angolan political elites, suggesting that such an emphasis on infrastructure was outmoded, having been discarded by all other donors. It does however, illustrate clearly that Luanda's approach to development was much more in line with Beijing's than those accepted by Western capitals.

Western donor agencies had discarded a state-centric approach focussed on industrialisation and large-scale infrastructure after several decades of white elephant projects did not produce the expected development dividends. Instead, it appeared that such government-directed projects only benefitted political elites (IDA, 2007:37; Stern et al, 2008:33). Donors thus tried to re-organise development agendas in order to attempt more broad-based benefits for the poor. This saw a proliferation of aid agencies as governments began supporting non-governmental organisations (NGOs) directly in an attempt to bypass corrupt officials (Cohen et al, 2008:76).

Official development assistance (ODA) suffered a protracted decline in 1990's largely due to 'donor fatigue' (Stern et al, 2008:4) and the disappearance of Cold War geopolitics (Severino and Ray, 2009:3). Furthermore, the preceding economic crises of the 1980's had ushered in the structural adjustment programmes (SAP) which focussed on fiscal austerity.¹⁰

¹⁰ Angola is one of the few Africa southern African countries that did not succumb to an SAP, although the country had an IMF staff monitoring programme until 2002. The Poverty Reduction Strategy Paper (PRSP), an initiative supposed to allow recipient countries to develop endogenous solutions to their poverty issues, was rejected by the international donors.

Infrastructure continued to form part of aid projects, but the turn of the century and the rise of the Millennium Development Goals (MDG)¹¹ saw short-term targets being prioritised. According to Glennie (2008:20) whereas infrastructure and productive sector aid constituted 53 percent of the total in the early 1990's, this had dropped to 31 percent by 2004 in favour of social spending. The International Development Association¹² (2007: i) found that their largest proportion of ODA was in debt relief and grants, and that infrastructure spending had dropped from 59 percent to 38 percent from 2001 to 2004.

When China initially began funding infrastructure across Africa, many donors accused China of being retrogressive, saying that Beijing was following development policies discarded by other countries decades previously. OECD countries worried that China was 'free-riding' and re-indebting poor countries that had just been given debt relief through various bilateral initiatives (IDA, 2007:14).¹³ In fact, Reisen (2007:2) argues that this is not the case as China's lending profile is very different from the West. The countries that China is lending to are those that did not receive debt relief from OECD as they did not qualify.¹⁴ Indeed, China only lends to countries that have the proven means to repay the loans (see chapter 3). There was also concern as to the level of tied aid accompanying the construction projects. In fact, despite the Paris Declaration¹⁵ and many other such initiatives to untie aid, Glennie (2008:110) points out that a number of traditional donor countries still tie aid.¹⁶

Complete treatment of China's growing influence on the discourse of development is beyond the scope of this thesis; however there are certain signs that seem to show the influence that the Asian country is having on development perspectives.

¹¹ See: <http://www.un.org/millenniumgoals/>

¹² Established in 1969, the IDA is the channel through which World Bank facilitated its concessional lending activities (IDA, 2007:30).

¹³ Interestingly, despite the accusation that China is non-cooperative on bilateral aid initiatives, According to IDA (2007:4) 70 percent of all aid is still bilateral.

¹⁴ For instance, IDA provided Angola with less than 5 percent of ODA from 2001-2004.

¹⁵ The Paris Declaration of 2005 was targeted at harmonising donor endeavours in order to streamline aid initiatives. See (IDA, 2007:24).

¹⁶ According to IDA (2007:39) 42 percent of DAC ODA remains tied.

Following the lack of delivery from infrastructural projects, donors, as described above rejected such initiatives, focussing more on healthcare and education. However, in recent years, infrastructure has once again become *en vogue* in development circles. The World Bank published an influential report (Foster & Briceño-Garmendia, 2009) estimating that the African continent required US\$ 93 billion annually in infrastructure spending to catch-up to the West. This is an implicit endorsement of infrastructure spending. Various infrastructure funds have been created to look at the problem such as the Emerging Africa Infrastructure Fund (EAIF)¹⁷. China's own development was state-led public infrastructure spending and investment (Stern et al, 2008: Paris, 30)¹⁸; furthermore, China's approach to development assistance is largely in favour of infrastructure spending, and has been welcomed by African governments. China's approach has gone some way to swing the pendulum of opinion back to spending on infrastructure.

Browne (2006) argues that much Western development assistance has been misdirected. He points out that aid from such countries as the United States can be used as a proxy for 'what many are describing as a new form of imperialism' (Browne, 2006:11). It is significant that this is precisely what Western donors are accusing China of. Ironically, Western countries use such accusations to isolate China's development aid mechanisms from the West's own such structures, with the implicit assumption that Western aid is more 'beneficial'. This discourse therefore has significant bearing on understanding not only whether China is acting in a neo-imperial manner in Africa, but why it should be accused of so doing and by whom. China uses aid to accumulate influence; it also counter-balances what Browne (2006:11) terms 'rich country aid'. Implicitly, this identifies the political nature of development assistance regardless of its source. As Mathisen (1971:207) warns, despite weak countries looking to great powers with which they have an alliance as benefactors, the

¹⁷ Established in 2002, the EAIF is a public-private partnership initiated by the UK Department for International Development (DFID) to provide 'long-term debt finance for the construction and development of private infrastructure in sub-Saharan Africa' (see <http://www.dfid.gov.uk/Working-with-DFID/Funding-opportunities/Countries-and-regions/EAIF/>)

¹⁸ Indeed, although a popular misconception is that China's growth was driven by foreign direct investment, 95 percent of investment in China is domestic, largely public sector spending (Mahon, 2006:1).

latter should be seen as 'selfish creatures'. Such discourse forms the backdrop to perceptions of China's relations with African countries, particularly those with considerable need for development, such as Angola.

1.2 Contextualising China-Angola relations

Angola, together with Portugal's other former colonies achieved independence in 1975. Prior to decolonisation and in the years following, during Angola's subsequent civil war, China at various times supported several of Angola's political parties including the *Movimento Popular para a Libertação de Angola* (MPLA), the *Frente Nacional para a Libertação de Angola* (FNLA) and the *União Nacional para a Independência Total de Angola* (UNITA) (Taylor, 2006). In the 1960's Jonas Savimbi and several UNITA guerrilla soldiers were offered training at China's Nanking academy¹⁹. One Angolan academic suggested that UNITA became China's favoured movement because Savimbi's guerrilla tactics were similar to Mao's 'revolution from the countryside', whereas MPLA was a much more urban-based elite-dominated organisation.²⁰ However, such ideological proximity was doubtless overplayed in order to reinforce a mutually convenient relationship as the MPLA's already strong Soviet links precluded China's support following the Sino-Soviet split. China's links to FNLA were brokered by Mobuto's Zaire and Beijing later also gave direct military assistance to Holden Roberto's movement from 1974-1975 (Guimarães, 2002:158). China's early engagement with these movements was thus rather confused, propelled as it was by the China's primary motive of countering Soviet influence in the third world (Jackson, 1995:389).

Taylor (2006: 81) places some importance on China's earlier role in Angola, as support of UNITA in unwitting alliance with apartheid South Africa cost China dearly in diplomatic terms. Desphande and Gupta (1986:46), concur that China's early intervention in Angola was calamitous for China's relations with African countries in the 1960's. Apart from violating China's sacrosanct principle of non-interference, China's *de facto* alliance with a

¹⁹ According to Guimarães (2002:79), Savimbi's guerrilla operations began with his Nanking-trained 'Chinese Eleven' Angolan soldiers

²⁰ Interview, university professor, Luanda, 28 April 2010

racist white-minority government drew heavy criticism from even China's closest allies on the continent. Jackson (1995:389) argues that China viewed the conflict in Angola as a manifestation of Cold War polemics and did not recognise the internal impetus for rivalry between Angola's liberation movements nor the broader regional context in Africa. As such, China severely misjudged the impact of its disastrous involvement in Angola's protracted civil war and was only able to normalise relations in 1983. This historical background added impetus to the Chinese government's willingness to reach an economic agreement in favour of Angola years later, in order to make up for China's messy involvement in Angola's civil war.²¹

Snow (1986:77) however draws attention to the fact that despite China's infamy in supporting UNITA, the MPLA's first crucial, albeit limited, funding came from China. The first contact between the MPLA and CCP was at Conference of the Afro-Asian Peoples Solidarity Organization (AAPSO) held in Guinea Conakry in April 1960. Following an invitation from the CCP, Mário Pinto de Andrade, the MPLA President, Viriato da Cruz, MPLA Secretary General, and Lúcio Lara, visited China in August 1960. They brought back crucial funding for the nascent independence movement. The MPLA leadership actually experienced a schism as to whether to ally with Soviet Russia or Communist China. Viriato da Cruz, one of the founding fathers of the MPLA was ousted as a result of the decision to follow Moscow. He fled to Beijing, where he died in exile in 1973 (Pinto de Andrade, 2007:3). It is suspected that the liberation movement turned to the USSR in order to access more advanced weapons technology than those available from China.

The existence of prior early links allows Chinese and Angolan officials to gloss over China's rather inconvenient support of the Angolan incumbent regime's mortal enemy, UNITA, over a period of time. Politicians from both countries also liberally refer to a long 'history of relations' between the two countries, despite the fact that Angola's official bilateral contact with China has not been as extensive as that of other African states.

²¹ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009

The MPLA established official relations with the CCP in 1980, three years prior to China's official recognition of the new Angolan government on 1 January 1983 (Davies et al, 2009:7). Party-to-party relations have become a more prominent feature of China's relations generally (Shinn and Eisenman, 2008:2), but are significant in this case. In many instances, the party structure of both countries supersedes those of the government (Jakobsen and Knox, 2009:1; Messiant, 2007). It would have been a prerequisite to official governmental relations being subsequently established.

A bilateral commission between the two countries was set-up in 1988 although due to the disruptions caused by the on-going civil war, its inaugural meeting was only held in December 1999. After this, sessions took place more regularly; the next occurring in May 2001 and then in March 2007 and March 2009²² (Alves, 2010a:5).

The end of Angola's civil war in 2002 provided an opportunity for closer interaction between China and Angola. In the same year, China Construction bank and China Exim Bank made US\$ 145 million available in financing for Chinese companies operating in Angola (ERA, 2009:81). From the late nineties, the Chinese language business journals were full of the economic opportunities waiting for Chinese companies in Angola (See Zhang, 1998; Huang, 2002, 2003). The telecommunications company Shanghai Bell signed an agreement with Angola Telecom worth US\$ 60 million to expand and optimize the existing network. Furthermore, in 2004, Shanghai-based China Overseas Engineering Corporation completed the construction of the Luanda General Hospital (An, 2008:21). Bilateral relations reached a new height when on 26 November 2003, the Chinese Ministry of Foreign Trade and Economic Co-operation (MOFTEC²³) signed a framework agreement with the Angolan Ministry of Finance that would form the basis of Chinese state lending to the Angolan

²² See Appendix 2.

²³ MOFTEC was later restructured that year to become the Ministry of Commerce (MOFCOM) (Brautigam, 2009:107) and will subsequently be referred to as such.

government²⁴ (ERA, 2009:91). The following year, during a visit of Vice Premier Zeng Peiyan to Angola, it was announced that China Exim Bank would lend US\$ 2 billion to the Angolan government to finance the country's reconstruction efforts. An Angolan Ministry of Foreign Affairs called the credit lines the 'key point'²⁵ of the relations between the two countries. These loans have been increased several times and will be discussed in more detail in Chapters 3 and 4.

The early 21st century marked a new phase of bilateral interaction, focusing on the increasingly economically driven and pragmatic relations between China and Angola as described by Campos and Vines (2007) and Corkin (2008b), particularly as regards Angola's plans for post-war reconstruction Burke & Corkin (2006). Angola is currently China's largest African trading partner, primarily due to China's hunger for crude oil. Indeed, the ruling party now has strong ties to Beijing due to China Exim Bank and several other Chinese financial institutions' sizeable loans to the Angolan government. Thus, in the so-called 'new type of China-Africa strategic partnership' (He, 2006:5) China has only been a serious commercial actor in Angola since approximately 2004 (Corkin, 2008d: 110).

A Ministry of Foreign Affairs official described Angola's relations with China in the following manner: 'Today bilateral co-operation is excellent. We have privileged relations with China. The relations are characterised by rapid evolution, established and strengthened by the two governments.'²⁶ These sentiments are reflected in almost exactly the same words by the Chinese Ambassador Zhang Bolun speaking before the beginning of the fourth Bilateral Commission in March 2009 (Dai, 2009). As with most official diplomatic rhetoric, both claim a flawless relationship and no hint of the challenges both sides faced in negotiating Angola's finance from China Exim Bank.

²⁴ According to ERA (2009:81) it was stipulated that the loan could reach up to US\$ 10 billion, 'until the of the reconstruction period.'

²⁵ Interview, Angolan Ministry of Foreign Affairs, 11 May 2010.

²⁶ Interview, Angolan Ministry of Foreign Affairs, Luanda, 11 May 2010.

1.3 Angola's Political Elite: The Rise of the MPLA

In order to understand the set of Angolan political actors which negotiated with China, it is important to understand their historical context. Angola's current ruling party, MPLA,²⁷ was formed in 1956 and largely drew its support from intellectuals, educated, urban-based Mbundu and Afro-Portuguese²⁸. The parties that would become their political opponents FNLA formed in 1962²⁹ under Holden Roberto to champion Northern-based Bakongo political ambitions³⁰ (Legum, 1976:10); whereas in 1966 Jonas Savimbi, formerly a key FNLA leader, broke away to establish UNITA; garnering most of his support from his ethnic group the Ovimbundu. During the war for independence therefore liberation movements formed and consolidated approximately along ethnic lines. This was by no means however, the overriding factor that determined party affiliation. Hodges (1976:49) maintains that ethnic divisions were exploited to drum up support for the deeply divided leaderships of the three liberations movements. Similarly Cilliers (2000:1) remarks that these divisions were among the movements' leadership specifically rather than amongst Angolans in general. Indeed, all three movements were led by figures who increasingly centralised political control and ultimately refused to share power.³¹ Marcum (1975:4) provides a more nuanced picture, contending that the parties' leadership and support bases were distinguishable by variances ethnic origin, cultural, class and racial stratification which led to entrenched divisions between the liberation organisations.

1.3.1 The *Assimilados* and the question of legitimacy

Colonial Portugal throughout the occupation of her African territories, practiced a policy of assimilation, whereby native Africans, *indígenas*, could acquire certain civil rights by proving

²⁷ According to Sogge (2011:85) the MPLA has discarded the name 'Popular Movement for the Liberation of Angola', but retains the acronym as a name.

²⁸ The Afro-Portuguese is the term given to mixed race descendants of Portuguese settlers who retained Portuguese cultural, language and identity.

²⁹ FNLA was a united front formed by three political parties but dominated by the leadership of Holden Roberto, the leader of the largest party in the alliance, *União dos Povos de Angola* (UPA).

³⁰ Holden Roberto, the leader of FNLA was in fact a kinsman of Mobutu Sese Seko by marriage and received support from Zaire throughout Angola's civil war (Legum, 1976:10).

³¹ Ironically, it was Holden Roberto's refusal to delegate authority within the FNLA that led in part to Jonas Savimbi breaking away from this party to form UNITA (Guimarães, 2002:78), of which Savimbi himself became a notoriously despotic leader (Tandon, 1988:2606).

they were fluent in Portuguese, literate and without a criminal record, hence becoming *civilizado* or *assimilado*. This fed a theory of 'lusotropicalism', whereby the power of the Portuguese culture was seen as a civilizing force, perpetuating the myth of multi-racial utopias in Portuguese colonies³² (Marcum, 1969:319). However achieving *civilizado* status was often arbitrary and it served to drive a wedge between black Angolans and mixed-raced *mulatto* or *mestiço* Angolans (considered automatically assimilated by virtue of blood), as well as deepen the divide between rural and urban communities (Marcum, 1975:6).

These deep-rooted suspicions were exploited by Roberto's FNLA and Savimbi's UNITA, who both claimed to better represent Angolans' cause as black Africans, deriding the privileges received by (mixed-race) *mestiços* and educated black Angolans (most of which flocked to MPLA) under Portuguese colonialism. Guimarães (2002:46) suggests that both leaders feared domination by the MPLA intellectuals. Nevertheless, their accusations laid bare an MPLA vulnerability in terms of their legitimacy as a genuine African liberation movement, representative of Angolans.³³ Although the MPLA denounced mistrust of mulattoes as racist, (Marcum, 1969:161) the over-representation of whites, *mestiços* and *assimilados* in MPLA leadership continued to haunt the party.³⁴ Indeed in 1963 the newly established Organisation of African Unity (OAU) recognised Roberto's FNLA and its precociously formed *Govêrno Revolucionário de Angola no Exílio*³⁵ (GRAE) as sole legitimate party fighting for Angolan self-determination. By 1971, due to MPLA's skilful manoeuvring, these fortunes had been reversed and MPLA was considered the dominant anti-colonial force in Angola (Guimarães, 2002:72). Nevertheless, the question of MPLA's legitimacy was never conclusively resolved, resting on external endorsement, rather than domestic support. This issue will be returned to in later sections.

³² According to Guimarães (2002:25) less than 5 percent of the local Angolan population ever achieved *civilizado* status.

³³ Marcum (1969:29) and Guimarães (2002:45) both point to inconsistencies in the stories of how the MPLA was established, and both suggest that history was rewritten in order to lay a stronger claim of legitimate leadership of the anti-colonial struggle with genuine Angolan roots; respectively commenting on the omission of the influence of the Portuguese Communist Party and the fact that the movement was first established in Paris.

³⁴ Neto was himself married to a white Portuguese woman, and his successor dos Santos to a Russian (Marcum, 1976:412). Later in 1977, an attempted coup of MPLA leadership led by Interior Minister Nito Alves, a black Angolan, was in part directed at the party's high-ranking mulattos.

³⁵ Revolutionary Government in Exile.

1.3.2 The Decolonisation Struggle

The wealth and prestige of overseas colonies was perceived as a survival imperative for Salazar's regime, and equally for that his successor Marcelo Caetano's *Estado Novo*. However, after Caetano was toppled in a coup, known as the Carnation Revolution, in 1974 decolonisation was hastily arranged. The Alvor Peace Accords signed on 15 January 1975 were supposed to see political power officially handed over from Portugal to a coalition government of all three major liberation parties in 1975, to be followed by elections (Heywood, 2000:189). However, mutual suspicion between the liberation movements, combined with Portugal's inability to provide decisive and non-partisan³⁶ oversight of the decolonisation process, gave rise to a power struggle amongst the Angolan parties. In the power vacuum left by the rushed Portuguese withdrawal, the violence escalated. MPLA, with Soviet support, sought to consolidate political control through force, as control via elections did not necessarily guarantee outright power.³⁷ They were opposed by FNLA and UNITA covertly aided by the US and China (Marcum, 1975:7). With South Africa joining the anti-MPLA forces in October 1975, UNITA and FNLA were able to overturn MPLA's previous military advances, but could not oust them from Luanda by the officially agreed date of independence, 10 November 1975. MPLA's Dr President Agostinho Neto unilaterally declared the establishment of the People's Republic the following day and was swiftly recognised by several communist countries and Brazil (Guimarães, 2002:111). Furthermore, UNITA's military assistance from apartheid South Africa backfired by lending MPLA the moral high ground in defending themselves against forces allied with a racist country. Influential African states such as Nigeria and Tanzania switched their support from FNLA and UNITA to MPLA (Ogunbadejo, 1981:265). Indeed South African support of UNITA was decisive in shifting enough support for the OAU to recognise the MPLA government in February 1976 (Daddieh & Shaw, 1984:37).

³⁶ According to Heywood (2000:189), the Portuguese colonists preferred handing power over to an assimilated Portuguese-speaking elite rather than Umbundu-speaking groups from the interior. A more charitable interpretation is that the Portuguese preferred to see power handed to a party that transcended ethnicity and MPLA was the only party that could credibly claim to do so (Malaquias, 2000:106)

³⁷ According to Heimer's estimations (1979:260) UNITA, with the support base of the Ovimbundu, Angola's largest ethnic group, would probably have achieved a relative majority of 40-45%, against MPLA's 35-40% and FNLA's 20%.

The party, cognisant of their weakness in drawing support from predominantly the minority urban-based Mbundu and *assimilados* (Cornwell, 2000:52), campaigned to increase their support base by promoting a modern form of Angolan nationalism '*homen novo*' (Heywood, 2000:202). Leaving nothing to chance, Angola was also declared a one-party state shortly after independence. This plunged the country into civil war. The context of the Cold War polemics allowed each political party to consolidate external assistance.³⁸

1.3.3 Fair-weather Marxists?

The President of the MPLA, Dr Agostinho Neto, and several other party leading lights such as Mário Pinto de Andrade and Lúcio Lara maintained initially that the MPLA was non-aligned (Hodges, 1976:49), despite FNLA accusations to the contrary. Indeed Heywood (2000:183) suggests sharper ideological positions were only formed in the context of the Cold War in order to garner stronger support from external allies by conforming to Cold War polemics. However, Marcum (1969:254) and Guimarães (2001:61) both argue that MPLA intellectuals were truly Marxist, but prior to 1964 attempted to appear non-aligned in order to garner broader international support, particularly from the vehemently anti-communist US. This demonstrates a pragmatic approach geared towards maximising the potential gains of external assistance.

Equally pragmatically, the MPLA later used Marxism-Leninism as a guiding ideology both to deflect class-based criticisms against the Afro-Portuguese (Newitt, 2007:74) and because it was a popular conceptual vehicle for independence movements, reflecting the revolutionary zeitgeist of the times (Guimarães, 2002:170). Marcum (1969:27) further suggests that Portugal's political oppression had led to the radicalisation of Angolan opposition. Furthermore, from the mid-1960's identification with Marxism ensured allies in USSR and other communist states (Messiant, 2007:107). MPLA was thus Soviet-backed, whereas

³⁸ For more detailed analysis, see Legum (1976).

UNITA was supported by the US and apartheid South Africa. FNLA received support from US, China and Zaire.

1.3.4 Internal Party Rivalry

Bayart *et al* (1999:21) contend that 'political life in Africa consists first and foremost of the management of factional intrigues for personal interest.' The MPLA has also faced serious rivalries from within the party, often with severe consequences (Legum, 1976:11). These have manifested almost since its inception. In 1962, Dr Agostinho Neto escaped imprisonment in Portugal to join the MPLA in Kinshasa (then Leopoldville), where the movement was then based, in order to take up his presidency, which had until then been honorary (Marcum, 1969:299). In December that year, the MPLA held the conference that resulted in the ousting of Viriato da Cruz, then party secretary general, and the consolidation of party control under Neto. It has variously been suggested that a combination of factors led to da Cruz's ousting: was too overtly Marxist (Marcum, 1969:318), too 'white' (he was mulatto) (Guimarães, 2002:59) and too pro-China (versus in favour of the USSR) (Pinto de Andrade, 2007:3), but it is clear that his perceived threat to Neto's leadership were what ultimately removed him from power within the party.³⁹

A more dramatic internal threat occurred 15 years later. In late 1976, it became clear that Nito Alves, the Minister of the Interior, had garnered support within the party through his opposition to several government policies (Fauvet, 1977). A failed coup attempt by Nito and his supporters unleashed a bloody party purge that went on for three years. As Ogunbadejo (1981:257) points out, while Neto's restructuring eliminated what he considered to be the elitist forces of bureaucracy, it also conveniently removed anyone who might threaten his authority from a position of power. The president constantly emphasised 'party unity' largely due to the level of factionalism inherent in the party. By the time Eduardo dos Santos,

³⁹ Da Cruz's expulsion from MPLA was unfortunately timed as it occurred days before an OAU delegation visited Leopoldville (now Kinshasa), to assess candidates for official recognition. Da Cruz's vehement denunciations of MPLA leadership and subsequent application to FNLA gave an impression of a divided and disorganised movement, leading OAU to support FNLA and almost leading to MPLA's demise (Guimarães, 2002: 70).

formerly Minister of Planning⁴⁰, was appointed MPLA President on Agostinho Neto's death in 1979, presidential powers had been increased significantly. Dos Santos' appointment made him automatically head of state and Commander in Chief of the armed forces (Somerville, 1986:56). Another purge, albeit of a lesser magnitude occurred in 1983, strengthening dos Santos' hold on power (Somerville, 1986:103).

The consolidation of MPLA political power has largely occurred within the context of protracted civil war. Both Marcum (1988:15) and Rothchild and Hartzell (1991:57) suggest that a series of attempted settlements were signed through external pressure, but failed through a lack of conviction on the Angolan parties. This underlines the agency of the Angolan parties in frustrating attempts at conciliation, even if these were led by powerful external powers.

In December 1988, accords were signed leading to the withdrawal of Cuban troops and the disengagement of South African forces from Angola. The Gbadolite Declaration of 22 June 1989, brokered by Zairean President Mobutu Sese Seko saw the first direct contact between dos Santos and Savimbi was supposed to lead to a peaceful resolution of the conflict, but soon broke down (Rothchild and Hartzell, 1991:46). As the Cold War drew to a close, a brief ceasefire occurred between early 1991 and late 1992 (De Beer and Gamba, 2000:81). The peace agreement was signed in Bicesse, Portugal in May 1991 under the eyes of the United Nations and the so-called troika of the US, USSR and Portugal, the three foreign powers with the most vested interests in the conflict (Hodges, 2004:12). An insufficient UN presence (UNAVEM II⁴¹) could not prevent voter intimidation and accusations of election irregularities (Mills, 2006:126). Nevertheless, Angola officially became a multi-party democracy and elections were held in September 1992, with MPLA winning 53.7 percent of the parliamentary vote against UNITA's 31.4 percent and FNLA's 2.4 percent (Orre, 2010:5).

⁴⁰Of interest is the fact that when the positions of Prime Minister and vice Prime Minister were abolished by President Neto at the end of 1978, dos Santos, who had been a Vice Prime Minister at the time, was made the Minister of Planning (Ogunbadejo, 1981:257). This made him overall co-ordinator of economic policy co-ordination (Somerville, 1986:133)

⁴¹ UNAVEM I had overseen the withdrawal of the Cuban forces between 1989 and 1991.

More controversially, dos Santos won 49.6 percent of the presidential ballot versus Savimbi's 40.1 percent (Orre, 2010:6). This result required a run-off, as no candidate received an outright majority. However, Savimbi rejected the result⁴² and civil war quickly resumed. This was largely facilitated by the fact that mutual distrust had ensured that neither MPLA nor UNITA has demobilised regardless of prior pledges to do so. The short-lived Lusaka Accords brought about a temporary cease-fire in 1994, but this soon broke down into renewed conflict. Of consequence is that given the suspended result of the 1992 elections, dos Santos was never officially elected, although he remained state president (De Beer and Gamba, 2000:81).

Civil war came to an end following the death in combat of Jonas Savimbi in 2002. However, the MPLA procrastinated until 2008 to hold parliamentary elections, with presidential elections postponed indefinitely. The MPLA won a landslide victory of 191 from 220 parliamentary seats, representing an 87 percent majority. On the strength of this, parliament voted in a new constitution, ratified in 2010 which allowed the president to be indirectly elected via parliament, ensuring dos Santos' retention of power. Under the new constitution he could theoretically remain head of state until 2022. This means that President Dos Santos has never been directly and conclusively elected to his office by the Angolan electorate despite his control of power in Angola. This has implications for his legitimacy as a leader, which will be discussed in more detail below.

1.4 Conceptualising African Agency

Although frequently overlooked in the context of China-Africa relations, the concept of African agency has its roots in the work of several scholars who have considered the very survival of post-independence African states in the international system a manifestation of their agency.

⁴² As observed by (Newitt, 2007:84) Savimbi, as with all the other party leaders, saw the Angolan independence struggle and fight for political dominance as 'zero-sum'. Furthermore, as his ethnic support base, the Ovimbundu, were a large segment of the population (35-40 percent) and he believed this should have carried him to victory (Malaquias, 2000:102). As such, first-past-the-post (FPTP) was a poor choice of electoral format in this context.

1.4.1 Sovereignty and statehood

Jackson and Rosberg (1982:22) distinguish between *de jure* (negative or externally derived) and *de facto* (positive or internally derived) statehood and argue that it is the former that has ensured the persistence of some African states. While these states may not conform to the Weberian (1964:156) definition of a state, which demands empirical evidence of the monopoly of force over a territory and population; African states' recognition and acceptance by the international community has conferred on them legal equality with other states and certain unalienable rights and privileges, regardless of relative political and economic power. This leads to what Clapham (1996a:12) has termed 'the gap between the myth and reality of statehood'. African states have successfully used this membership of the 'sovereignty regime' to ensure their self-preservation. Given the artificiality of the states, defined as they had been by colonialism in most cases, these 'improbable candidates for survival ... have often done better than might have been expected' (Clapham, 1998:263).

Kremenjuk (1991:23) notes, the main currency in international negotiations is sovereignty. Consequently, recognition by the outside world affords political elites access to state monopoly on economic rents such as international trade, establishment of official exchange rates and import licenses among others (Clapham, 1999:527). Indeed, political elites define their role by brokering internal resources and striking further bargains in the international arena. They thus marshal external support and resources to maintain domestic control, through their monopoly of foreign relations (Clapham, 1996a:62). In this way, they have effectively subverted formal sovereignty in the right of people to govern themselves (accorded African states during decolonisation) as a mechanism to maintain internal control (Clapham, 1996a:268).

In this manner sovereignty conferred on states gave political elites the right to represent their people and act as intermediaries for them with the international community, regardless of whether the government in question was in fact legitimately representative of the people. Clapham (1999: 530) argues that using sovereignty garnered in this way as an

ideology for state power is fragile, dependent as it is on the tacit acceptance of both the international community and that of domestic constituencies. A paucity of internal legitimacy inevitably leads to an over-reliance on external legitimacy.

Angola's nascent independence movements placed a great deal of importance on being recognised by OAU, as this provided access to financial resources to support their party and was in itself a foot in the door to recognition as legitimate government post-independence by the outside world. As a result the political contenders were constantly challenging each other's legitimacy as representatives of the Angolan people, in order to try to claim a monopoly on such legitimacy and hence sovereignty. Such conflicts between FNLA, UNITA and MPLA went further than the politicisation of ethnicity; they represented challenges to the parties' actual survival as political organisations. However, OAU recognition in 1976 of the MPLA state structures as the sole legitimate government of Angola lent credence to the latter's claim that its rivals were illegitimate tribalists and rebels (Clapham, 1985:20). Ironically, such rhetoric was less for the benefit of the Angolans themselves, but to reinforce and defend their legitimacy in the eyes of the international community. The MPLA government has continued to define its legitimacy largely through external means.

1.4.2 Extraversion

The International community conferred the MPLA government its statehood. As a consequence, their sovereignty, as with other African states', is externally derived and they are dependent on exogenous factors for continued recognition (Clapham, 1996a:7). However, Bayart et al (1999: xvi) maintain that this external dependence, far from implying a submissive role for the African political actors, is in fact intentionally maintained by them. The nature of this relationship allows the African political elites to act as a bridge between the international actors and the populations, perfectly placed to take a cut from these transactions (Clapham, 1996a:26). Whilst multinationals and external powers are painted as the villains in this relationship, they are in fact the mechanism through which the political elites extract economic rents from the country's internal resources and forge and maintain a

clientelistic relationship with the outside world (Clapham, 1985:183). There is thus a symbiotic relationship between the political elite and transnational business interests, whereby the former can extort benefits from latter, as much, if not more so, that the other way around (Clapham, 1985:97). Thus it is in the interests of both the African government and the external powers to maintain the structure of the mythological state (Clapham, 1985:116). This form of interaction is very evident in Angola given the political elites' brokering of Angola's oil resources with the international petroleum regime and oil multinationals, and is the subject of further discussion in later chapters.

Fundamentally, African agency rests on the fact that African elites can manipulate the external world and adapt it to their needs (Clapham, 1985:5). This simultaneous dependence on and subversion of external forces is best encapsulated by Bayart's (1993:74) concept of 'extraversion', whereby the monopoly of access to foreign influence and capital is used as a tool to maintain internal power. Thus African elites have exploited their 'weakness' in the international system to bolster their position. This is the case both in a legal sense through externally derived sovereignty and in a commercial sense through the acquisition of internationally derived economic rents.

In Angola's case this is important, as external relations have been the MPLA political elite's source of power since their assumption of government.⁴³ Ever pragmatic despite ideological pronouncements, when the MPLA assumed control of the government in 1975, following the prescriptions of the guiding ideology of Marxism-Leninism, the MPLA nationalised land and industry (Ferreira, 2002). This was in order to be able to take up property left by the fleeing Portuguese and to break the backs of the rich landowners so they could not present a viable 'power centre' from an independent economic base. It also allowed the state to bring the externally focussed economy under indigenous control (Clapham, 1985:105). Notably however, property owned by foreigners was left untouched if they were prepared

⁴³ This is evident throughout Angola's history, beginning with trade relations between Angola's pre-colonial coastal elite and foreign powers (Newitt, 2007:47). Even in pre-colonial times and during Portuguese occupation Angola's coastal-based elite drew their economic power from relations with external forces, in previous cases through trade (Chabal and Vidal, 2007:6).

to work with the new government. This indicates that while the MPLA was intent on eliminating domestic threat to political power, they maintained astute relations with foreign investors.

Extraversion was also clearly manifested in African states' behaviour during the Cold War. Clapham (1996a:135) asserts: '...African leaders were not always as powerless in the face of the superpowers as a crude comparison of relative capabilities would suggest.' Indeed, African leaders had a freedom of action in the bipolar nature of the world and juridical sovereignty enhanced this. Clapham (1996a:139) maintains that the superpowers did not so much impose themselves on the various parties to proxy war conflicts as they were 'sucked into them', regarded merely as a resource via which the African actors could enact their own battles, while paying lip service to the causes espoused by their patrons. Of course, although alignment with one superpower delivered tangible economic rewards, non-alignment was diplomatically preferable (Clapham, 1996a:64). This in part explains the initial reluctance of the MPLA to announce its Marxism to the world, thus aligning itself to USSR, before the imperative to garner material support for armed conflict made this a necessity.

From an economic perspective on extraversion, the MPLA was sustained throughout the civil war by revenue from oil, which was exploited by Cabinda Gulf Oil Company (CABGOC), owned by US oil major Chevron, despite the fact that Washington officially supported the opposition UNITA. Soares de Oliveira (2007a:155) points out that the recognition of the MPLA government, as is the case with many 'successful failed oil states' hinges on the fact that the very exploitation of oil requires that the host area have a sovereign government with which the oil investors can make the required transactions. As such the MPLA benefitted from the international system substantially, essentially pointing to their having 'won the war via international extraversion'. The end of the Cold War had also led to a disillusionment of Savimbi, combined with MPLA's successful campaign to demonise him (Messiant, 2007:258). Global initiatives such as the Kimberley Process, which prevented the sale of so-called conflict diamonds or 'blood diamonds' were instrumental in cutting off Savimbi's access to capital, as he was supported by international trade in alluvial diamonds,

much as the MPLA was supported by oil. Messiant argues (2008: 298) that through the civil war the MPLA successfully manipulated the international community (itself willing to be manipulated in the context of the Cold War). As with other oil-state elites, their interests were completely externally directed (Soares de Oliveira, 2007b: 82). Indeed, Shaxson (2007:49) notes the supreme irony that during one of the hottest battles of the Cold War, the US-operated oil rigs exploited oil in collusion with the Marxist MPLA; were guarded by Cuban troops against US-funded guerrillas and the oil revenue used to purchase Soviet weapons. Both van de Walle (2001) and Chabal (2007) point to the fact that the manipulation by Angolan political parties of such external actors is routinely underestimated, once again denying the role of African agency in prolonging the conflict in order to accrue economic benefits. The dominant and extroverted nature of the Angolan government was thus solidified during three decades of civil conflict during which time an all-encompassing war was used as an excuse for distracted governance and a cover for elites with access to oil and other rents to amass fortunes.

The emergence of structural adjustment programmes (SAPs) in the 1980's was also testament to the African elites' ability to pursue their own ends. The fiscal austerity measures imposed upon African countries, by their nature required the buy-in of the political elites whose privileged position would be compromised by these reforms (Kahler, 1993:376). The utter failure of the programmes was due to the African actors' ability to manipulate and frustrate the 'would-be interveners' (Clapham, 1999:535). Interestingly, Angola was one of the few African countries who refused to even submit to a SAP (Clapham, 1996a:170). Instead, quick off the mark in exploiting the emerging polarity between the West and China, MPLA government brokered alternate and less conditional financing from Beijing.⁴⁴

⁴⁴ It is a moot point as to whether Angola would have submitted to an IMF programme had financing from China not been forthcoming. As discussed in later chapters, Angola signed a loan agreement with IMF in 2009 and, as will be discussed, in just as skilfully avoiding the sorts of fundamental reforms that would threaten the political elite.

1.4.3 African Agency in China-Africa Relations

While the end of the Cold War removed African countries' strategic position vis-à-vis the superpowers, China's commercial challenge to Western interests in Africa has renewed African governments' potential to leverage their position (Taylor, 2006:12). (This is explored more fully in Chapter 2.) This raises the thesis proposed by Clapham (2008:366) that China will merely become the next in a long line of actors to be channelled by African elites for their own political agendas.

Even the mainstream media has recognised that African governments have become more discerning generally in their engagement with China (Russell and Green, 2008; Faucon and Swartz, 2009; Wallis, 2010). Indeed, Cargill (2010:22) recognises that African countries are playing a more assertive role in international relations generally. This is in part due to the increased leverage afforded African governments against the West by emerging powers such as China. As Chan (2008:347) notes: 'Being courted is a prelude to being taken seriously'. Certain African countries have been able to 'play the China card' well. This has involved soliciting renewed interest from foreign powers. Strengthening relations with China has thus altered the dynamic of their relations with other countries. Still others have managed to successfully use the leverage this has afforded them, to use China to balance the influence other countries have on their political economy. Angola has successfully managed both, as I will demonstrate in later chapters.

One Chinese scholar took exception to the fact that I even suggested African agency had not always been present:

'... Western scholars say that the relations are often driven more by China, actually Chinese scholars always emphasise that China has always operated within a framework of equality. African countries are considered equal and China believes in the idea of mutual benefits. In fact firstly, China's foreign relations are based on the Five Principles of Peaceful

Co-existence developed in relation to India, and contained within in these principles is the consideration of political equality. Secondly during the reform and opening up period, mutual benefits were emphasised – drawing on political and economic equality. Therefore Angola is an example of this relationship, but not the exception.’⁴⁵

It is clear from this statement that China, itself a country most defensive of its sovereignty, has chosen to emphasise the *de jure* equality of sovereign states in the international system. *De facto* equality, given China’s economic and political clout relative to African countries is of course another matter. As Raine (2009:191) points out: ‘The danger here is that China’s government might fail to look beyond its own rhetoric about equal engagement with Africa to acknowledge the practical reality that many of these relationships are far from equal...’

One of the common short-comings of many early analyses is that, in their eagerness to uncover broad trends and patterns in the development of China-Africa relations, researchers treat both ‘China’ and ‘Africa’ as singular units. Although this plays well to the incorporation of conceptualising ‘China as the biggest developing country and Africa the biggest group of developing countries’ (Hu, 2006), it masks the diverse regional contexts found within both China and Africa. It has more recently been recognised that an attempt to tackle ‘China-Africa’ is too broad a scope to render any analysis meaningful (Asche & Schüller, 2008:55). Alden *et al* (2008) also make a determined effort to steer clear of generalised analyses.⁴⁶

It is important to recognise that talking about ‘African’ agency as an undifferentiated unit is meaningless in the context of this research. Not only do different African countries, on a bilateral level, have different capacities to negotiate with China effectively (Jackson and Rosberg, 1982:7), but, as is the case with the Chinese state, each African state is made up of

⁴⁵ Interview, Chinese research institute, Shanghai, 17 September 2009

⁴⁶ Alden *et al* (2008) show case in-depth niche studies as evident in Carling & Østbø Haugen and Hsu’s contributions entitled respectively ‘Mixed Fates of a Popular Minority: Chinese migrants in Cape Verde’ and ‘Medicine as Business: Chinese Medicine in Tanzania’ respectively to Alden *et al* (2008).

various different sets of actors. The Angolan political elite, acting as intermediary with China through its defined foreign policy is similarly factionalised and subject to domestic pressures and tensions. As Woolcock (2007:22) notes, realist perspectives that assume the unitary nature of the state are overly reductionist. Underdal (1991:106) expands on this: 'Modelling the state as a unitary actor is likely to lead us to overestimate the willingness or the capacity of governments to pursue 'net national gain' by sacrificing the welfare of one group or sector of society for that of another'.

As Obiorah (2008:2) notes, African agency within the context of China-Africa relations is often overlooked. Furthermore, although African agency has entered debates, it is almost always a question of 'how far African states are able to hold up their national interests'⁴⁷. This implies the assumption that the actors of African states, primarily the political elite, will act in the 'national interest'. While they may profess to do so, it must be borne in mind that it is often they who define the national interest, almost certainly to their own advantage and often to the detriment of other domestic actors not within their sphere of influence.

Putnam's (1988) concept of 'two-level games', posits that the interplay of both domestic and international factors in dynamic interaction influences international bargaining. Thus, where actors can simultaneously manipulate a domestic and an international set of policy issues, there emerges what Moravcsik (1993:15) terms 'creative opportunities for statecraft.' This 'dynamic interaction' (Evans, 1993:397) is very much in evidence in terms of the MPLA's (and other Cold War proxies) use of Super power agendas to serve their own domestic needs (Krauss, 1993:291) and is equally valid in Angola's new set of interactions with China. Because the power of the political elites is tied to external relations, the domestic and foreign policy are inextricably linked (Clapham, 1985:113).

⁴⁷ Dr Alistair Fraser, Philomathia Fellow and College Lecturer in Politics, University of Cambridge, Chatham House conference: 'Emerging Agents of Change: African and International Negotiations', London, 2 February 2011.

Luanda's need for financing was closely related to the domestic imperative for national reconstruction in order to bolster the government's internal legitimacy to its people. China, by the same token required energy resources to maintain its economy's momentum for the same reasons of maintaining domestic legitimacy through economic growth.

However, as will be shown in later chapters, both sets of domestic actors have used negotiations with the other country to pursue internal agendas, leading to what Putnam (1988:448) terms 'synergistic issues linkages'. This relates to the fact that domestic and international factors are mutually influential and can 'change the game' for the other side of the board. In the case of Angola, it has been the President's consolidation of economic control by balancing of factions within his own party; in the Chinese government, it has been the tussle between different ministries for foreign policy influence. Thus, it becomes easier to discern a raft of competing agendas underlining once again that assertion that the 'the unitary actor assumption is often radically misleading' (Putnam, 1988:452). I will return to this concept in later chapters.

1.5 Conceptualising Angola as a 'Weak State'

In chapter 1, I drew on the theoretical frameworks of Clapham (1985), Mann (1986) and Migdal (1988) to conceptualise the Angolan state as a 'weak' state internally. It is important to note here that there is a conceptual difference between 'state' and 'regime'; 'state' defined here as the permanent structures of government and 'regime' as the organisation of powers in these structures (Fischer, 1990:428). Angola's political reality is thus a product of the way the state has been organised and power exercised, hence a function of the regime. However, the ruling party MPLA has been in power since Angola's independence, and the country has had the same head of state since 1979. Restricted political participation has led to the growth of an entrenched political elite far removed from the rest of society (Malaquias, 2000: 109). In order to preserve its status, the political elite has successfully collapsed the division between the state and their ruling party's regime (Orre, 2010:8).

1.5.1 Legitimacy and Internal Weakness

Migdal (1988:4) defines the strong state as having the ability to penetrate society, regulate social relationships, extract resources and appropriate them. He assesses state strength in the context of the relationship between the state and society and the relative strength of these sets of institutions in comparison to each other (Migdal, 1986:35). In this case, Angola is a strong state, as the state has a very dominant relationship with society. However, the Angolan Presidency uses tactics Migdal (1988:214) terms the 'politics of survival' in order to retain a grip on power, indicating the very tenuousness of this grip and demonstrating the simultaneous weakness of the regime.

Characterising Angola as a 'weak state' may seem as being at odds with the argument that the Angolan government displays considerable agency in efforts to consolidate its own internal political position. However, this is perfectly aligned to Clapham's (1985:42) definition of a weak state, meaning fragile internal political legitimacy – applicable to MPLA. He distinguishes lack of legitimacy from lack of capacity (considered a characteristic of a 'strong state'), pointing out that an inherent feature of the third world post-colonial state is to be both 'strong' and 'fragile' or weak (Clapham, 1985:39).

Angola's current political reality appears to be an entrenched *de facto* one-party state. However, the MPLA, in power since Angola's independence since 1975, has faced constant threats to its monopoly of political power and internal legitimacy. These have occurred on three levels: intra-party factionalism (discussed above), rural resistance within Angola (galvanised by FNLA and UNITA during the civil war) and intervention from foreign powers. Such challenges to regime point to weak legitimacy, which in many instances have only been countered by renewed external intervention further eroding the regime's domestic legitimacy (Clapham, 1996a:21).

Contrary to Clapham (1999:264) , Migdal (1988:142) does not consider the fragility of post-independent states as path dependent on a history of colonialism. The existence of colonialism and the decolonisation process that followed represented a fundamental change that the actors who became state elites were in a position to exploit (Migdal, 1988:86). Thus although a colonial history is a contributing factor, Angola's current context is ultimately determined by the choices and actions of state elite. Indeed, although Mustapha (2002) claims that Bayart (1993) argues the criminality of the state to be inherent in African politics, I interpret Bayart's (1999:43) argument as an indication of a conscious strategy on the part of certain groups to extract rents through monopolies on commercial relations with the outside world. I therefore argue as does Soares de Oliveira (2007b:129) that the relationship between the Angolan state and its political elite is a product of its specific political history (not the history of 'Africa in general') and the agency of the political elite in manipulating such a context.

In describing state power, Mann (1985:113) distinguishes despotic and infrastructural power, the former referring to 'the range of actions that the elite is empowered to undertake without routine' and the latter the ability to execute them. Using these criteria, I classify the Angolan state as having high despotic power, but low infrastructural power. It is important to distinguish the state as a political space (Mann, 1986:134) from the political elite which are state actors, but not necessarily the state themselves. Although the political elite centralised around the presidency is considerably powerful, the state bureaucracy, aside from the important exception of the state oil company Sonangol⁴⁸, is weak and inefficient. This weakness is perpetuated by design, in order to loosen the institutional framework that would otherwise bind elites and limit their despotic power.

Thus, despite the Angolan political elite's outward show of power, the presidency demonstrates several key characteristics of so-called 'weak states' as defined by Migdal (1988:214) in that dos Santos has prioritised regime survival over the growth of the country.

⁴⁸ Soares de Oliveira (2007a) explores in details rise of Sonangol as a relatively efficient state in the midst of the weakness and chaos of the rest of the Angolan state institutions.

The contradiction of Angola displaying at once signs of a strong and weak state has been commented on several times, leading to the description of a 'successful failed state' being liberally applied to Angola (Soares de Oliveira, 2007a; Sogge,2009).

President Dos Santos, having centralised power around his position and personality faces the dilemma of balancing political stability and economic growth as described by Migdal (1988: 236). Migdal (1988:226) argues that political elites' tactics to retain control of political power does not mean that political elites have never had a social or developmental agenda, merely that the imperative to remain in power has superseded any plans for development. Chief among these is a fear of decentralisation which might give rise to 'power centres' that could ultimately threaten the supremacy of the President and his clique who remain loyal through patronage linkages.

1.5.2 Re-emergence of Cultural Identity as a Vehicle for Political Opposition

Angola, like many post-colonial African states, has multiple regionally-based ethnic groups. The predominance of Portuguese culture and language in the Luanda and other urban centres is characteristic of the fact that most Angolan political elites have stronger cultural links to Europe than their African roots. In the early days, the Ovimbundu and Bakongo particularly viewed UNITA and FNLA as cultural movements that would represent the interests of their respective ethnic groups (Malaquias, 2000:106). Malaquias (2000: 96) argues that as most MPLA cadres were descended from Portuguese and largely intellectuals, they used a discourse of class struggle to mobilise support, whereas UNITA leaders played the race card and 'claimed to represent the "real Africans", sons of the soil, living in the bush, fighting against a wealthy cosmopolitan, better educated urban elite' (World Bank, 2007:12). The consolidation of political identity through the prism of race and culture thus had profound implications for Angola's future as a nation state.

Sogge (2011: 85) argues that 'Urbanised and Portuguese-speaking, most people see themselves no longer chiefly as members of ethnic blocks, but as citizens of one Angolan nation'. This is blatantly not the case. Although UNITA and FNLA have ceased to become viable political threats at the ballot box, the grievances they represent remain. Indeed, Heywood's (2000) study of the political history of the Ovimbundu people points out that traditional forms of political organisation amongst the Ovimbundu re-emerged post-independence and largely thwarted MPLA attempts to remould the Angolan nation-state (Heywood, 2000:182). Chabal (2007:5) argues that the present configuration of power transcends the historical domination of creole families as President Dos Santos forms his alliances pragmatically rather than based on ethnic identity. This is better described as a form of co-optation of elites in order to neutralise possible political threats. From 1978, in order to placate popular demands, Neto deliberately increased the representation of black Angolans in the MPLA Politbureau, a practice continued by his successor (Ogunbadejo, 1981:258). Indeed, as Roque (2011:4) points out, in October 2010 Dos Santos appointed two former UNITA members, both Ovimbundu into key positions: Jorge Rebelo Chicoty as Foreign Minister and General Geraldo Sachipengo Nunda as chief of staff of the armed forces. This caused controversy amongst the MPLA, indicating that the political past of these two figures still matters, but also that the President is sensitive to the need to make small political concessions if he hopes to retain power.

Dos Santos and the MPLA are acutely aware that the interior of the country is not a traditional power stronghold for them. Despite a show of strength in Luanda, MPLA support and power diminish the further one ventures from the capital and certain remote areas are beginning to mobilise cultural movements as a vehicle for political expression (Ruigrok, 2010). In order to combat this, certain practices have been put in place. For instance Orre (2007) documents in some detail how the MPLA has since the end of the civil war been subsidising traditional leaders (*sobas*) in order to win their loyalty. The *sobas* are now openly supportive of the MPLA and were instrumental in garnering support for the MPLA elections (Orre, 2010:12). The implications of this are that the MPLA is rather than abolishing traditional political practices, seeking to co-opt them for their own purposes.

Less resolved is the political situation in Cabinda, the Northern enclave province from which 60 percent of Angola's oil wealth comes is a stronghold for the *Frente para a Libertação do Enclave de Cabinda* (FLEC) which has been agitating for Cabinda's secession since 1963. Although many have disregarded the severity of the political threat, FLEC claimed responsibility for an attack on the Togolese soccer team travelling overland to Luanda for the 2010 African Cup of Nations (COCAN) in January of that year. The incident highlighted the instability rooted in ethnic politics that still plagues that province in the power struggle for its offshore oil wealth.

1.5.3 Atrophying bureaucracy

Shaxson's (2007:183) description of Angola as 'the two-speed nation where the apparatus of government was stripped down to little more than its sovereign, extractive core, leaving the rest to wither' is brutally apt. The only exception to the atrophying of the state organs is the oil parastatal Sonangol whose efficiency stands out in contrast (Reno, 2000:225). Indeed Soares de Oliveira (2007a:595) posits that Sonangol is '... the centrepiece in the management of Angola's "successful failed state"'. Essentially, this situation serves to ensure the weakness of potentially powerful state agencies that might threaten the power of the Presidency as suggested by Migdal (1988:213). This thesis is supported by Van de Walle (2001:127) who further describes the neo-patrimonial state as a 'hybrid regime' with a parallel structure of informal institutions within the formation of the state. He asserts that this serves the purpose of undermining a bureaucracy that might otherwise serve as a restraining influence on elite power. In the case of Angola, such informal networks provide a channel through which the resultant inefficient bureaucracy can be circumvented should the need arise. This produces a further centralisation of power around the Presidency to whom these channels inevitably report. It also distances the President from the bureaucratic inefficiency of his own creation (Comerford, 2005:110). As noted by Reno (2000:231-232): '...the Angolan government shows a great capacity ...to manipulate the conditions of their own bureaucratic weakness.' These parallel structures are very evident in the control of Chinese financing and will be discussed further in chapter 6. By 2002, the

MPLA government had definitely vanquished its political rivals UNITA. However, despite this consolidation of power, the maintenance of domestic authority and the apparatus of power have not been without their challenges.

1.6 Central Research Question

An analysis of China-Angola relations would ordinarily be classified as Chinese foreign policy research. As this shows therefore, the African actors involved in relations with China are often overlooked or dismissed as passive or inconsequential. African agency is nonetheless an important concept to grapple with in the context of relations with China, as recognised by Yu (1975:xv). The relationship central to such research, in this case study, namely that of China Exim Bank making available loans for Angolan post-war infrastructure rehabilitation has been regarded with a rather jaundiced eye by Western donors and development agencies. I intend to analyse the mechanism of these contracts and the resultant infrastructure construction that they are intended to facilitate. It is consequently an interrogation of the the nature of the relationship between the Chinese and Angolan governments. Previous analyses of the relationship between China and Angola have ignored the role of African agency in such a mechanism. I investigate the set of agencies at work behind the contracts, on both the Chinese and the Angolan side. The analysis operates on two levels; a more practical examination of who specifically is involved in these transactions followed by a more theoretical analysis examining the role and implications of Angolan agency.

Chinese political rhetoric plays an important part not only in validating and substantiating Chinese lending practices in Africa, but also in distinguishing it from that of its Western counterparts. I propose to deconstruct this rhetoric, using a post-realist perspective, thus taking the rhetorical claims seriously, but not necessarily at face value, as described by Beer and Hariman (1996:11). Operating as a backdrop to the Chinese government and related agencies' lending role in Angola is the claim of the fulfilment of a 'win-win' partnership for development (Hu, 2006). I will thus examine the nature of this proposed 'win-win' situation.

Benefits undoubtedly are accrued to each country, but these benefits may not necessarily be aligned with those stated in the rhetoric.

Rhetoric used by the Angolan government in creating and consolidating its position of power is equally important, given that the loan transaction rests on the control of the country's national resources. The mandate to develop Angola is a strong theme in this rhetoric, particularly in the wake of legislative elections (2008) and the lead up to the following elections in 2013. Such rhetorical imperatives require investigation, particularly as concerns the Angolan government's ability or 'agency' to carry out such intentions. As will be shown in subsequent chapters, the 'win-win' rhetoric is used equally by the Angolan government in its national project of consolidating domestic political power.

Significantly, in voicing its objections to the lending contracts between China and African countries, Western countries also employ rhetoric. Its influence on shaping the debate and resultant policy responses is thus also an important consideration.⁴⁹ Consequently, I argue that such rhetoric is constitutive in nature, as it influences the way in which such actions are perceived and approached. This is particularly relevant as regards the concept of 'development'. I shall investigate to what extent development is defined within the rhetoric espoused by both the Chinese and Angolan governments and how this contrasts with Western-determined definitions of this concept.

There is a tendency on the part of many Western observers to assume that because African elites do not seem to be working for the development of the masses, they are powerless. Indeed, this is far from the case. I propose that an examination of Angola's dealings with China will allow me to analyse African agency in China-Africa relations, an aspect previously

⁴⁹ For instance, although healthcare and education was prioritised over infrastructure projects in developing countries in previous years, it has recently been recognised as an important contributor to economic growth as discussed previously. Furthermore, although the road and railways funded by China are criticised of perpetuating Africa's exploitation as a primary commodities supplier, they are necessary for African countries to fully exploit their natural resources.

under-emphasised or, in some cases, ignored completely. The importance of demonstrating African agency and therefore responsibility for developmental priorities will better inform the key assumptions used in analysing China-Africa relations within an International Relations framework.⁵⁰

My defined problematic is as follows: The prevailing view of China's engagement in Africa is that African countries are being exploited for their mineral resource wealth by a country whose political and economic power is much greater than their own. These largely government – to – government contracts are criticized by the international community, ostensibly due to their lack of transparency and accountability but also because China is perceived to be gaining preferential access to natural resources. Using the case of Angola, what is the mechanism China (through China Exim Bank) uses to provide financing for infrastructure to an African country? And what is the role of the Angolan elites in this process?

Using a post-realist framework and drawing on the 'great power/weak power' and trade bargaining/ international negotiation literature, I argue that the predominantly Western-centric view of Chinese loan mechanisms to Angola denies agency on the part of the Angolan actors. Angolan actors exert an observable influence on the nature of both the mechanism of financing negotiated with China Exim Bank, and its implementation. Furthermore, Angolan political elites, in a post-civil war environment, are attempting to use Chinese financial assistance as a state-building device. Although this might be through infrastructure creation in the expansion of state capacity, it is more that Angolan elites are exploiting the policy space afforded by a political relationship with China to pursue an agenda according to their professed national priorities.

Despite the China Exim Bank loan agreement having been hailed as a form of 'win-win' co-operation by both China and Angola, this mutual benefit extends to some groups of actors

⁵⁰ See for instance Jones (2006)

one both sides, but is by no means universal. As observed by one Chinese researcher with fieldwork experience in Angola, the Angola-China relationship is very much now at an elite, business level.⁵¹ One academic pointed out that if a crisis in the relationship between Angola and China occurred, as has happened in the past, it would be resolved at the very highest level, essentially because it is in both parties' interests to do so.⁵² I investigate the gains experienced by the elite in both China and Angola, relative to each other and other sets of actors.

The set of research questions I sought to answer and inform my work are as follows:

1. What is the set of agencies at work (both Angolan and Chinese) behind these contracts, in terms of both a theoretical underpinning of the concept of African agency and a more practical concern of the operational actors involved.
2. What is meant by 'win-win' in terms of both the Chinese governments' rhetorical and material benefits and the Angolan government's rhetorical and material benefits? Have these changed over time? Who is the audience?
3. What does the rhetoric of the Chinese, Angolan and Western governments say about the way the China-Angola relationship is viewed, both in terms of rhetoric's constitutive nature and the actors' evolving strategic priorities?

I developed the following framework to use during fieldwork:

Figure 1.1: Research Design

Research Questions	Information Required	Targeted Source
1.1 What is the operational set of agencies at work (both Angolan and Chinese) behind these contracts?	Organogram of links, chains of command of agreement structure, with relative weight	China Exim Bank, Chinese Ministry of Commerce (MOFCOM), Ministry of Foreign Affairs (MFA) Angolan Embassy, Ministry of Finance (MinFin)

⁵¹ Interview, Chinese research institute, Beijing, 9 September 2009

⁵² Interview, Academic, Luanda, 14 July 2010

1.2 What is the theoretical underpinning and application of these relations in terms of African agency?	Suitable application of theoretical framework	Rothstein (1968), Handel (1981), Mathisen (1971)
2.1 What are the Chinese government's rhetorical/political gains and who is the audience?	Perceived strategic advantages to partnership with Angola (development, South-South, political leverage/support?)	Chinese academics, Chinese (MFA)
2.2 What are the Chinese material gains and who are the beneficiaries?	Perceived economic advantages of Angola partnership (energy, market, overseas learning, portfolio expansion)	China Exim Bank, China-Africa Business Council, MOFCOM, Chinese state-owned enterprises (SOEs) and private enterprises
2.3 What are the Angolan government's rhetorical/political gains and who is the audience?	Perceived strategic advantages to partnership with China, (development rhetoric, elections gains, leverage against West?)	Angolan Ambassador, Angolan Ministry of Finance (MinFin), Angolan MFA
2.4 What are the Angolan government's material gains and who are the beneficiaries?	Perceived economic advantages of China partnership (cheaper lending, rent-seeking, economic catalyst)	Angolan Ambassador, Angolan MinFin, Angolan MFA
3.1 How has the China Exim Bank's strategic priorities changed over time?	Initial priorities, current priorities, perception of changing environment	China Exim Bank, Chinese Academics
3.2 How has the Angolan government's strategic priorities changed over time	Initial priorities, current priorities, perception of changing environment	Angolan Ambassador, Angolan MFA, Angolan MinFin

<p>3.3 How does Chinese rhetoric describe the Angola-China relationship, and how has this influence the way it is perceived in China, Angola and the West?</p>	<p>Content analysis/views of stakeholders</p>	<p>State Council speeches, National Development and Reform Commission (NDRC), Speeches, Academic publications/Chinese academics, Chinese MFA</p>
<p>3.4 How does Angolan rhetoric describe the Angola-China relationship, and how has this influence the way it is perceived in China, Angola and the West?</p>	<p>Content analysis/views of stakeholders</p>	<p>Speeches of President, Parliamentary Standing Committee on China-Angola relations, Angolan academics, Angolan Ambassador</p>
<p>3.5 How does Western rhetoric describe the Angola-China relationship, and how has this influence the way it is perceived in China, Angola and the West?</p>	<p>Content analysis/views of stakeholders</p>	<p>Literature review</p>

1.7 Methodology

My research will make its most significant contribution through findings generated from fieldwork. This is due to the relative lack of studies based on in-depth primary research to be found currently on China-Angola relations.⁵³ While the Angolan case study has received much attention in the context of a post-conflict African state and as an oil producing country, focussed in-depth research on China's role in the country's plans for reconstruction post-

⁵³ There are only a few such studies of note published during the time this thesis was being prepared. See for instance Campos and Vines (2007); Vines et al (2009), Alves (2009) and Tang (2010a).

2002 does not yet exist in as much abundance, due to the speed with which the phenomenon has occurred in recent years.

Angola is one of the most controversial cases of China's contemporary phase of engagement on the continent, not least due to the *ad hoc* formulation of the 'Angola Model'. In order to establish the extent to which African agency is involved in such a mechanism, I will examine this so-called model, which has already been lauded by Chinese and African sources as a model for other African countries to follow. Angola is without doubt an important case study, but although dubbed the *Angolan model*, whether the Angolan case has served as a model for China's relations with any other African country is less clear.⁵⁴

Consequently I have adopted the case study methodology as the most appropriate,⁵⁵ using the point of departure that Angola, in this context, due to the development of the 'Angola Model' is rendered as a an archetypal case in the Weberian sense. Gerring (2004:341) defines a case study as: "... an in-depth study of a single unit (a relatively bounded phenomenon) where the scholar's aim is to elucidate features of a larger class of similar phenomena." I define the unit or phenomena under study as the relationship between the Angolan and Chinese government, rather than as the geographical unit of Angola itself. Gerring (2004:348-349) asserts that the case study has certain methodological affinities as forming the basis of descriptive inferences and causal mechanisms rather than causality and causal effects. The emergence of China's role in Angola's national reconstruction programme cannot be dated back further than 2004⁵⁶. While it may be considered premature to investigate the causal effects and developmental outcomes of China's role in Angola, I argue that the results of the relationship between the elites in each country can

⁵⁴ Given the limited amount of time and resource allocated for field research and the complex nature of the primary case study to be used, it was decided that Angola would be used as a stand-alone case study, despite the obvious merits of a comparative study.

⁵⁵ To a lesser extent, a comparative framework will also be used to compare Chinese aid practices to Angola with those of Western countries.

⁵⁶ During the visit of Chinese Vice premier Zeng Peiyan to Angola in March 2004, the first of several co-operation agreements were signed between China Exim Bank and the Angolan government in terms of government concessional loans geared specifically for infrastructure rehabilitation. This is thus taken as the beginning of China's engagement in Angola's reconstruction programme.

already be observed.⁵⁷ While these results may yet change over time, I will also offer a preliminary picture of the effects of the relationship on Angola's prospects.

The case study methodology has come under sharp criticism from positivists, and is generally seen in an inferior light when compared to large-N studies, due to a perceived paucity of 'scientific capital' and overly 'idiographic' content (Steinmetz, 2004:383). I do however consider it the most appropriate methodology for this study due to the largely qualitative and in-depth nature of the research. Furthermore, the unique characteristics of 'process tracing' as described by Gerring (2007) are of particular relevance to this research process as I have constructed an argument collated from various respondents in different sectors across two different countries. As Gerring notes (2007:178):

"... the most distinctive feature of process-tracing styles of research... [is]... the noncomparability of adjacent pieces of evidence. All pieces of evidence are relevant to the central argument (they are not 'random'), but they do not comprise observations in a larger sample. They are more correctly understood as a series of N=1 (one-shot) observations."

One of the most important challenges inherent in the research undertaken was access to the relevant data, from both Chinese and Angolan sources. This was a difficulty experienced throughout the research process in previous studies pertaining to China-Africa relations (Burke & Corkin, 2006; Burke, Corkin & Tay, 2007; Asche & Schüller, 2008:55).

For Angola's part, much of the difficulty lies in a lack of capacity (or political will) for official statistics to be generated by the Angolan government. One Angolan academic referred to the search for data regarding China-Angola relations specifically as 'a black hole' in this

⁵⁷ See chapter 5.

regard.⁵⁸ Messiant (2007:107) comments on the general reluctance of the Angolan Government to publish official data, particularly where oil revenue is concerned. Messiant (2007:110) further points to the active efforts on the part of the Angolan Government to reduce transparency in this sector as reportedly “The law regulating oil production stipulates that the parties concerned refrain from making public the terms of their involvement, which obviously makes transparency impossible.” Shaxson (2007:64) also remarks on secrecy that permeates Angola, suggesting that this is due to the dominance of the oil industry which is governed by the control of access to information. The Angolan Ministry of Finance has since renovated its website and made public information on projects financed by oil-backed loans from Portugal and China⁵⁹. This is a decided improvement, but by no means sufficient. One Angolan NGO activist was adamant that the figures published by the Angolan Ministry of Finance were fictitious.⁶⁰ Indeed, Global Witness (2011:9) remarks that despite an increase in the availability of official data from Angolan Ministries, it is unclear that these published figures are reliable.

Furthermore, the media is tightly controlled. One Angolan academic bemoaned the fact that Angola ‘has no newspapers that take public opinion into account’ and moreover that Angola’s academic community is severely lacking.⁶¹ In support of this claim, during the start of my fieldwork in Angola, three independent weeklies were bought by a hitherto unknown media group, suspected to be owned by figures close to the President⁶² (Croese, 2010).

There is an active rumour mill present in Angola due to a lack of media circulation outside of Luanda. Comerford (2005:235) takes a more positive stance on the role of such informal communication channels, known locally as *mujimbu* and argues for their importance as a means for a largely illiterate population, with a strong oral tradition, to gain access to

⁵⁸ Interview, Academic, Luanda, 14 July, 2010

⁵⁹ See www.minfin.gv.ao

⁶⁰ Interview, NGO, Luanda, 18 August 2010

⁶¹ Interview, Academic, Luanda, 14 July, 2010

⁶² Interview, Consultant, Luanda, 10 May 2010; See also: *Club-K.net* (2010)

information on current events, in an environment of heavy censorship. In this context, my choice of semi-structured interviews to generate data (see below) is particularly appropriate.

Data collection from Chinese sources is similarly challenging. Asche & Schüller (2008:26) express frustration at the discrepancies between statistics reported by Yearbooks of the Chinese Ministry of Commerce and IMF reports. This is explained in part by Chinese reporting methods' current failure to (or lack of interest in) conforming to international standards (Davies, 2007:35).

Brautigam (2009:166) in her study of Chinese aid to Africa, found that Chinese academics cited reasons for a paucity of published statistics specifically on aid to Africa as cultural tendencies, as well as the fear of reprisal from the Chinese public that such large funds were being sent overseas despite that fact that areas of China are still very poor. Hubbard (2007) in contrast, has pointed out that there is data available, albeit in the Chinese language. Consequently, it is not necessarily opacity on the part of the Chinese government, but the inability of foreign researchers to read Chinese; a "veil of ignorance" rather than "lack of transparency" (Hubbard, 2007:3). Large (2008:54) emphasises that Chinese-language sources are often neglected by Western scholars.

Many scholars have been reduced to using grant and loans figures as they are reported in *Xinhua*⁶³ newspaper reports (Taylor, 2006). As the development of relations between China and Angola are very much a contemporary phenomenon, I will also be forced to use newspaper articles as a reference source throughout the data collection process. One Chinese researcher commented:

⁶³ Xinhua News Agency is one of the most important news agencies in China. Xinhua reporters are often also intelligence agents (see Shaxson, 2007), so their information is presumably accurate. To counter-balance this is consideration that Xinhua is also beholden to China's press censorship.

‘There is a compromise on content in terms of China-Africa related media – it is very distorted. There is little about the basic relationship, only a desire to pick up on what is “special or particular”. Chinese journalists have limited resources and must stick to official interpretations. This is also not enough and it can become “deformed”. There is also a problem with statistics, both African and China-Africa statistics.’⁶⁴

However, as noted by Franzosi (1987:6)

‘...despite the limitations of the newspapers as a source of historical⁶⁵ data, they often constitute the only available source of information.’

While not immune to biases, this does not necessarily distinguish newspapers articles from any other written source media. It appears that there is more bias in the interpretation and frequency of reported events rather than the reporting of the events themselves (Franzosi, 1987:7).

The manner in which the information is rendered is also a source of information in itself. Wu (2005:99) highlights the importance of *People’s Daily* in conveying the official government view in a process he terms ‘documentary politics’. He further suggests articles found within state media, as well as the rapid proliferation of local newspapers are often key indicators of power struggles within certain political individuals or representative of provincial defiance of the central government (Wu,2005:122;144). Such dynamics are mirrored in the instrumentalization of the official state newspaper in Angola *Jornal de Angola*, as the mouth-piece of the state, and various ‘independent’ newspapers that are often a public forum for elite spats.

⁶⁴ Interview, Chinese think tank, Beijing, 2 December 2009.

⁶⁵ ‘Historical’ in this context is taken to mean the record of events, both past and contemporary.

Given the problematic nature of quantitative data, and the importance of rhetoric to my study, I followed a more qualitative approach, using in-depth interviews as a principle source of primary data collection. As my research concerns a mechanism established between the political elites in two authoritarian governments, I used purposive snowball sampling. I compiled a specific list of target respondents, who in turn were suspected of being the most likely to be able to identify further appropriate respondents. This is particularly appropriate in the context of China, where the use of '*guanxi*'⁶⁶ is considered paramount (Brautigam, 2009:71). This relates theoretically to Gould's (2003:266) conceptualisation of network analysis and its usefulness in discovering 'important phenomena not identifiable, or at any rate not easily identifiable, through other means with regards to elite collective actions and patron client linkages'.⁶⁷ Studies by Brautigam (2009), Davies (2007), Jakobsen & Knox (2010), Burke and Corkin (2006) and Burke *et al* (2007) all adopted the methodology of conducting field research comprising in-depth interviews with a broad range of respondents from various sectors such as government, civil society and business in order to construct a composite impression of the interactions between various actors and the processes under study within the discipline of China-Africa relations.

The inherent value of an interview is not necessarily in terms of the information rendered, but the manner in which it is done, as this reveals important information as to the attitude and opinions of the respondent to the subject at hand (Christensen, 2006:405). In line with Soss (2006:128) I sought to locate specific statements within a broader web of narratives. I was conscious of the potential for perceived asymmetrical power-relations to impede the data gathering process in the context of such interviews. I attempted to create the atmosphere of 'an instructional session in which the interviewees hold privileged in knowledge and researchers play the role of the uninitiated student'⁶⁸ (Soss, 2006: 135).

⁶⁶ This concept is the subject of considerable literature, particularly as regards business relations. See for instance Pye (1992) ; Goh (1996); Heisey (2000),

⁶⁷ For a more in-depth discussion on patronage networks among the political elite in China and Angola, see Wu (2005); Lam (2006) and Shaxson (2007) respectively

⁶⁸ My appearance, that of a young woman, may inadvertently have helped in this case as despite the sensitive nature of the interview content, I was in most cases not perceived to be a threat, given the largely patriarchal nature of both countries in which field work was conducted.

I anticipated difficulty in accessing high-level respondents and did therefore not discount interviews with lower level personnel, which were sometimes very useful. As discussed by George and Bennett (2005:81)

“Often, lower level officials who worked on an issue every day have stronger recollections of how it was decided than the top officials who actually made the decision but who focussed on the issues in question only intermittently.”

While the bulk of my data was generated through interviews, I also collected and analysed the relevant policy documents, press statements and published local commentary. Particularly given my interest in the constitutive nature of rhetoric in China-Africa relations, and the importance Wu (2005) attributes to such sources with this context, as described above, these documents all provide important framing for my research.

Large (2008:59) recognises the pronounced need to generate research that takes account of Chinese perspectives on the matter, instead of merely those of the Western observer. He warns specifically against the potential of ‘self-referential logic’ in using exclusively English sources (Large, 2008:58). I argue that the same imperative exists to include African, in this case, Angolan voices. Two challenges on this front concern the fact that Chinese Africa studies are an under-developed research genre as are Angolan China studies, although this is currently rapidly changing. Nevertheless, Chinese-language material related specifically to China-Angola relations is sparse, with most articles of a more business or trade focus. This reveals the lack of strategic significance that Angola as a separate country is viewed by Chinese researchers. Indeed one Shanghai academic commented that despite all the fuss about China-Africa relations, South Africa was a much more strategic African partner.⁶⁹ Furthermore, until recently, there existed few studies on China-Africa relations with genuine African ownership, still more rare are those studies emanating from the African country whose relations with China are under study. Nevertheless I have made a pointed effort to

⁶⁹ Interview, Chinese research institute, Shanghai, 17 September 2009

use Angolan (Portuguese) and Chinese-language based texts where they are available in order to reintroduce their voice to the discourse.

Fieldwork comprised six months in the field in China July 2009 to January 2010 and three months in the field in Angola; April-May 2010 and June – August 2010⁷⁰, with a brief return to Angola from 29 January to 4 February 2011. Due to the sensitive nature of the research⁷¹, most interviews were conducted on condition of anonymity. I did not use a dictaphone to record interviews, choosing instead to write notes, where this was permitted by the respondent. Given reluctance of many respondents to speak openly about Angola-China relations, I felt that even should a respondent have agreed to be recorded, the presence of the dictaphone would have altered his or her attitude in the interview and possibly have compromised the quality of information that he or she was willing to surrender.

China field research took place in Beijing and Shanghai, during which interviews were held with a total of 71 respondents, from various sectors including several ministries in the Chinese government such as Ministry of Foreign Affairs (MFA), Ministry of Commerce (MOFCOM), National Development and Reform Commission (NDRC), China Export- Import Bank (China Exim), African diplomats, non-governmental organisations, (NGOs), state-owned enterprises, (SOEs), and foreign consultants. The spread of respondents is reflected in the table below (Figure 1.2):

⁷⁰ The prohibitive costs of living in Angola prevented a longer stay. According to a Mercer 'Cost of Living' study Luanda was rated the most expensive city for an expatriate in 2010 (*Finacial*, 2010)

⁷¹ At various times, several respondents in both China and Angola referred to the sensitive nature of my research and the fact that much of the data I sought was considered a 'state secret'. Brautigam (2000:2) also found this in her research of Chinese aid to African countries.

Figure 1.2: China Interview Spread

	African	Chinese	Western	TOTAL	(%)
Government (Diplomats, MFA, MOFCOM, NDRC, CADF, Exim Bank)	4	16		20	28.1
Int. institutions (IMF, World Bank)			2	2	2.8
Private companies/ consultants	2	2	8	12	16.9
SOEs	2			2	2.8
NGOs		2	3	5	7
Media		2	3	5	7
Academia/ think tanks	3	19	3	25	35.2
TOTAL	11	41	19	71	100

As can be observed from Figure 1.2, the China sample is heavily skewed towards academia/think tanks (35.2%), and government ministries (28.1%); this is generally a function of access. The sample was therefore a rich source for Chinese foreign policy-related research questions bearing in mind that most of the academics interviewed are policy consultants for ministries and the State Council.

Angola-based field research took place in Luanda and Cabinda. A total of 96 interviews were collected from a range of respondents including the Angolan Ministry of Foreign Affairs, Ministry of Finance, Ministry of Petroleum, Ministry of Planning, foreign diplomats and employees of various Chinese firms, both state-owned and private. In the case of Angola, the sample is skewed towards private companies/consultants (35.4%) (see Figure 1.3). This is largely because most respondents 'wear several hats' and appeared to prefer to meet me in their personal rather than in an official capacity. Government officials and diplomats are also well-represented (29.2%). This was again a function of access. Although particularly with the Angolan Ministries there was a strict protocol for interview requests, once made and followed up on, these met with remarkable success - (50%).

Figure 1.3: Angola Interview Spread

	African	Chinese	Western	TOTAL	(%)
Government officials Diplomats	12	2	14		29.2
Int. institutions (IMF, World Bank)			1		1.0
Private companies/ consultants	10	18	6		35.4
SOEs	2	5		7	7.3
NGOs	8		2	10	10.4
Media	1		2	3	3.1
Academia/ think tanks	10		3	13	13.5
TOTAL	43	25	28	96	100

All interviews were collected and arranged through snowball sampling and conducted in English, Chinese and Portuguese. The interviews were semi-structured lasting from 40 minutes to 3 hours, rendering primarily qualitative data.

1.8 Literature Review and Chapter Outline

I have engaged with several relevant strands of study in an attempt to place my research in an appropriate context. Rather than expounding an exhaustive literature review in a singular chapter, I shall treat each separate body of literature in individual chapters according to their relevance to the chapter's subject matter. From the literature, it is evident that the role of rhetoric will be an important aspect to consider in analysing China's relations with Angola. Furthermore, the need to draw several different strands of literature illustrates the relative novelty of the topic I have chosen to research. The challenge I face in my research is combining these disparate theoretical approaches in order to strengthen rather than detract from my research.

This chapter has introduced the central research question and principle aims of the research. I have outlined my analytical approach and the methodological framework that I followed. I have introduced the importance of rhetoric as a central theme of the research and provided

a brief overview of China's relations with Angola as well as the formation and Angola's political elite in order to contextualise the discussion to follow in subsequent chapters.

In chapter two I will treat the role of rhetoric in constructing China-Africa relations. I will review relevant literature on the theory of political rhetoric and the power of dominant discourse. I will discuss the importance of soft power and the much touted 'China Development Model, particularly in the context of China's foreign policy towards Africa. I will deconstruct the discourse surrounding China and Africa using the case of Angola. Key political rhetoric from both Chinese and Angolan leaders as regards their relations will be contrasted with that of Western leaders and the international financial institutions as regards China's role in Angola in the period 2004-2010. I have framed these discussions in a post-realist perspective⁷², in order to highlight the importance of rhetoric in shaping these debates.

In chapter three I draw on the fieldwork conducted in China. I will outline the structures, actors and processes responsible for China's finance mechanisms to Angola. I place this in the broader context of China's foreign policy formulation, drawing on the literature regarding China's foreign policy as an emerging great power, with particular reference to Africa. I will explore the instruments of China's foreign policy towards Angola with particular reference to China Exim Bank's concessional loans as a function of China's 'going global' policy.⁷³

In chapter four I will continue with a brief historical overview of Angola in order to place the reconstruction programme and the development of Angola's relations with China in context. I discuss the specific nature of China Exim Bank's loans to Angola. The bulk of this chapter will stem from field research conducted in Angola, focussing on the management of the Chinese credit lines in Angola and comparing the Angolan respondents' conceptualisation

⁷² See Beer and Hariman (1996).

⁷³ 走出去政策

and experience of the process with that of their Chinese counterparts. I will unpack China Exim Bank's approach towards lending to Angola and contrast it with other institutions, both public and private, that have comparable loan mechanisms and credit lines. I explore the conditionalities, mode of negotiation and appetite for risk.

In chapter five I focus on the execution of the China Exim Bank funded projects, examining in particular the challenges of their implementation and the Angolan elites' role in this regard. I look at the various types of Chinese companies active in Angolan and their role in the reconstruction process.

In chapter six I draw together the aspects of the study that have manifested Angolan agency in the political elites' dealing with China. I discuss how Angolan elites have manipulated the China Exim Bank loan process for their own political and material gains and their leverage in the relationship. This will be contextualised in Angola's specific political situation as a qualified 'weak' state in the international system. I will draw on international negotiation and trade bargaining literature to further illustrate this point

In chapter seven I draw final conclusions from my research, synthesising arguments put forward in previous chapters. The rhetorical tensions emerging in China's relations with Angola will be explored and contrasted with rising stresses experienced by China, as it challenges the status quo of the international architecture, and the resultant influence this has on its relations with Angola. I will examine the Angolan government's use of relations with China as political leverage internationally as well as domestically, placed within the context of a greater emergence of African agency globally. In recognition of the nuances of 'win-win' implicit in the bilateral relations, I will analyse both the Chinese and the Angolan 'winners' and 'losers'. I will also outline the contribution of my thesis to the current body of research and its significance as well as suggesting areas for further inquiry.

CHAPTER TWO: The role of rhetoric in constructing China-Africa relations

In this chapter I will examine the political rhetoric used by Chinese, African and Western actors that shape the discourse surrounding China's relations with African countries. As noted by Lynch (1999:2):

'If a state can control society's communications processes, it can structure the environment in such a way that citizens will be more likely to accept the state's political order as legitimate. There will be fewer challenges to the state's rule and citizens might even be encouraged to identify affirmatively and enthusiastically with state goals.'

Rhetoric is thus employed as a political tool to 'win hearts and minds'. By definition therefore, it is a political instrument that can be used by governments. Rhetoric, as discussed in the previous chapter, plays a considerable constitutive role in the discourse accompanying China-Africa relations (Alden and Large, 2011:25). Importantly, both Chinese and African respondents interviewed felt that the discourse is largely dominated by their European or North American counterparts, disregarding the voice of other actors⁷⁴. As one Angolan observed, 'There is a kind of academic fundamentalism to 'manage others', particularly in terms of Africa-China relations.'⁷⁵ Similarly, a Chinese respondent referred to the West's 'dictatorship of words'.⁷⁶ As posited by Sautman and Yan (2009):

'The main problem with the China-in-Africa discourse is not empirical inaccuracies about Chinese activities in Africa, but the de-contextualization of criticisms for ideological reasons.'

⁷⁴ See for instance Zhang (2010)

⁷⁵ Interview, Academic, 18 August 2010

⁷⁶ Interview, chief executive officer of a Chinese import-export company, Luanda, 10 August 2010

This chapter distinguishes three separate lines of conversation comprising the discourse surrounding China-Africa relations: that from ‘the West’⁷⁷, that from China and that from Africa, more specifically Angola. I will highlight each in turn, looking not only at the agency of the actor, but at the intended audience.

From Western sources two central themes emerge: the possibility of a ‘China threat’ to the established order, in a political and economic sense and furthermore the challenges China poses for the ‘development’ paradigm in a broad sense. Chinese concerns centre around the need to distinguish China from African countries’ other partners and the importance of strengthening ‘soft power’ in the international community. Africa is seen as a testing ground for such diplomatic experiments. Chinese scholars posit an alternative vision for development stemming from China’s own experience that implicitly challenges established dogma. African rhetoric encourages China’s role, despite various challenges to the relationship, specifically in order to exploit the arising tensions between China and ‘the West’. In order to crystallize the meaning of such messages, I examine how Chinese and Angola elites use rhetoric in the context of their bilateral relations for both international and domestic audiences. The Angolan government has specifically built up rhetoric to consolidate political power and cultivate a position in the international community.⁷⁸

2.1 From the ‘West’: Emerging Concerns regarding China’s Role in Africa

Most Chinese sources remark upon a perceived bias in the way Western sources portrayed China’s relations with African countries (Li, 2008:6; Li, 2009:10; Zhang, 2010). These are generally characterised as a misguided concern that China is ‘locking out’ European energy interests in Africa (Downs, 2007:43) or that China is exploiting African countries, the latter generally portrayed as passive victims in this exchange (Mawdsley, 2008:9). Indeed, one

⁷⁷ While it is recognised that in many ways this term is as analytically poor as referring to ‘China’ or ‘Africa’, it is a term consistently used by Chinese and African commentators alike and I will therefore retain its use. I take it to mean the ‘industrialised North’ or countries composed predominantly of North America and Europe.

⁷⁸ This chapter will focus more broadly on Chinese rhetoric, as chapters 4 and 6 will deal in more depth with the Angolan elites’ rhetoric and agency. For more on the Angolan (specifically MPLA’s) rhetorical project, see Messiant (2007, 2008).

Chinese company representative put forward that a reluctance to talk to Westerners about their operations in Africa was due to the unbalanced nature of Western media.⁷⁹ Although functions just as well as an excuse to avoid transparency in terms of their commercial engagement on the continent, it does not reduce the validity of the complaint. The Chinese Ambassador in Luanda furthermore implied that the only reason he granted me an interview was in order to 'set the record straight'.⁸⁰

2.1.1 Western Perceptions of China as a 'Status quo' or 'Revisionist Power'

In terms of China's global role in general, a broader debate exists as to whether China is a 'status-quo' power, seeking to assimilate and promote the current architecture of international institutions, or a 'revisionist' power, with intentions to disrupt and rebuild them (Mawdsley, 2008:7).

Elements within US foreign policy circles have long advocated the increased assimilation of China as an emergent power into the international order, in order to viably sustain the current global architecture (Kim, 2004:42). The European Union (EU) is increasingly recognising the inevitability of modifications to the international architecture (Geissmann, 2006:2). This has been made even more evident given the recent global financial crisis of 2008-2009. Calls have come from the EU for China to play a 'full role... [in] creating an open, flexible and robust global economy' (Weir, 2009).

Several sympathetic scholars have sought to show that China's re-engagement with the world is causing acculturation in terms of internationally held practices and values. Carlson (2006:217) recognises a shift in Chinese foreign policy, pointing to the influence of 'norm diffusion' on the former's evolution. China's shifting foreign policy approaches thus reflect the changing status of China as a global power. He suggests that a certain flexibility has crept into official rhetoric even as regarding such important concepts as sovereignty. This

⁷⁹ Interview, chief executive officer of a Chinese import-export company, Luanda, 10 August 2010

⁸⁰ Interview, Chinese official, Luanda, 10 May 2010

resonates with Kim (2006:281) who points out that as China further integrates into the international system, so shall the rhetoric of China's political leaders conform to convention within the current international system. Within this debate, there is an implicit assumption that China's rapprochement with Western norms is an inevitable linear development as the country's stature increases. Thus the international community applauds any '...move meant to bring China into closer conformity with international (read: Western) legal norms.' (Chin and Thakur, 2010:129)

Pearson (2006:242) however, while agreeing that China is a 'status quo' power, thus posing no threat to the current international political structure, contends that China will not compromise on such issues as 'non-interference'. Perhaps closer the mark, Chin & Thakur (2010:120) posit that China will continue to internalise those global norms deemed advantageous '....alongside registering its desire and right to be at the table for rewriting some others.' This is supported by Zhang and Luo (2008:27) who suggest China could transform current norms from within international institutions. Indeed Economy (2010:142) has gone as far as to call China a 'revolutionary power' in the context of its transformative power within international institutions. China is outwardly supportive of international norms and institutions, as the current global order has been very conducive to its growth thus far (He, 2007:10). Indeed, Ikenberry (2008) argues that China is conforming to international norms such as foreign assistance precisely because the existing structure has assisted and continues to aid its objectives. As this is in line with China's national interests, it will seek to perpetuate, rather than transform, the status quo. In clear approval of such conformity, Kleine-Ahlbrandt and Small (2008) for instance claim that China is showing a 'new maturity' in its dealings with pariah countries and dictatorial regimes.

Such an analysis of Chinese foreign policy reveals a Western-centric bias, in that China's policies are seen as laudable given that they are conforming to a universalism of which Europe is the 'author and the embodiment' (Ayers, 2006:156). This idea is developed by Inayatullah and Blaney (2004) as the 'politics of difference'. They suggest that under current norms, equality among states is achieved through reaching a 'level of sameness' with the

West. Conversely, not to do so implies inferiority to Western practices. According to Inayatullah and Blaney (2004), 'difference is expressed largely in one's own terms; by appropriating the other within one's own cultural categories, the values and visions of the other are thoroughly obscured.'

However, Segal (1999:16) suggests that China is careful to retain a rhetorical vagueness in order to be able to effect diplomatic a *volte face* if required. Furthermore, although increasingly aware of the opportunity cost of remaining an outsider in international institutions, Chinese policy-makers are seen as being reluctant to subscribe to a regime that they had no part in formulating (Stähle, 2008:145).

The debates surrounding China's foreign policy thus mirror the debate of China as an emerging power. However, failure to take into account the rhetoric of the Chinese government and thinkers will result in an overly Eurocentric and thus flawed argument. China's foreign policy has increasingly come under fire from the international community particularly as regards relations with African countries. As in the case with its involvement in the conflict in Darfur⁸¹, Sudan, Chinese politicians have shown what Carlson (2006:224) describes as 'cautious acceptance and incremental change'. However, these propounded international norms and institutions are placed at odds with China's activities in Africa. Faced with mounting criticism, and the threat that Beijing's international acceptance as a fully-fledged member of the international community will be withheld, Chinese policy-makers are being coming up against increasing challenges when confronted with Western discourse.

⁸¹ For an in-depth discussion of China's involvement in Sudan and the evolution of its foreign policy in this regard, see Srinivasan (2008); Large (2008) and Kleine-Ahlbrandt and Small (2008).

2.1.2 The ‘China threat’ – ‘Responsible Stake-holder Dichotomy’

Linked to the above debate is the discourse regarding the rise of China as a ‘threat’ and possibilities for the country to be assimilated as a ‘responsible stakeholder⁸²’ in the global institutional architecture. Perhaps underlining China’s awareness of this uncertainty, Mierzejewski (2009), drawing on the debate surrounding Zheng Bijian’s (2005) ‘Peaceful Rise’ concept, pointed to a lack of consensus as to the image that China should outwardly project. The carefully cultivated concept of ‘peaceful rise’ was used to counter the perception that China’s rise was a ‘threat’ to the global status quo. It was hoped it would address the tension emerging between China’s support for the global status quo as a structure within which it can develop, and the challenge to the status quo that China’s development brings (Kim, 2004:37). The controversy surrounding the theory eventually led to its withdrawal from official documents and China reverted to insisting on developing country status to assuage Western fears of Chinese ascendancy.

According to Leonard (2008) Chinese foreign policy hawks resent the fact that each time China displays any kind of assertiveness on the global arena, the US uses its ‘moral height’ to resurrect the ‘China threat’. Li (2008:45) likens this to a kind of ‘containment’ of China by the international community. A growing frustration at the sustained negative image of China in the West thus remains (Yong Deng, 2006:200). Indeed, Yong Deng (2006:192) suggests that China’s ‘threat image’ is used by state actors to further their own agendas, rather than representing any genuine concerns. Luo (2007:20) has gone as far as to suggest that Western countries deliberately seek to destroy China’s reputation internationally for their own gain.

2.1.3 Changing development paradigm: China as the donor ‘outsider’:

International aid agencies and donor organisations have joined their voices to Western governments expressing the concern that China is causing retrogression in the supposed gains in a good governance agenda pursued through responsible aid policies. In rebuttal, one Chinese respondent questioned using the West as a kind of ‘principled example’. As

⁸² The term was first used by the then US Deputy Secretary of State Robert Zoellick in the context of urging China to be a ‘responsible stake-holder’ work[ing] to protect and strengthen the international system as it is currently constituted; they do not merely derive benefits from it.’ (Blumenthal, 2007:1).

with many others (see for instance Shu, 2008:17; Gao, 2009) he pointed out that China, unlike the West, has never used force, to take strategic possession of African countries. By implication it is hypocritical of former colonial powers to lecture China on best practices as regards Africa (He, 2009a:46). He argued that China's practices were far superior to those of the West: 'Instead China is providing finance for constructing basic infrastructure like schools, housing, roads, hospitals. It is the kind of infrastructure that the people need the most.'⁸³ Another commented on the double standards of the West, in that although the West opposed dictators in theory⁸⁴, never was a word said about President Omar Bongo⁸⁵, although much attention is focussed on President Bashir⁸⁶. China, he said, does not discriminate and deals with all of them.⁸⁷

2.1.4 China's Outlier Perspective on Development and Aid

Brautigam (2009) emphasises that fact that China's development assistance policy was influenced by and strongly mirrors China's own domestic experience with Japan as a development partner several decades ago. A Chinese academic confirmed this:

'I can give you some examples of China's early development. In the early 1980s, the Japanese government offered some aid for some infrastructure projects in China, in return for some favorable [sic] conditions for investment, trade and natural resources. China accepted that way, because there was no other way, and we needed money at that moment. We consider that as aid. What is more, it was a win-

⁸³ Interview, chief executive officer of a Chinese import-export company, Luanda, 10 August 2010

⁸⁴ In fact, a study by Midford and de Soysa (2010) showed that the US has actually sold more arms to regimes considered oppressive than has China.

⁸⁵ El-Hadj Omar Bongo Ondimba was president of Gabon from 1967 until his death in 2009. Although Gabon is an oil-rich state, the 1.6 million inhabitants are largely poor. Despite relative peace during his rule, he was a highly authoritarian leader who has been succeeded by his son Ali Bongo in elections widely believed to have been rigged. Wide-spread popular protest broke out when France endorsed the election result. For more on Bongo's rule and collaboration in France's neo-colonial role respectively, see Ngolet (2000) and Reed (1987).

⁸⁶ President Omar al-Bashir, the political leader of (Northern) Sudan was indicted by the International Criminal Court (ICC) for crimes against humanity following sustained conflict in the Darfur region. Chinese leaders have sought for the charges to be suspended on the grounds that it 'might damage the Darfur peace process' (Bezlova, 2008)

⁸⁷ Interview, reporter, *People's Daily*, Beijing, 3 December 2009

win situation. Later, all the foreign investment companies enjoyed more favorable [sic] conditions than their Chinese counterpart [sic]. Until quite recently, foreign companies had very much more favorable [sic] conditions (such as lower tax) than Chinese companies, that's why some Chinese companies asked for a "national treatment" since they received an unequal treatment from their own government. Why? Because China needed investment and the government wanted to create better conditions to attract foreign companies.'⁸⁸

One Chinese academic highlighted the important of 'no strings attached' assistance, again based on China's own development experience. She explained: 'China's aid needs to be assessed on a country-by-country basis; China cannot adopt a multilateral model. China has never considered itself a "donor" in economic co-operation, so can never integrate into the multilateral framework. The bilateral nature of China's aid is an issue with the West because it is not transparent enough, but the bilateral model is the most effective in terms of rolling out projects.'⁸⁹ While implicitly criticizing the 'one-size-fits-all' structural adjustment policies employed by the international financial institutions in years gone by, she neatly provides a defence for China's reluctance to join organisations such as the OECD.

Stähle (2008) puts forward an argument for how China can be cajoled into 'playing by the rules of the game' by raising the opportunity costs of China remaining outside the existing aid regime. Such commentary has not gone unnoticed. Fang (2009:58) points out that China will increase its 'soft power' by participating in more international organisations. Stähle however, as with most Western commentators, assumes the infallibility of the aid architecture and does not question whether China's implicit challenge merits a re-examination of the current system. Interestingly, some Chinese respondents suggested that in terms of aid, China was still learning and could learn a lot from the West in terms of standards and norms. Such suggestions have also emerged recently in Chinese scholarly literature (Zhou, 2009; Zhang & Zhu, 2009). Wang (2005, 2009) has made studies of the

⁸⁸ Chinese academic, personal correspondence, 11 June 2009

⁸⁹ He Wenping, IWAAS, presentation: 'China's Aid to Africa: Developing Features and Challenges Ahead' at 'Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009.

administrative procedures of Western countries' aid programmes. He was particularly interested in the reporting structure of the aid department vis-à-vis other ministries and the accountability mechanisms. It has nevertheless pointed out that the West can also learn from China in terms of the results achieved in such a short time⁹⁰ (He, 2009a:51).

Chinese researchers cite both Angola and Sudan as examples of China's successful development co-operation with African countries⁹¹ (He, 2009a:46, 51). Given the notoriety among the international community of China's involvement in these states as a 'rogue donor' (Naím, 2007), it is clear that rhetorically at least, Chinese commentators see their country's involvement in a very different light. Western narrative on both countries generally focuses on the authoritarian and corrupt nature of the African regimes and China's apparent disregard for human rights violations in dealing with the incumbent governments (Kleine-Ahlbrandt & Small, 2008). Chinese respondents however, repeatedly emphasise that through economic co-operation with China, Sudan has become an oil exporting country, and Angola had received the means to begin post-war reconstruction. This is bound up by a concept of governance that facilitates development borne of China's national experience. As one commentator opined, 'Stability is the most important thing for a country – without stability there is no basis for development. Africa needs strong leaders like Bashir and dos Santos.'⁹² Stability as a prerequisite for economic growth is thus the key to the Chinese approach to development both domestically and abroad.

The criticism of Western aid practices is clear. As a representative from China Exim Bank put it, 'Africa is a huge continent with lots of people needing development and basic services such as clean water and electricity. They don't need charity or lectures. Most of the money from the international financial institutions was used for a few contracts with international consultants recycling the money back to their own countries. There was never any real

⁹⁰ Interview, reporter, *People's Daily*, Beijing, 3 December 2009

⁹¹ Interview, reporter, *People's Daily*, Beijing, 3 December 2009, various presentations at Symposium on Sino-African Relations: Reflections and Prospects' organised by IWAAS, Beijing, 13 October 2009.

⁹² Interview, reporter, *People's Daily*, Beijing, 3 December 2009

benefit. Angola needed help. They needed access to finance and investment, despite their oil wealth.’⁹³

One Chinese respondent’s rebuttal to the Western fixation with democracy and human rights was that it is ‘not really about these things’, suggesting that it was rather a stick to beat China with as regards its engagement in African countries. He went on to say that the Western definition of human rights and democracy compromised both these things⁹⁴. This resonated with many respondents who talked about ‘international social justice’ as being paramount, i.e. democracy between states, rather than the state of democracy in a country internally. Li (2008:11) suggested that this concept of equality challenges the current international order; hence Western countries’ resistance to it. President of China Exim Bank, Li Ruogu has commented in a public lecture:

‘...a truer way is giving society their basic needs; this is much more powerful than democratic rights. In terms of democracies, all countries are different.... you must meet the needs of the people. In terms of human rights; the developed countries have an internal contradiction. Their standard of living uses so many resources of the world, that we would need so many resources if the whole world had the kind of standard of living that these developed countries enjoy. If all countries used resources equally, the developed countries’ standard of living would go down, as the world does not have enough resources. This is a fake democracy. When you are talking about democracy, equality and human rights in China, the US still consumes most of the products that are being produced in China under the conditions that they purport to criticize. Is this the Western implementation of equality? When Western countries talk about democracy, equality and human rights, it is generally according to their own internal situation, but it does not reflect in their behaviour as states in the international context. They try to control others. They try to be the representatives.’⁹⁵

⁹³ Interview, China Exim Bank, Beijing, 13 October 2009

⁹⁴ Interview, chief executive officer of a Chinese import-export company, Luanda, 10 August 2010

⁹⁵ Interview, chief executive officer of a Chinese import-export company, Luanda, 10 August 2010

As another Chinese respondent commented along similar lines:

‘The Western perspective is often put forward, but all countries have different development levels. The method of managing a country is not the same if the level of development is different. To talk about democracy is not wrong, but this is for advanced countries; it is not appropriate for less advanced countries... If you just give them the vote, but not a better life, will this change anything? On the contrary, other people cannot follow what you want them to do. The biggest problem is that you need education, food and shelter. This is more important before other considerations.’

This implies that raising a population’s material standard of living should be prioritised over civic liberties. In fact, ‘human rights’ are conceptualised in material terms. There is also the presumption that the kind of projects endorsed by Chinese institutions will in fact lead to these material gains for the masses. This was reinforced again by President of China Exim Bank, Li Ruogu’s comments regarding Africans:

‘Western countries talk about human rights and freedom every day, but if the people there can't even watch television or listen to radio, how can they enjoy human rights and freedom?’ (Reuters, 2007b).

This again reflects China’s internal narrative, or a ruling party whose current generation is the first to have their political legitimacy hinging solely on economic performance and public service (Lam, 2006:32).

To return to Li Ruogu, his attitude regarding China’s role in Africa, while interesting in its outspokenness, is not surprising, given the increasingly active profile the state-owned China

Exim Bank has in Africa, specifically to fund tangible, material public goods.⁹⁶ Li (2009) in a strongly worded academic essay points to the hypocrisy inherent in Western criticism of China's role in Africa. In contrast to earlier criticisms from predominantly European media of Chinese exploitation of African natural resources, Li advocates for African countries to harness their resources to kick-start development⁹⁷, implying that Chinese involvement is facilitating this process. Formerly deputy governor of China's Central Bank and having worked at the IMF and Asian Development Bank, Li is well-known for his outspoken opinions regarding the Bretton Woods Institutions (BWI). That they are often printed in official Chinese media sources implies state approval (Brautigam, 2009:112).

Li dismisses concerns about African countries' debt sustainability as an excuse used to influence and control their debt: 'For instance, China has US\$ 2 trillion in reserves and US\$ 600 billion in debt-- this is operating at full capacity.'⁹⁸ This is echoed by Ministry of Commerce official Zhong Manying who in response to concerns that China's increased lending to Africa would deepen debt issues said, 'What is the most important thing for Africa? Survival and development' (Zhou & Yao, 2010). Li continues:

'Human rights, development, debt – these all sound so beautiful and reasonable, but they cover the main purpose to restrain developing countries. They are all the results of development, not the pre-conditions for development. There is Western criticism, but development is the primary task of developing countries and sometimes there must be sacrifices to achieve this. In terms of human rights and democracy, you must take into consideration the stage of the country's development. You cannot look solely to external assistance to develop. You need to "give full play" to competitive advantages and integrate it into the international division of labour. The costs of development should not be used as an excuse to hold back development. The sacrifices for development will be well paid back. Western occupation of developing

⁹⁶ This is discussed in more details in chapter 3.

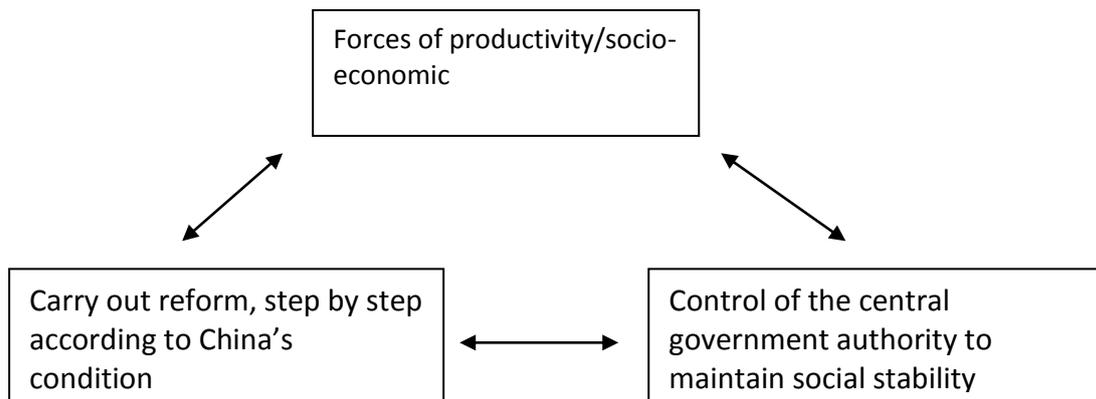
⁹⁷ Press interview with Li Ruogu at World Economic Forum (2007), available:

www.weforum.org/en/events/WorldEconomicForumonAfrica2007/IssuesinDepth/LiRuogu/index.htm

⁹⁸ Li Ruogu, Chairman and President of China Exim Bank, Presentation at the Tsinghua University School of Public Policy and Management Lecture Series, 11 January 2010.

countries is the cost of history but Western exhortations for human rights and democracy ‘so-called’ in Africa is putting the incidental before the fundamental. These are the outcomes, not the preconditions of development. We cannot talk of human rights and democracy irresponsibly. The real purpose of these Western criticisms is to restrict Africa’s growth from playing a dominant role.’⁹⁹

Figure 2.1: Li Ruogu’s conceptualisation of a sustainable development path



Li Ruogu, Chairman and President of China Exim Bank, Presentation at the Tsinghua University School of Public Policy and Management Lecture Series, 11 January 2010.

Li advocates: ‘....proper balance between stability (the precondition) and reform (the driving force), in order to develop (goal/ objective)...’¹⁰⁰ Interestingly, this almost exactly echoes the former Angolan Central Bank Governor Aguinaldo Jaime on the same topic: ‘If you say to a country, “We’ll reward you when things are perfectly O.K.,” the country will say, “When things are perfectly O.K., we won’t need you anymore”’ (Traub, 2006).

Sautman and Yan (2010) argue that despite China’s portrayal through international media, the Asian country’s role in Africa is on balance, positive. Indeed, Chinese respondents have

⁹⁹ Li Ruogu, Chairman and President of China Exim Bank, Presentation at the Tsinghua University School of Public Policy and Management Lecture Series, 11 January 2010.

¹⁰⁰ Li Ruogu, Chairman and President of China Exim Bank, Presentation at the Tsinghua University School of Public Policy and Management Lecture Series, 11 January 2010.

repeatedly stated that critics should ‘come and see themselves what is happening’¹⁰¹ and that ‘the proof of the pudding is in the eating’¹⁰², showing a clear confidence in the effect of Chinese engagement in Africa

Chief among these propounded benefits is the fact that cheaper (relative to European) Chinese imports afford most African consumers more disposable income and buying power (He, 2009a:49). Wang Wei, the Chinese Embassy’s political counsellor has urged Angola to import more from China for this reason (*Exame*, 2010a). In the case of Angola, one respondent said that China provides a second benefit: buoying the oil price, thus increasing government revenue. He suggested that by contrast, European companies did the opposite - buying resources for very low prices, and selling manufactured goods at very high prices.¹⁰³

A second bone of contention is the perspective on trade in natural resources. One former Chinese official dismissed this stating, ‘Chinese don’t rob and will never rob from Africa’. Lots of Western countries (and China) import oil; it is not exploitation; it is trade!¹⁰⁴ Indeed, several academics, both Chinese and Western have pointed out in studies that China imports a good deal less oil from Africa than either Europe or the US¹⁰⁵ (Luo, 2009:33).

2.2 Playing to the Gallery: Rhetoric’s intended audience

The Chinese perspective on Western concerns for African countries vis-à-vis their engagement with China is highly cynical. Most believe it is rhetorical warfare ‘aimed at

¹⁰¹ Interview, Chinese official, Luanda, 10 May 2010

¹⁰² Interview, former senior management of Chinese state-owned company, Beijing, 11 December 2009

¹⁰³ Interview, manager, private Chinese importing business, Luanda, 15 July 2010. The reference to low prices for resources prices probably relates to the syndicated oil-backed loans arranged by European banks. The repayment oil price per barrel was fixed at a price much lower than market rates. This is in contrast to China Exim bank loans, whereby the oil for repayment is sold on the international market (see chapter 3).

¹⁰⁴ Interview, former official, Chinese Ministry of Commerce, Beijing, 8 December 2009

¹⁰⁵ It must be noted however, that while the absolute volume is less, China is more reliant on African oil imports as a percentage of total foreign energy imports.

squeezing China out of Africa.’¹⁰⁶ Furthermore, charges of neo-colonialism are deemed to be Western jealousy of Chinese diplomatic and economic success in Africa (He, 2007:29). A Chinese diplomatic based in Luanda suggested that the negativity of Western countries towards China’s role in Africa was due to ignorance:

‘They feel that some of their influence is being taken away, so they are smarting a bit. Angola is however an independent country and has the right to deal with whomever they like, according to their own thoughts.’¹⁰⁷

This view is shared by many African observers. As one Angolan civil society representative put it:

‘The World Bank, the IMF are ‘losing’ to the Chinese. It is all business, all business. The approach is a question of competition. China is a threat, but for whom? Africans or Western business? Chinese goods are in US and Europe; you see ‘made in China’ products everywhere. All the Western companies have migrated to China to take advantage of the cheap Chinese labour. The discourse of academics and businessmen is not about ‘protecting in Africans’. They are threatened and worried about Western business interests, not ‘Africa’s destiny’. ‘What China is doing is what the West did for more than 500 years, there is no difference. In the West, Africa is much more indebted than with China. We see this like business, so we make the ‘easier deal’, which is China, with all its consequences. Africa is now more in debt than before independence. The problem is that China, in little time is overtaking US, Canada and Europe in this. In terms of investments in Africa, China is not surpassing.

¹⁰⁶ Liu Hongwu, President of the African Studies Institute, Zhejiang Normal University, presentation ‘‘Some Research Questions on Sino-African Co-operation in the New Era’ Symposium on Sino-African Relations: Reflections and Prospects’, Beijing, 13 October 2009.

¹⁰⁷ Interview, Chinese official, Luanda, 14 July 2010

But the US is the biggest debtor to China. They should not be ‘worrying for Africa’. China is a challenge for Africa, but a threat for the West.’¹⁰⁸

Chinese perspectives differ, subtly but crucially, in that charges of neo-colonialism, laid by both Western and African commentators (as above) are hotly denied. He (2009b:5) claims that African scholars are excessively influenced by their Western counterparts. Zhang (2010) goes as far as to say that ‘Almost all the reports about China in the African newspapers are the "secondhand ones" from Western media’ and that African media does not understand China. Luo (2007:22) points out that many African leaders have had a Western education. By contrast, Chinese cultural exports are currently not high in either quantity or quality (Zhang & Luo, 2008:27). Liu (2008) suggests that cultural diplomacy has become an increased priority for the Chinese government, particularly in the context of relations with African countries.

2.2.1 Message from the East: China’s Rhetorical Priorities in Africa

Although China’s relations with Africa are a small percentage of China’s global economic engagement overall, a disproportionate amount of high-level diplomacy has been showered upon the continent in order to promote ‘win-win’ co-operation.¹⁰⁹ One Chinese policy-maker declared: ‘Africa has rising international status and is the cornerstone of China’s policies.’¹¹⁰ Chinese political rhetoric vis-à-vis African relations is significant for two reasons. Firstly it is an important tool that Beijing has used in order to distinguish itself from Western practices in Africa and the developing world. Secondly, it is a manifestation of China’s increasing interest in using ‘soft power’¹¹¹ to cultivate ‘great power’ status.

¹⁰⁸ Interview, NGO, Luanda, 18 August 2010

¹⁰⁹ Interview, Chinese Ministry of Foreign Affairs, Beijing, 6 January 2010

¹¹⁰ Li Chengren, President of the Chinese Society of Asian and African Studies, Deputy President of the Chinese Association for International Understanding and Former Vice Minister of the International Department of the Central Committee of the CPC, Speech at the Symposium on Sino-African Relations: Reflections and Prospects’, Beijing, 13 October 2009. See also (Luo, 2009:26)

¹¹¹ First coined by Joseph Nye (1990)

There is a strong discourse among Chinese scholars on the importance of China developing 'great power status' (Jiang, 2007; Wang & Wang, 2008; Zheng, 2008). A published discussion between Chinese scholars on whether China has indeed achieved 'great power' status in a prominent foreign policy journal (see Shen, 2007) indicates not only the spectrum of opinions on the subject, but the Chinese government's implicit desire to explore this debate. However, this is a controversial issue. Chin (2010) comments that Chinese diplomats are at pains to reign in 'excessive public exuberance' regarding China's place in the world. Ye Hailin (quoted in *People's Daily*, 2010a) urges Chinese people to be humble, as narcissism detracted from China's international image. Furthermore, Qiu Shaofang, Chinese Ambassador to Sierra Leone wrote in an open letter in one of the African country's newspapers that China was most definitely still a developing country, despite its status as the second largest economy (Qiu, 2010). There is thus a growing tension between the idea that 'China is just regaining its long lost right to have its say in world affairs' (Liu Xiaoying quoted in *China Daily*, 2010) and Deng Xiaoping's notion of 'hiding brightness and nourishing obscurity'¹¹² which has been a foreign policy guiding principle.

2.2.2 China's Soft Power in Africa

Nye and Wang (2009:18) define soft power as 'the ability to shape the preferences of others'. Importantly, it relies on the powers of attraction, rather than coercion. In 2007, Hu Jintao drew attention to the importance of soft power, calling it 'a factor of growing significance in the competition in overall national strength' (quoted in Lawrence, 2009).

At a conference on China-Africa relations, one academic suggested that the 'big powers' want to influence Africa and are increasing their political clout through economic co-operation frameworks.¹¹³ This is precisely what China is doing through the Forum on China-Africa Co-operation (FOCAC)¹¹⁴. Indeed, one Chinese Ministry of Foreign Affairs official

¹¹²韬光养晦

¹¹³ Zhang Yongpeng, IWAAS, presentation: 'The International Factors in China-Africa Relations' Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009.

¹¹⁴ See chapter 3

talked about the increased influence of China and that FOCAC is becoming more important and is now a 'brand' or a banner in China-Africa relations.¹¹⁵

China feels the need to counterbalance the impression that: 'The big powers want to force Africa to accept their world view; they want to improve their international image, they want to expel China from Africa, and they want to consolidate their influence in co-operative areas.'¹¹⁶ Fang (2009:58) points out that it is the strength of Western soft power that allows them to attack China's image and that China's own soft power needs to be further developed in order to counter this, particularly the evocation of the 'China threat'. One Chinese academic suggested that China should select some African NGOs to support, in order to promote Chinese "soft power".¹¹⁷ Tellingly, this shows not only that China is drawing lessons from Western countries in terms of promoting a sphere of influence', it betrays the fact that many Chinese commentators see NGOs as a vehicle for the promotion of foreign influence in a country's domestic context. This is reinforced by the Chinese academic adding: 'an African friend [one of the diplomats in attendance] said "we don't like the "noisy' NGOs", well we don't like them either. We will choose to support the "non-noisy" NGOs.'¹¹⁸

Western scholars have been concerned as to the rise of China's soft power in Africa. Kurlantzick (2007b) for instance claims that Beijing is using its diplomacy to limit US influence. However, this is felt to be exaggerated by many Chinese scholars. He (2009b:11) suggests that Africa is the only place that China's soft power has 'vitality', pointing out that the 'China threat' concept has not caught on as readily here. Lu (2009) contends that China's

¹¹⁵ Sun Baohong, Counsellor, Department of African Affairs, Ministry of Foreign Affairs, presentation at Institute for West Asian and African Studies (IWAAS) 'Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009.

¹¹⁶ Zhang Yongpeng, IWAAS, presentation: 'The International Factors in China-Africa Relations' Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009.

¹¹⁷ Zhang Yongpeng, IWAAS, presentation: 'The International Factors in China-Africa Relations' Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009.

¹¹⁸ Zhang Yongpeng, IWAAS, presentation: 'The International Factors in China-Africa Relations' Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009.

lack of understanding of a foreign audience has limited the impact of soft power and cultural diplomacy.

A Japanese diplomat suggested bluntly that China's practice is to '... "buy friends"; no-one can follow them, Japan cannot copy them... They have a large population and they need [sic] much energy; to develop they need oil. This is their basic policy. They are investing a lot of money into oil-rich countries, and a lot of money in African countries.'¹¹⁹ This reference to dollar diplomacy is relevant, as it was recognised to be Taiwan's strategy for maintaining diplomatic allies for decades (Taylor, 2002). Taiwan announced in 2009 that it would discontinue such a strategy, an implicit admission that it could no longer outspend the PRC (Brautigam, 2009:125). From the above comment, it appears, China is willing to outspend other countries to develop 'soft power'. As one observer from the IMF commented, 'From China's perspective, involvement in Africa has huge payoffs relative to the cost. Chinese reserves are huge in comparison to what African needs.'¹²⁰

There are also political implications for China exercising soft power. He (2007:28) tellingly says that 'Africa is perhaps the most important testing ground for China's soft power' and Luo (2007:18; 2009:26) discusses this in great detail. Another commented that China's relations with Africa are a driving force for China's relations with the outside world.¹²¹

2.2.3 Distinguishing China from Western Donors

China has been at pains to distinguish itself from Africa's Western partnerships by carefully constructing a message devoid of the donor-recipient motif and emphasising the mutually beneficial relationship between developing countries (King, 2006:2; Zhang& Luo, 2008:26). The roots of this discourse are found in the 'Five Principles for Peaceful Co-existence':

¹¹⁹ Interview, Asian Embassy in Angola, Luanda, 7 July 2010

¹²⁰ Interview, IMF, Beijing, 1 September 2009

¹²¹ Liu Hongwu, President of the African Studies Institute, Zhejiang Normal University, presentation "Some Research Questions on Sino-African Co-operation in the New Era' Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009.

mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence, about which more will be said in the following chapter. Of relevance here is the way that these concepts are used to craft a diplomatic framework that has been well-received by African governments.

He (2009b:7) places emphasis on the advantage that China has over the West given the former's approach to 'no-strings attached aid' and mutual respect and equality as guiding principles. Luo (2007:22) points out that China, in contrast to the West, has kept its promises on aid deliverance and is not hypocritical. As one researcher commented: 'The Chinese principle is not to impose what you do not want for yourself.'¹²²

Fundamental amongst China's rhetorical tools, is the concept of 'win-win', indicative of mutual benefit to both China and her African partners, intended to contrast sharply with their narrative of African countries' experience with the West. Alden and Large (2011) examine in some detail China's attempts to distinguish itself from other donors, noting the increasing challenges China faces to do so. This was admitted by one Chinese academic who voiced the concern that: 'There are high demands on China now and China has to work very hard to fulfil them.'¹²³ This was echoed by a Chinese foreign ministry official who suggested that should China not be able to fulfil the higher expectations of African countries, this will be used as ammunition by 'anti-China forces'.¹²⁴ Another suggested hopefully that Angola should rely on its own efforts and the help of the West; implying that she could not rely on China alone for assistance.¹²⁵

¹²² He Wenping, IWAAS, presentation: 'China's Aid to Africa: Developing Features and Challenges Ahead' at 'Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009.

¹²³ Zhang Yongpeng, IWAAS, presentation: 'The International Factors in China-Africa Relations' Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009.

¹²⁴ Sun Baohong, Counsellor, Department of African Affairs, Ministry of Foreign Affairs, presentation at Institute for West Asian and African Studies (IWAAS) 'Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009.

¹²⁵ Interview, Chinese Academy for International Trade and Co-operation (CAITEC), Beijing, 5 December 2009

An Angolan official confirmed the importance of ‘no-strings attached’ co-operation, whereas Europe:

‘...in order to help Africa, demands a lot. China does not yet do this. Africa needs more than it can give. They say Africa is rich, but we are not able to exploit this wealth. Europe knows how to do this because they were the colonisers.’¹²⁶

Interestingly, one Chinese diplomatic remarked that the only difference between Euro-African relations and Sino-African relations was that China treated Africa equally; the respondent felt that in some ways, China needed Africa more than Africa needed China:

‘We do not have many friends. With the US and Europe, even though we are friends at the table, under the table we are fighting, whereas with Africa, maybe we quarrel some times, but we never feel that bad.’¹²⁷

2.2.4 Chinese Model, Beijing Consensus

Chinese officials have noted various African countries’ eagerness to learn from the Chinese experience of development.¹²⁸ Zimbabwean President Robert Mugabe, well-known for his ‘Look East’ policy, was quoted as saying: ‘China has been able to develop its economy without plundering other countries, and the Chinese economic miracle is indeed a source of pride and inspiration,’ (Bezlova, 2009). Indeed, some have even suggested that China is exporting a political model of authoritarianism (Kleine-Ahlbrandt & Small, 2008). Suzuki (2009:780) questions this interpretation, arguing that this betrays a tendency to ‘“look for enemies” at the expense of empirical accuracy’, pointing out that rather than Beijing propagating a model of development to follow, it is other countries that have chosen to use China as an example. One Angolan civil society respondent expressed fears that Angola was ‘becoming very close to China, and adopting social policies that are very close to China’s as

¹²⁶ Interview, Angolan Ministry of Foreign Affairs, Luanda, 3 May 2010

¹²⁷ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009

¹²⁸ Sun Baohong, Counsellor, Department of African Affairs, Ministry of Foreign Affairs, presentation at Institute for West Asian and African Studies (IWAAS) ‘Symposium on Sino-African Relations: Reflections and Prospects’, Beijing, 13 October 2009.

‘there is no economic assistance that has no political agenda’.¹²⁹ He suggested that this was a challenge for the West, which had left Angola ‘at the mercy’ of China and consequently lost some leverage.¹³⁰ Chinese officials are cautious as to the applicability of Chinese development experiences to the African context:

‘China’s own experience and character may not apply to everyone, but it may benefit to a certain extent. Developing countries are interested in China’s development concept and experience. Asia in general and China in particular can give some lessons.’¹³¹

There is however some doubt as to what exactly this ‘Chinese model’ of development entails. Zhang (2006) tentatively characterises it as ‘gradual reform’; ‘constant experimentation’ and ‘selective cultural borrowing’. However, the lack of a perceived coherent policy outlook, particularly towards the developing world, has caused Western policy-makers to impose their own models. The phrase “The Beijing Consensus” was coined by Ramo (2004) to describe what he perceived as a new form of power politics emanating from Beijing that sought to challenge US hegemony implicit in the Washington Consensus:

‘China is marking a path for other nations around the world who are trying to figure out not simply how to develop their countries, but also how to fit into the international order in a way that allows them to be truly independent, to protect their way of life and political choices in a world with a single massively powerful

¹²⁹ He even suggested that China was assisting Angola with internet censorship and control. This was echoed by a Western defence attaché, (Interview, Western diplomat, Luanda, 12 July 2010) although it remains unverified.

¹³⁰ Interview, Angola Programme Manager, Western NGO Luanda, 18 August 2010. Dame Margaret Anstee (2011), former head of the United Nations peacekeeping mission in Angola (UNAVEM II), argues strongly that a lack of international support following the war seriously affected the level of development Angola currently experiences.

¹³¹ Li Ruogu, Chairman and President of China Exim Bank, Presentation at the Tsinghua University School of Public Policy and Management Lecture Series, 11 January 2010.

centre of gravity. I call this new physics of power and development the Beijing Consensus.’ (Ramo, 2004:2-3)

Particularly as China itself did not conform to recommendations implicit in the Washington Consensus, China has prematurely been touted as a new development model for Africa. Although the Chinese government has not accepted the term ‘Beijing Consensus’, it set off vigorous debate in policy circles (He, 2009b:8; Zhao, 2010; Huang, 2011:4). Western scholars are divided on this. While some acknowledge the difficulties of applying China’s developmental model to other parts of the world (Lagerkvist, 2009:119; Kennedy, 2010), many other are hopeful. This is misleading however as the ‘Beijing Consensus’ is a Western term imposed upon China’s development circumstances¹³², which do not follow a coherent model (Ni, 2010). Leaders since Deng Xiaoping have been at pains to emphasise that China’s growth path should not be imported wholesale in order to attempt to mimic China’s trajectory (Tao,2009b:41; Luo, 2007:23). Zhang (2006) among many other Chinese scholars¹³³ and policy-makers is hesitant to promote the applicability of any ‘Chinese Model’. The most important contribution of the ‘China Model’ to the development debate is that it provides a conceptual alternative to the Washington Consensus, proving that a country can successfully pursue an endogenous development plan tailored to its own context and achieve results, rather having to accept Western doctrine (Tao,2009b :56). He (2009b:10) and (Luo, 2007:23) take this argument further, arguing that China’s development has proved that Western values are not universal, and are not necessarily valid for all countries. Tao (2009a:37) suggests that in the context of Africa, China can be used as a reference point, so that Africa can learn from China’s experience, but stops short of advocating blind copying of any development practices.

¹³² According to Tao (2009b:56) Chinese scholars prefer the term ‘Chinese Model of Development’ to Beijing Consensus

¹³³ See for instance, Tao (2009a); Tao (2009b),Zhang (2010)

2.2.5 Third world solidarity, when appropriate

As noted above, several Chinese respondents pointed out that while Western countries harp on about internal democracy of countries, they pay scant attention to issue of global justice and democracy within the context of the global system.¹³⁴ He (2007:31) points out that this is also to the detriment of 'weak and small countries in Africa' while at the same time arguing that China's policies in Africa are 'largely in line with those of the international community, not in opposition to them' (He,2007:32), apparently to once again assuage fears of a 'China threat'. A tension however emerges, in that China appeals to developing countries on the basis of a history of colonization and its own developmental challenges, whereas it strives to achieve recognition from more powerful nations as a 'responsible power'. It is this attempt by China to be 'all things to all nations' (Kim, 2004:46) that leads to the inherent contradictions of Chinese foreign policy, even as effort is made to ensure the continuity of its policy standpoints.

Luo (2007:19) points out that China is careful to use phrases such as 'common prosperity' suggesting that China and Africa need each other to develop, thus avoiding the idea of China as a donor nation, helping an impoverished continent. This not only reinforces the 'win-win rhetoric', but allows China to identify itself as a developing, rather than a developed, country when it is in China's interests to do so. Furthermore, a *People's Daily* (2010b) editorial firmly defended China's status as a developing country, suspecting Western countries 'lavishing praise' on China to be a ruse to 'declare that China is no longer a developing country' resulting in the loss of concessions that this implies. Despite a yearning for China to be able to take its place among the 'great powers, China emphasises the developing country nature of the national economy, with many commentators emphasising that Shanghai is not representative of the country's level of development as a whole.¹³⁵

¹³⁴ Interview, China Exim Bank, Beijing, 15 January 2010; interview, chief executive officer of a Chinese import-export company, Luanda, 10 August 2010

¹³⁵ Alden and Large (2011) argue that this position is increasingly untenable.

There is thus also a tension that has been identified between China's political overtures to Africa as a partner, rather than a donor, and China's aspirations to be the leader of the developing world (Asche & Schüller, 2008:14; Taylor, 2006:4). The tendency to act as a 'first among equals' again brings to the fore China's composite identity of having characteristics of both a developed and a developing country and the tendency to vacillate between the two as circumstances and perceived interests dictate. The lack of certainty in China's foreign policy approach to Africa is thus indicative of a much broader domestic debate concerning the theoretical underpinnings of China's foreign policy.¹³⁶ Carlson (2002: 229) points to theoretical changes in foreign policy thinking that are not yet reflected in active policies.

A Ministry of Foreign Affairs official also mentioned the Tazara Railway built in the 1970's¹³⁷ in this context; pointing out that despite China's poverty and difficulties at the time, this substantial aid project was undertaken. Although enacted in the context of an aggressive anti-imperialist foreign policy under Mao, this project has come to symbolise in the current discourse that 'Poor helps poor'. China as the largest developing country is thus seen to show solidarity with Africa as the largest continent of developing countries¹³⁸; as China's international obligation¹³⁹.

China's scholars and policy-makers, despite distinguishing China from other Western 'great powers', do believe that China will one day rightfully take its place among the 'great powers' of the world (Leonard, 2008; Dong, 2009). As such, should China's role in Africa prove successful, or at least more successful than that of the continent's former colonial rulers; not only will China have by the current norms become a 'great power' by developing an

¹³⁶ See for instance Mierzejewski (2009)

¹³⁷ At the time the largest aid project China had ever embarked upon, the Tazara Railway linked land-locked Lusaka to the port city of Dar-es-Salaam, providing Zambia with port access without reliance on white-dominated South Africa. It was built between 1970 and 1975, completed 2 years ahead of schedule and has come to be seen as an almost mythological symbol of China's assistance to Africa (Brautigam, 2009:40). For a more in-depth account see Monson (2009).

¹³⁸ This set phrase is often used in political rhetoric and academic articles, presumably to reinforce South-South solidarity between China and African countries.

¹³⁹ Interview, former official, Chinese Ministry of Commerce, Beijing, 8 December 2009

international sphere of influence, but it will have achieved one-upmanship over the West, having succeeded in developing Africa where the West has failed.

There is a contradiction here as whereas China's aid policies are often described as 'selfless' (He, 2009b:8), the rhetorical emphasis on 'win-win' means rather that 'Chinese companies must make money but also help people.'¹⁴⁰ This implies a long-term and holistic view as China wants to help African countries develop so that they can be developed into markets. This idea was developed further towards the end of 2009, when it was debated in some policymaking circles that China should launch a kind of 'African Marshall Plan'¹⁴¹.

Superficially, this holds several similarities with US efforts to assist Europe destroyed after the Second World War. China would also be assisting a group of countries, many of them war-ravaged in rebuilding their economies, with the hope of creating powerful future political allies and markets for Chinese goods. Perhaps as a result of Beijing's initial enthusiasm, several figures claimed authorship of the idea. Gu (2009) reports that former Deputy Director of State Administration of Taxation Xu Shanda¹⁴² proposed the notion. The idea was also mentioned as having been an inspiration of China Exim Bank President Li Ruogu.¹⁴³ A China-based consultant¹⁴⁴ remarked on having attended an entire conference dedicated to the topic. However, after debate the only representative still in favour of the idea was from the NDRC¹⁴⁵, as he viewed it as a policy to generate export markets. Even African countries which have extensive loan agreements with China Exim Bank for reconstruction, such as the Democratic Republic of Congo and Angola have borrowed the concept of the 'Marshall Plan' to describe the agreement (Jiang, 2009a). Of particular interest here, is that the Angolans do not see it as munificence from China, but from their

¹⁴⁰ Interview, Chinese Ministry of Foreign Affairs, Beijing, 6 January 2010

¹⁴¹ Interestingly, this is not the first time a foreign power has proposed such a plan for Africa, the most recent being former British Prime Minister Gordon Brown's own concept of a 'Marshall Plan for Africa' (see Blitz, 2004). Van de Walle (2001:7) comments wryly that developing a 'Marshall Plan for Africa' was once very much *en vogue* in development policy circles.

¹⁴² On 6 January 2010, Xu Shanda also delivered a lecture to Tsinghua University's School of Public Management students entitled '中国的“马歇尔计划”' [China's Marshall Plan]

¹⁴³ Lei Xiancheng, Vice President, China Exim Bank, presentation at Institute for West Asian and African Studies (IWAAS) 'Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009

¹⁴⁴ Interview, Consultant, Beijing, 6 January 2010.

¹⁴⁵ The role of various government bodies will be elaborated on in chapter 3.

President as the orchestrator of the agreement: 'It is like the Marshall Plan – Europe would have gone to war again if it were not for this plan. Dos Santos knows this.'¹⁴⁶

As pointed out by Brautigam (2009:164) the Marshall Plan was predominantly in the form of grant aid. Furthermore, it focussed on institution-building.¹⁴⁷ Total disbursements were 2.5% of Europe's collective GDP and lasted only a few years. This is in comparison to ODI to Africa from OECD countries from 1992 -1993 totalling 12 percent of Africa's collective GDP, with few results (Van de Walle, 2006:206). Not surprisingly, Chinese respondents view China's role in Africa as more beneficial to the continent than that of Western countries: 'The aid and financing that Western countries offered were not with very good conditions. Angola therefore went to China to ask China to provide the required financing. China's help is with very good conditions.'¹⁴⁸

2.3 The View from Angola

In analysis of 'African rhetoric', the distinction between African political elites and the discourse regarding China-Africa relations of their citizens needs to be made.¹⁴⁹

Furthermore, the individual contexts of the more than fifty African countries will dictate their circumstances. Although at risk of reductionism, various studies have noted this, and the fact that while African elites tend to be largely positive rhetorically of China's role in Africa, the discourse amongst ordinary citizens is more of a mixed bag.

¹⁴⁶ Interview, University professor, Luanda, 18 August 2010

¹⁴⁷ Interview, Consultant, Beijing, 6 January 2010

¹⁴⁸ Interview, Chinese official, Luanda, 14 July 2010

¹⁴⁹ While analytically this is also true of China, Chinese citizens' agency regarding the Chinese government's foreign policy is currently limited (Jakobsen & Knox, 2010:41). Frazier (2010:98) suggests that public opinion via online media is sometimes incorporated into public policy, or at least used to gauge public perceptions. For an enlightening study of popular Chinese perceptions of Africans and Chinese policy towards Africa, see Shen (2009).

In the case of Angola, as a formerly Soviet-supported state¹⁵⁰, and particularly given the country's historical context, there are some that still view external relations through a Cold War lens. One respondent commented that he thought China's role in Africa was a 'good idea' as 'China is the weapon that Africa can use to end western hegemony'.¹⁵¹

The Angolan government has also developed a strong narrative variously directed at both domestic and international audiences. Of central importance, given the relationship with China, is the story of rejection and abandonment by the international community following the end of the civil war. A planned conference of donors to drum up support for reconstruction did not materialise, despite the government having 'used all their diplomatic means' to try to get this result. This was a bitter pill for the government it seems, as it was believed, that due to the involvement of the international community, there would be a 'moral obligation for them to help us reconstruct.'¹⁵² Interestingly, this is believed across all sectors of Angolan society and by international observers as well.¹⁵³ One Angolan civil society advocate voiced the belief that Angola had been thrust into the arms of China due to the West's abandonment of Angola 'demanding things that were completely unacceptable'¹⁵⁴. China is seen as having been opportunistic, as Angola was 'desperate'. Another respondent said she personally was 'thankful' for the Chinese, saying that '...we would not have been able to get what we have, done in such a short space of time if it were not for them. Eight years is a short time and Angola is a big country.'¹⁵⁵

The Angolan government, following almost a decade of reconstruction, has begun cultivating the international image of a regional hegemon, to rival South Africa (Gerardy, 2009). Most of the Chinese respondents I spoke to, despite enthusiasm for the economic opportunities to be found in Angola, thought this to be an over-ambitious project. However,

¹⁵⁰ The ruling party MPLA renounced Marxist-Leninism as a core ideology in 1992 (Pinto de Andrade, 2007).

¹⁵¹ Interview, Angolan research institute, Luanda, 27 April 2009

¹⁵² Interview, University professor, Luanda, 18 August 2010

¹⁵³ Interview, Angolan research institute, Luanda, 13 May 2010.

¹⁵⁴ Interview, NGO, Luanda, 18 August 2010. This of course refers to the conditions the international financial institutions required prior to releasing funding, see Chapter 4.

¹⁵⁵ Interview, Sonangol, Luanda 2 August 2010

one former MOFCOM official did suggest that the China's facilitation of reconstruction financing had also begun to rebuild the country's confidence.¹⁵⁶ Furthermore, one former Angolan diplomat suggested that renewed US interest in Angola stemmed not only from energy concerns, but also due to the 'stabilising role' Angola plays in the region and Angola's active leadership in the Gulf of Guinea Commission¹⁵⁷. He said, 'The US is looking for countries that can provide examples of leadership in conflict resolution, in terms of economic reform and democratic process.'¹⁵⁸ Angola does have the largest standing army in the region¹⁵⁹, and as such could play such a part regionally, although the country's 'stabilising' role is as much due to an absence of its own civil conflict as active peace-keeping on its own part. The Gulf of Guinea Commission for its part, although established in Nigeria, was resurrected by President Eduardo dos Santos and saw its headquarters moved to Luanda. While this is directly related to regional relationship-building, Angola also became the 11th member of the Organisation for Petroleum Exporting Countries (OPEC) on 1 January 2007, assuming the presidency of the organisation for 2009.

It is clear therefore that Angola is seeking to cultivate regional influence and punch above its weight in international affairs. Consequently, the earlier apathy of the West in the face of Angola's reconstruction is considered even more bitterly. As put by one MPLA parliamentarian, 'We should have received more consideration from the West because we are more European.'¹⁶⁰ Another commented: 'The Africans here are very specific and particular – they don't consider themselves African, they consider themselves different from African Continent representatives.'¹⁶¹ These statements betray the belief of most urban Angolan elites that they have more in common with Europeans, than other African people and nations, demonstrating a sense of national superiority in the context of other African countries, and their own compatriots in the rural areas, as discussed in the previous chapter.

¹⁵⁶ Interview, former official, Chinese Ministry of Commerce, Beijing, 8 December 2009

¹⁵⁷ Established in 1999 and currently comprising the oil states of Angola, Cameroon, DRC, Equatorial Guinea, Gabon, Nigeria, Congo-Brazzaville and São Tomé and Príncipe, the Gulf of Guinea's stated primary purpose is to mediate conflicts arising from territorial disputes over oil exploration.

¹⁵⁸ Interview, Angolan research institute, Luanda, 13 May 2010

¹⁵⁹ Immediately following the civil war, Angola has the highest ratio of troops per capita (7.2) in Sub-Saharan Africa (Hodges, 2004:64)

¹⁶⁰ Interview, University professor, Luanda, 18 August 2010

¹⁶¹ Interview, Western construction equipment importer, Luanda, 15 July 2010

Furthermore, despite apartheid South Africa's role in Angola's civil conflict, South Africa is believed to have become a darling of the international community.¹⁶² This still rankles. 'Angola could not get help when others did. The West should respect and protect Angola – they did this for South Africa, but Angola for secular reasons, was not.'¹⁶³

Prestige building has also followed a domestic discourse. Angola hosted the 'Afrobasket' African Basketball Championships in 2007 (which it won) and the African Cup of Nations in 2010. Although this was very much directed at an external projection of the country's rising prestige, it was also important for domestic constituencies, given the universal popularity of football (Almeida, 2009a).

Regarding national reconstruction:

'Of course the availability of China is important for what we are doing *en masse*. It is not normal what we are doing – you need strong political will. It is the response of the volume of resources we have – the lending to Angola. If we don't manage to get infrastructures, we will be less competitive, and our productivity will be less. If we didn't do what we are doing, our difficulties would be worse and our social problems much larger. We are resolving our social problems. We have schools built by China – we have the structures, which have opened education to many children. Our hospitals are also rehabilitated. The administrative productivity is the biggest in the growth of the country. We are not sure yet how it is helping. Technology is the problem.'¹⁶⁴

The Angolan government has used the argument of political expediency to validate the process: 'In terms of value and time-period, for instance with Angola's roads, the quantity in the case of the roads – we would not have been able to do as much in 15 years without the

¹⁶² Interview, Angolan Ministry of Foreign Affairs, Luanda, 29 July 2010

¹⁶³ Interview, University professor, Luanda, 18 August 2010

¹⁶⁴ Interview, Angolan Ministry of Planning, Luanda, 16 July 2010

Chinese. We will look to the quality issue. We want quantity not quality. The Europeans, on the other hand, have high prices, and our money would not go as far. If we waited for the Portuguese and the Brazilians, we would still be killing each other'.¹⁶⁵

The arrangement of Chinese financing has been promoted as crucial for rapid national reconstruction, the project of rebuilding the country physically after so many decades of civil war. Through the rhetoric of the Angolan government, it has also taken on a politically charged spirit, intended to galvanise nation-wide popular support for the regime in Luanda. But as Clapham (1985:120) notes cynically '... nationalism is not, save in the rhetoric of leaders, the united feeling of a single people.' It is instead the demands put forward by a dominant group within the state. The completion of many of the public works carried out for national reconstruction were timed to coincide with electioneering and have been used gratuitously as primarily as an election campaign slogans to combat abysmal service delivery.

Much has been made of the '3rd Republic', a reference to Angola following the ratification of the new constitution in 2010.¹⁶⁶ Essentially the Constitution of 2010 marks entry into the '3rd Republic' and re-entry into the 'real world'. This also means a re-engagement by Angola of the international community in order to carve out a sphere of influence regionally and internationally. One former African diplomat noted that Angola had sent an observer to the recent Mauritanian elections. The representative observer, he noted wryly, 'made many proclamations about democracy as if it were embedded into Angola's political psyche'.¹⁶⁷

However, just like in the case of China, the Angolan government, despite aspirations to regional hegemony, does continue to plead developing country status when it behoves the country to do so. A prominent example is Angola failing to adhere to its set production

¹⁶⁵ Interview, University professor, Luanda, 18 August 2010

¹⁶⁶ The 'first republic' was immediately post-independence until the first general elections in 1992, the second republic was governed by the constitution 1992 -2009 until the most recent constitutional amendments, allowing the leader of the parliamentary majority to become president of the republic without separate presidential elections as was previously the case.

¹⁶⁷ Interview, former African Ambassador, Luanda, 3 May 2010

quota. Oil Minister José Botelho de Vasconcelos, concurrently President of OPEC advocated an outright exemption from quotas for Angola, likening the country to Iraq, which had already been granted such an exemption due to its history of conflict and need for post-war reconstruction (AFP, 2009c).

A similar narrative has been used in the face of calls for greater transparency. However, the Angolan government has accepted a US Treasury official seconded as resident advisor to the Ministry of Finance. As one Western diplomat put it ‘Now why would the Angolans be interested in an “embedded” US Treasury officer in their Ministry of Finance? Because they can tell the world!’¹⁶⁸ Thus despite their disdain for Western norms, there is a recognition of status acquired by at least appearing to conform to them.

2.3.1 Narrative on Corruption

Soares de Oliveira (2007a:146) notes the importance of anti-corruption rhetoric for the elite in order to present a façade of ‘making the right noises’; a kind of ‘reform-lite’ while placating critics and enemies. As early as 1975, President Neto warned against ‘petty bourgeois opportunism’; or party members taking up government office for self-enrichment (Somerville, 1986:99). Fauvet (1979:148) evidently an admirer of the party in its early years of rule vociferously defends the MPLA, noting the specific structure set up by the party to ‘keep opportunists and careerists out’. Smith (1980:75) more moderately contends that there were very definite benefits to party membership, albeit that the MPLA were ‘not hopelessly corrupt’. The Angolan government has also developed a discourse around corruption and transparency for the international audience. This, as with Chinese internationalisation, is an attempt to be seen to assimilate accepted norms of the international community in order to boost external legitimacy. One foreign correspondent described it as more ‘for show, in a kind of box-ticking exercise rather than any kind of sincere effort. It is almost as if Angola has realised that this is what the international community want to see, and as long as they get it, it keeps them happy and they send more

¹⁶⁸ Interview, senior Western diplomat, Luanda, 29 June 2010

money and they really don't care what is really going on. It is a new way of controlling how they appear.'¹⁶⁹

Particularly during the latter part of the Angolan civil war (after 1992) corruption and the misallocation of funds was extensive. The IMF reported that US\$ 4.3 billion in revenue remains unaccounted for between 1997 and 2001 (Pearce, 2005:131). Political elites have been accused of facilitating capital flight from Angola to the value of US\$ 5.8 billion in 2009 alone, largely through trade 'mispricing' (Stoddard, 2011). However, the Angolan Ministry of Finance reportedly made a statement that such discrepancies were 'perfectly consistent'¹⁷⁰ (Reuters, 2011a). Indeed, this is despite the President in 2009 introducing a campaign of 'zero tolerance' against corruption (Almeida, 2009c). President dos Santos introduced a Law of Administrative Probity rendering it illegal for political figures to use their position for personal financial gain, in order to ensure public servants work with 'honesty, honour and integrity of character' (Esau, 2010:37). However, Marques de Morais (2009, 2010a, 2010b, 2010c, 2010d) has documented numerous instances where contraventions of this law were not punished argues that the discourse of combatting corruption in Angola and within the party has existed for decades without much effect. Messiant (2007:96) argues that political elites pillage state assets with impunity save the displeasure of the President. Indeed, these newly instated laws are retained purely as a mechanism through which the President punishes his cadres if they overstep his boundaries, thus using the threat of prosecution for corruption as a stick to keep them in line.

As to why corruption once again became an important issue in 2010, one Ambassador suggested three possible reasons; firstly that it might be President Dos Santos's vision for a personal legacy – to have brought an end to corruption. Secondly, it may have something to do with the IMF standby loan of US\$ 1.4 billion that was signed in September 2009, '...the largest ever advance of that nature in a single tranche'. Thirdly, he suggested that perhaps

¹⁶⁹ Interview, journalist, Luanda, 1 May 2010

¹⁷⁰ The relations between Sonangol, the Ministry of Finance and the Central Bank are known colloquially as the Bermuda Triangle, given the lack of transparency and tendency for off-budget expenses (Hodges, 2004:124; Croese, 2011:10).

dos Santos has recognised that ‘this is the way that the world is moving’ and Angola ‘can no longer hide away on the western seaboard and make lots of money. Fourthly, and most importantly it is about image and international standing in fora such as the AU and SADC.’¹⁷¹

President dos Santos’ speech at the opening of the first extraordinary session of the MPLA Central Committee focussed on several aspects. Among them was what he called the ‘battle for the communication of truth’ (Dos Santos, 2011a). He declared that poverty had not been created by the MPLA, but was a legacy of colonialism. Such pronouncements allude to the rising dissatisfaction with inequality experienced by Angolans. Interestingly, the President for the first time felt compelled to defend himself against accusations posted on the internet of keeping a fortune amounting to US\$ 20 billion massed in overseas bank accounts.¹⁷² Transparency when it comes to relations with China is another matter. A senior official from the Angolan Ministry of Foreign Affairs said that relations between China and Angola were ‘the responsibility of the state’, claiming that they were managed by China and Angola and only these two countries ‘... know what they are about. You cannot go and tell the rest of the world; that would mean that you have no respect.’¹⁷³ As Shaxson (2007:183) notes: ‘But if we want to tackle “corruption”, we must understand clearly what it is. It is often about greed. But at these levels it is also about staying in power and getting things done.’

2.3.2 Good relations between Friends

In looking at China-Africa relations specifically, it is increasingly apparent that two separate narratives exist between political elites at high-level and day-to-day transactions between

¹⁷¹ Interview, senior Western diplomat, Luanda, 27 April 2010

¹⁷² This speech was made in the aftermath of political instability in Egypt during which popular uprisings eventually led to President Mubarak (in power since 1981) stepping down. In clear reference to this, President dos Santos denounced calls on the Internet calling for ‘false’ revolution that threatened to ‘subvert the democratic order established by the Constitution’ and attempting to bring the ‘confusion’ experienced in other parts of Africa to Angola. Indeed, the President appeared to be suitably enough threatened by Egypt’s popular revolution that the government organised a march of support for MPLA rule.

¹⁷³ Interview, Angolan Ministry of Foreign Affairs, Luanda, 3 May 2010.

Chinese and Angolan citizens. Most respondents with political office, as expected, emphasised the ‘friendly’¹⁷⁴ and ‘excellent’¹⁷⁵ relations between the two governments:

‘What is important for relations between two countries is that the agreement is strong, loyal and that it is in the two countries’ interests. China’s relations with Africa are not emerging, they are being reinforced. They began at the Bandung conference, which is where they were agreed; they just took some time to manifest; we are only now seeing the fruit of it. China has assisted African countries for a long time. Every co-operation partner is welcome, as long as the co-operation is built on respect.’¹⁷⁶

A Chinese diplomat was however adamant that the Chinese government provided assistance to Angola according to their needs for the population¹⁷⁷. Indeed, particularly after the flurry of stadium construction, the Chinese negotiators have voiced an apparent reluctance now to carry on building prestige projects and a shift to towards projects that will benefit the local people more.¹⁷⁸ (However, as a concrete shift to only providing socially relevant projects is not yet clearly discernible at a policy level). It is evident that both the Chinese government and the Angolan government claim to have the interests of the ‘Angolan people’ at heart. Nevertheless, the benefits of relations with China are overwhelmingly felt among the political elite. A study by Horta (2009) found that while China is viewed positively by African elites, other groups ‘non-government affiliated people interviewed – among them street sellers, teachers, and small business people’ were more negative. However, as will be discussed in later chapters, this is as much the responsibility of the African government in question, as with dissatisfaction with ‘the Chinese’ themselves.

One Chinese respondent mentioned that in Angola, there was not a complete trust of China; he suggested this was possibly due to past experience of Western influence. This was reinforced by another Chinese businessman in Angola. He said that Angola feels a lot of

¹⁷⁴ Interview, administrator, Chinese construction company, Luanda, 19 August 2010

¹⁷⁵ Interview, Angolan Embassy, Beijing, 28 October 2010

¹⁷⁶ Interview, Angolan Ministry of Foreign Affairs, Luanda, 3 May 2010

¹⁷⁷ Interview, Chinese official, Luanda, 14 July 2010

¹⁷⁸ Interview, Chinese think tank, Beijing, 2 December 2009.

pressure from the Western governments.¹⁷⁹ He suggested that some African countries may not trust China, probably because they are accustomed to the meddling and negative influence from outsiders; a result of the colonial experience.¹⁸⁰ The more candid Chinese businessmen, especially from the private sector, mentioned that government-to-government relations work well, relations between 'ordinary people' are more difficult.¹⁸¹ One elaborated: 'The problem with Angola is that the environment is lacking; young people don't like to be here. Also, although the Chinese don't like the Angolans, the Angolans don't like the Chinese either. They don't like each other. Firstly, the culture is not the same, neither is the language.' Two aspects that were regularly repeated were the fact that the average Chinese person that Angolans came into contact with was a migrant worker; 'peasant people – they are very uncultured and uneducated. They do not give a good impression.'¹⁸² Secondly, he believed that Angolans were under the misconception that Chinese companies are '...taking away from Angola and the Angolan economy, but China imports much more than it exports to Angola.' Also, he said that even though there was a lot of Chinese labour in Angola, these labourers only earned between US\$ 700 – 900. 'Angolans don't understand, they think China is getting more out of it than Angola, but actually it is the other way around'¹⁸³. Aside from problems with the local population, Chinese private companies do not benefit from preferential treatment from the Angolan government. In fact, a private Chinese entrepreneur mentioned, that despite all the welcoming high-level discourse, the Angolan government does not make the process of entry easy – the reality did not sit well with rhetoric (at least with the private companies).¹⁸⁴ This indicates that there are also Chinese actors that feel hard done by the manner in which China-Angola relations are conducted, an aspect little studied.

Angola's more long-standing traditional partners are careful not to speak too critically of China in Angola. This shows the level of power of the Angolan government vis-à-vis such

¹⁷⁹ Interview, private Chinese businessman, Luanda, 18 August 2010.

¹⁸⁰ Interview, reporter, *People's Daily*, Beijing, 3 December 2009.

¹⁸¹ Interview, private Chinese businessman, Luanda, 23 July 2010. This respondent is referring to the attacks on Chinese businessman in some of the 'bairros'.

¹⁸² Interview, manager, Chinese private importing business, Luanda, 15 July 2010.

¹⁸³ Interview, manager, Chinese private importing business, Luanda, 15 July 2010.

¹⁸⁴ Interview, administrative director, Chinese manufacturer with a factory in Angola, Luanda, 23 July 2010.

relations, as such utterances might compromise their position.¹⁸⁵ One ambassador cautiously described the Chinese presence in Africa as ‘well-established’ and ‘very active’, but suggested that there was a ‘mismatch between perception and reality’. He argued that although an intrinsically poor country, ‘...it is not as if Angola needs much in the way of aid. What it does need is support in redistributing the wealth’, and he ‘didn’t see that China was particularly well-placed to help with that. China’s traditional approach to African countries can’t help Angola.’¹⁸⁶

Most foreign diplomats interviewed remarked on the subtle diplomatic competition that existed between China and US, although this was denied outright by the US Embassy.¹⁸⁷ A former Angolan Ambassador to US suggested that at the time of reconstruction, ‘the US was in no position to provide assistance. China has promised to assist Angolan’s reconstruction. He continued ‘The US, as far as I know, doesn’t feel threatened by China’s position. Understandably, both countries have aid and can be complementary. The US encourages the Angolan government to be more aggressive in economic diversification. This can only be done if one has infrastructure rehabilitation; roads, bridges, people, money.’¹⁸⁸ However after the emergence of key diplomatic missives in the ‘Wikileaks’ scandal, it emerged that several US embassies’ diplomats in Africa do indeed feel threatened by China’s growing presence in Africa (Stumme,2010).

2.4 Conclusions

It is clear that China’s political rhetoric in Africa, more specifically Angola, is a function of the country’s process of internationalisation and consequent domestic debates concerning China’s rise in the international community. Furthermore, China’s rhetorical position

¹⁸⁵ Sonangol threatened BP with termination of contract when the latter in February 2001 published information regarding its oil exploration activities in Angola as part of the ‘Publish What You Pay’ campaign. BP later withdrew this information from the public sphere. (Global Witness, 2002:4; 2004:50). It is also believed that Total was not offered renewal of its exploration licence for block 3/80 following France’s investigation of war-time arms deals to Angola (Burke et al,2007:37)

¹⁸⁶ Interview, senior Western diplomat, Luanda, 27 April 2010

¹⁸⁷ Interview, senior Western diplomat, Luanda, 29 June 2010

¹⁸⁸ Interview, Angolan research institute, Luanda, 13 May 2010

regarding development assistance is informed by lessons learned from the country's own developmental experience. Many aspects of this are appealing to African elites. China advocates 'gradualism', rather than 'shock therapy' administered by the West (Zhang and Luo, 2008:25). This is much more in line with the *gradualismo* the Angolan government prefers to practice. (Vines, Shaxson and Rimli, 2005:13).

However, as noted above, the audience of China's public diplomacy is not restricted to Africans, be they elites or the masses, but it also intended for the international community at large, in order to project a positive image more broadly (Cull, 2009). Indeed, as has been seen, Africa is actually viewed as a test case scenario where Chinese diplomats can perfect the art of soft power, increasingly recognised as being important to cultivate the kind of stature China wishes to attain on the global stage.

The Angolan government on the other hand has managed to exploit a diplomatically strengthened relationship with China for gains in domestic, regional and international narratives. Consequently, the 'win-win' relationship seems to play out well for both Chinese and Angolan officials at the level of rhetoric. The actual mechanism of the agreements between Angola and China presents a difference state of affairs. It is this that the following chapter seeks to address.

CHAPTER THREE: The Development of China's Africa Foreign Policy

China's relations with Angola are encompassed by the context through which China pursues relations with Africa as a whole. This chapter traces the historical origins of China's foreign policy towards Africa, and the institutional mechanisms that currently drive foreign policy formulation towards the continent. In this chapter, I conceptualise China Exim Bank's rise as a foreign policy instrument and describe the bank's generic lending process, paying particular attention to the various Chinese government bodies involved in its implementation.

3.1 A Brief History

China's relationship with Africa was initially guided by a broader set of general foreign policy principles developed over time in response to China's geo-political reality from the 1950's onwards. This framework, the 'Five Principles for Peaceful Co-existence' were jointly developed and publically released by Indian Prime Minister Jawaharlal Nehru and Chinese Premier Zhou Enlai at the historic 1955 Bandung Conference where they were adopted by 29 other non-aligned countries (Muekalia, 2004:6).¹⁸⁹ Significantly, the intention of this conference was to cement Afro-Asian solidarity in the face of the Cold War political divisions. African leaders however were to a large degree under-represented as attendance of the conference was largely disapproved of by the colonial powers. Nevertheless, China's pledge to adhere to the declared principles of respect for sovereignty, mutual non-aggression, non-interference, equality and mutual benefit and peaceful co-existence, have, at least on a rhetorical level continued to inform China's contemporary foreign policy, particularly towards the developed world.

China's foreign policy towards Africa throughout much of the Cold War period was in solidarity with the various liberation movements struggling for decolonisation across the continent. It was also an effort to carve out a sphere of influence in competition with the

¹⁸⁹ The set of principles were reportedly initially developed between December 1953 to April 1954 by Premier Zhou in his negotiations with a diplomatic delegation from India regarding the issue of Tibet: <http://english.peopledaily.com.cn/dengxp/vol3/note/C0150.html> [17 February 2011]

prevailing 'great powers'; the US and the former USSR. China was drawn into various proxy wars across Africa, arguably compromising the sacrosanct principle of non-intervention (Snow, 1988:96). Indeed, the underlying intention to export revolution to Africa as a transformative project was embodied by the infamous pronouncement by Premier Zhou Enlai on his 1963-1964 tour of ten African countries that 'prospects for revolution in Africa are excellent' (Taylor, 2006:25). For many years, relations with African countries were an outlet for rivalries with both 'imperialist' America and Soviet Russia. Following the political turmoil resulting from the death of Mao Zedong in September 1976, the Chinese Government turned inward throughout the 1980's in order to address pressing domestic economic crises as Deng Xiaoping emerged as political successor to the Great Helmsman¹⁹⁰. China was during this time content to remain relatively withdrawn from international conflicts, abandoning the project of exporting revolution to Africa and choosing to abstain for the most part in the decisions of the United Nations Security Council (UNSC), of which it had been a member (having ousted Taiwan) since 1971 (Geissman, 2006:3).

Under Deng Xiaoping, Premier Zhao Ziyang was dispatched on a tour of 11 African countries in 1982, not only to patch up relations that had soured following China's involvement in various Africa conflicts, but also to prepare Africa leaders for a reduction in the amount of aid they would hence forth receive¹⁹¹ (Taylor, 2006:56). The aid would also be restructured in order to benefit both sides (Brautigam, 2009:114), thus paving the way for the 'win-win' relations witnessed in contemporary times. This is a reflection of the Asian country's internal upheaval as dogmatic political ideology was by and large replaced by economic imperatives. Thus, whereas China-Africa relations throughout much of the Cold War period were characterized by the rhetoric of solidarity in the face of colonialism and imperialism, contemporary relations are much more about relations of mutual benefit with a distinctly economic flavour (Brautigam, 2009: 53-54). This is not to say that political rhetoric is not heavily employed, but it is rather used as a means for consolidating strategic economic

¹⁹⁰ For more on China's foreign policies under Deng, see Zhao (1997)

¹⁹¹ Between the period 1971-1975 China disbursed approximately US\$ 600 million in aid per annum on average. At its peak therefore, China's foreign assistance was both larger and more widely spread geographically across Africa than that of the Soviet Union (Desphande & Gupta, 1986:196).

relations with African countries and affirming the 'One-China' policy, than as a political end in and of itself.

The year 1989, however, marked a watershed in Sino-African relations (Taylor, 1998:445). Following the Tiananmen Square 'incident', China was severely criticised by Western powers for the heavy-handedness that Deng's regime had used against student protestors advocating political reforms in the model of Western-style liberal democracies. African countries, on the other hand, were quick to praise the decisive actions of the Chinese leadership in "quelling the counter-revolutionary rebellion"¹⁹². African leaders not only wished to show solidarity with China in the face of Western criticism, but also approved of China's authoritarian style of leadership. They also hoped that Chinese aid, which had been dwindling in previous years, would increase as a result of their support. They surmised correctly, and China, realising the renewed political usefulness of allies in the global South, began to take greater interest in relations with the African continent.

The Forum on China Africa Co-operation (FOCAC) was established in 2000¹⁹³, with the first Ministerial Meeting taking place in Beijing of that year, at the instigation of President Jiang Zemin. The forum was China's largest ever multilateral undertaking at the time. The inaugural FOCAC Conference produced the "Beijing Declaration", a document that affirmed the consensus between China and Africa on certain international issues affecting developing countries. This was followed in 2003 with FOCAC's second Ministerial Conference in Addis Ababa, which served to consolidate Sino-African relations and earmark further areas of cooperation in the areas of trade, economic assistance and cultural exchanges. The PRC delegation announced the Special Preferential Tariff Treatment program that removed import tariffs on 190 different items from twenty-five least-developed African countries

¹⁹² This is a quote from Pedro de Castro van Dúnem, the Angolan Minister of External Relations reported in the *Xinhua* Domestic Service, 7 August, 1989.

¹⁹³ For a detailed description of events leading up to and following the first two FOCAC Summits, see *Eastday* (2006).

when it was implemented in January 2005.¹⁹⁴ The year 2006 was unequivocally declared by the Chinese leadership to be the year for China-Africa relations. January of that year heralded the release of China's African Policy Paper, which reiterated China's declared policy of respect for national sovereignty and non-interference in the internal affairs of other states. The paper confirmed rhetoric dating back to President Jiang Zemin's declaration in 1996 that the five cornerstones of China's Africa policy are "sincere friendship, equality, unity and co-operation, common development, and looking to the future" (Holslag, 2006:145). This document is significant as it was at the time only the second such policy paper dealing with an entire region, to have been launched by the Chinese Government (the first being the Europe Policy Paper of 2003). China's policy outline contrasted with Western donors' policy stances and conditional assistance, and was well received by African heads of state. At the following FOCAC meeting, held in 2009 in Sharm-el-Sheikh, Egypt, the Chinese leadership continued the established ritual of making generous pledges in an eight-point proposal, offering multi-billion dollar packages covering a broad range of development sectors.

In December 2010, the State Council for Information released a White Paper on China's Trade and Economic Relations with African countries¹⁹⁵. This was followed by the Chinese Academy of International Trade and Economic Co-operation (CAITEC)¹⁹⁶, releasing the first annual report on China's Trade and Economic relations with African Countries in early 2011. In April 2011, the State Council released a White Paper on China's Foreign Aid¹⁹⁷, which largely treats foreign aid to Africa. Such a proliferation of official documents, despite their thin content, signifies the acknowledgement of the political importance of relations with Africa, described by Wu (2005:99) as 'documentary politics.'

¹⁹⁴ These include Benin, Burundi, Cape Verde, Central African Republic, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Sierra Leone, Sudan, Tanzania, Togo, Uganda, and Zambia.

¹⁹⁵ See for full text: http://news.xinhuanet.com/english2010/china/2010-12/23/c_13661470.htm [20 April 2011]

¹⁹⁶ CAITEC is a research organisation that reports to the Chinese Ministry of Commerce (MOFCOM)

¹⁹⁷ See for full text: http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683.htm [8 May 2011]

While the pace at which China's relations with Africa have strengthened is remarkable, it is important to bear in mind that China's relations with other regions have shown similar levels of stimulation. While African countries may be of strategic significance to China, increased outreach to Africa is merely a component of China's growing global integration and culmination of the 'going global' (*zouchuqu*)¹⁹⁸ policy. The African continent captures only a fraction of China's global trade and investment, 4.2 percent and 2.7 percent respectively (State Council Information Office, 2010; Chinese Ministry of Commerce, 2010b:10). Despite this, Africa's relations with China have received a disproportionate amount of international scrutiny. Consequently therefore, the political aspects of China's foreign policy towards Africa cannot be overlooked.

3.2 China's Prioritization of Foreign Policy Principles

The two most important pillars of China's foreign policy are that of the 'One China' principle and an uncompromising stance on non-interference in the domestic matters of other states (Zheng, 2005). Non-interference, a foreign policy principle developed from a strong aversion to perceived external meddling in China's own domestic affairs, has continued to direct much of China's external affairs on the level of rhetoric. The approach is warmly welcomed by African leaders and China further capitalizes on the shared experiences of a history of colonialism. The growing role of China on the African continent has served to illustrate not only the importance the PRC attaches to such principles, but the order in which they are prioritized.

In recent years, the inevitability of the People's Republic of China (PRC) dominance over Taiwan in the realm of international affairs is self-evident. Only a handful of states globally continue to recognise Taiwan instead of Mainland China. Indeed, in Africa alone, since 2005

¹⁹⁸ The 'going global or literally 'go out' (走出去) policy was a series of policy initiatives beginning in the early eighties but promulgated officially in approximately 2002, encouraging Chinese companies to internationalise their operations.

Senegal, Chad and Malawi¹⁹⁹ have all reversed diplomatic relations switching to recognition of the PRC Government.²⁰⁰ This has almost halved the number of Taipei's diplomatic allies in Africa, leaving only four.²⁰¹ The 'Taiwan issue' nevertheless remains a thorn in the side of Chinese foreign policy. It has not been forgotten that it was largely due to the support of newly independent African states at the UN General Assembly, that in 1971 the PRC assumed a permanent seat on the UNSC that had until then been held by the government in Taipei. Consequently, ostensibly great store is set by diplomatic relations with African governments. In the run-up to the Zambian presidential elections of September 2006, Michael Sata, leader of the prominent opposition party the Patriotic Front (PF) used anti-Chinese sentiment to bolster his support following China Non-ferrous Metal Company's assumption of the majority shareholding in the Chambishi Copper mines, a Sata stronghold. Xenophobic tensions had already flared in the region in 2005 when an explosion at the Chinese-owned mines killed 51 Zambian workers (BBC, 2005). Sata stated at the time that should he win the election, he would rid the country of 'unnecessary Chinese, Lebanese and Indians' who were viewed by many as taking away jobs from local Zambians (Burke & Corkin, 2006:60). A senior official at the Economic and Commercial Section of the Chinese Embassy, along with several Chinese managers interviewed at the time, reportedly dismissed the remarks as 'cheap politics' (Burke & Corkin, 2006:60). Subsequently, Sata described Taiwan as a sovereign state, prompting the Chinese Ambassador to Zambia Li Baodong to announce that should Sata win and establish relations with Taiwan, Beijing might think of cutting diplomatic relations with Zambia. Li's statement days before the country's national election may certainly be considered interference, but not necessarily a departure from China's longstanding policy of non-intervention in the domestic affairs of other states, provided they recognize Beijing's 'One China Policy'. While Sata's presidential bid failed, he retained a stronghold in Zambia's Copperbelt region and his remarks could be interpreted as reflecting an underlying antipathy at the time toward one of Zambia's most important investors. Both Sata and Chinese diplomatic officials have since put forward a more pragmatic face. Sata,

¹⁹⁹ Senegal re-established ties with the PRC in October 2005, Chad in August 2006 and Malawi in December 2007.

²⁰⁰ Several countries in Africa have switched relations a number of times between Beijing and Taipei as documented by Brautigam (2009:68), according to the political expediency at the time and the volumes of external assistance that would be offered in return. This gave rise to the so-called 'dollar diplomacy' (see Taylor, 2002). The Kingdom of Swaziland is the only country in Africa that has never established diplomatic relations with the PRC.

²⁰¹ These are Burkina Faso, The Gambia, São Tomé e Príncipe and Swaziland.

since winning presidential elections in 2011 received Chinese ambassador Zhou Yuxiao as his first official appointment to discuss China's continued investment in Zambia (Wan, 2011).

There is the growing recognition by Chinese diplomats that African political factions are prepared to 'play the China card' to garner sympathy and support for their cause and the need to address this as a political tactic rather than antagonism towards Chinese people *per se*. (Russell and Wallis, 2008). Nevertheless, it is clear that for China, pretensions towards non-interventionism disappear in the face of the threat to the One-China policy. This was made official by Chinese State Councillor Chinese Dai Bingguo in his identification of 'core interests'²⁰², thus giving China a theoretical justification for adopting a position of 'no compromise' on issues concerning territorial sovereignty (Rajan, 2010).

While the political aspect of China's 'One China' policy seems immutable, on the economic front this does not seem to be so. Of the four African countries that still retain diplomatic relations with Taiwan; Burkina Faso is China's fifth largest supplier of raw cotton (China Chamber of Commerce for Import and Export Textiles, 2009)²⁰³. Furthermore, Sinopec embarked on oil exploration in the Blocks 2 and 4 jointly held by São Tomé e Príncipe (40%) and Nigeria (60%) in the Gulf of Guinea, having entered into a production sharing agreement in 2006 (Winning, 2009)²⁰⁴. As will be discussed in later chapters, this level of pragmatism is displayed both in term of Chinese diplomatic dealings with Angola, and in the way that Angola itself manages relations with China.

²⁰² 'Core interests' 核心利益 – were outlined by Dai Bingguo as 'the PRC's first core interest is maintaining its fundamental system and state security, second is state sovereignty and territorial integrity and the third is the continued stable development of the economy and society (*Xinhua*, quoted in Rajan, 2010). Consequently, any perceived threat to China's territorial integrity is prioritised over friendly relations with foreign countries.

²⁰³ Of the top 10 suppliers, of cotton, Burkina Faso's exports to China were growing the fastest, up 84 percent from the previous year (Chinese Chamber of Commerce for the Import and Export of Textiles, 2009)

²⁰⁴ As a small impoverished country, São Tomé e Príncipe has little bargaining power in the international arena. As in the case of Malawi, however the country may be able to extract substantial aid from Beijing in return for PRC recognition, in view of the priority Beijing accords the 'One –China' policy.

Despite the emergence of grey areas, Pearson (2006:242) contends that China will not compromise on such issues as 'non-interference'. One of the primary reasons that non-interference remains a central tenet of Chinese foreign policy especially towards African countries is to refute Western accusations of Chinese neo-colonialism in Africa. Such claims have for the most part been sharply contested by both Chinese (Xu, 2007) and African scholars (Caromba, 2007; Obiorah, 2008), who point out that African countries are now sovereign states, and no longer colonial possessions. Originating in China's own colonial experience, China's previously rigid stance on sovereignty and non-interference has had strong appeal for African leaders. Others have advocated a cautious approach to growing links with China, warning of the dangers of slipping into trading patterns similar to those held with the West (Gaye, 2006). Such arguments have important implications for the way that China's relations with African countries are conceptualised, as well as the notion of African agency and responsibility in this exchange.

3.3 China's Foreign Policy in a 'Great Power' Context

Rothstein (1968:14) claims that military considerations are not sufficient to define a great power. Although Handel (1981:19-21) primarily defines 'great powers' in a military sense²⁰⁵ as they should be able to 'act on a worldwide scale to defend their interests', he admits that such a conceptualisation must be supplemented by a 'set of non-quantitative criteria'. Mathisen (1971:62) similarly refers to the 'invisible pattern of the structure of international power', denoting a particular country's sphere of influence. An emerging 'great power', China, as discussed in chapter two, aspires to become a 'responsible stake-holder' of the international community, in line with the prestige that this will confer (Elshtain, 1996:224).

As discussed in the previous chapter, the triangular battle of rhetoric between 'Western' countries, China and Africa is pronounced. The tendency for Africa's relations to become internationalised, has led them to have a greater influence on Chinese foreign policy-making

²⁰⁵ Handel (1981:20) sees great powers distinguished as having 'the capacity... to defend itself under even the most adverse conditions'

than might otherwise be the case. This has led to various tensions inherent in such policies coming to the fore.²⁰⁶ Africa is emerging as the crucible in which China's foreign policy is seen to be slowly transforming. Still seen through a geo-strategic lens, even after the Cold War, African countries seem to have become the testing ground where China is expected to prove itself to the international community as a 'responsible' global stake-holder and an emerging power worthy of the title. China is thus attempting to increase its influence simultaneously in two separate spheres; that of the developing South, and that of the developed North.

For China, increased engagement with Africa is also necessary in order to secure access to oil and natural resources to fuel an expanding economy. Africa is an area that was until recently, considered less strategic in terms of US national interests and thus less of an outright challenge to the US global hegemony (Kurlantzick, 2007a) of which China is understandably wary.²⁰⁷ Furthermore, China wishes to shore up political support in multilateral fora where developing countries' voices outnumber those of the developed world.²⁰⁸ This could develop into what Handel (1981:132) calls 'patron-client relationships' whereby there is an implied reciprocity in the assistance China extends to these weaker states. In its most extreme forms, this might be termed 'synchronism' (Handel, 1981:135), whereby the African state would co-ordinate its policies and votes in international fora with those of China. Through such an alliance, the African countries could counterbalance the influence of other powers such as the US and EU (Rothstein, 1968:62).

Much attention has been given to the development of China's foreign policy towards Africa, particularly as China's role on the international stage has increased steadily. Less focus has

²⁰⁶ As in the case with its involvement in the conflict in Darfur, Sudan, however, Chinese politicians have shown, as discussed in chapter 2, what Carlson (2006:224) describes as 'cautious acceptance and incremental change'. This holds certain parallels with the Cold War geo-political dynamics in that the African continent was the scene for the US and USSR to compete for strategic influence, conforming to Mao's conceptualisation of the 'intermediate zone' (Gillespie, 2001).

²⁰⁷ See discussion on 'China threat' in previous chapter.

²⁰⁸ This time however, unlike the Mao era, such soft power ambitions are not informed by a conscious ideology. According to Mierzejewski (2009) this lack of ideological underpinnings is the primary argument of the 'Peaceful Rise' theory.

been placed on the institutions and actors responsible for crafting such policies, and the degree to which the coherence or conflict of such bodies domestically influences the way policy is enacted abroad. The next section will investigate the institutional framework for policy formulation towards Africa, with special emphasis on concessional loans, given the importance this mechanism takes on vis-à-vis Chinese relations with Angola. In tracing the evolution of such a policy-making framework, it will be shown that domestic agendas and rivalries are making an increasingly significant impact on China's policy formulation towards Africa in general and Angola in particular.

3.4 China's foreign policy actors and institutions

As China's foreign policy objectives as regards Africa (and the world) have shifted from more ideologically based to more strategic and economically-based considerations, so too have the mechanisms for foreign policy making within China's corridors of power. As observed by Li (2008:55):

'... over the past three decades China has been transforming away from rule by a single charismatic and all-powerful leader toward a more collective form of leadership. This shift has ended the era of strongman politics and, to a certain extent, China's long history of arbitrary decision-making by one lone individual.'

Increasingly, there is considerable debate and dissent among the top decision-makers as to the 'correct' way to handle foreign-policy challenges²⁰⁹, leading to what Bergsten *et al* (2008:62) describe as tendencies towards 'inner-party democracy'. In matters relating to African policy, a complex web of ministries, departments and commissions clash and co-operate to form the implementation mechanisms of what becomes official policy towards Africa, with official structures apparently often bearing little resemblance to *de facto* processes. Lieberthal (1992:8) has termed such bureaucratic bargaining 'fragmented authoritarianism'.

²⁰⁹ With particular reference to this phenomenon vis-à-vis China's international petroleum policy, see Bo (2010).

In comparison to China's foreign policy towards the US, Japan and the Taiwan issue, Africa is not a foreign policy priority (Shirk, 2007; Raine, 2009). At least at the level of political rhetoric however, Africa as a bloc has received considerable high-level political attention. Both President Hu Jintao and Premier Wen Jiabao have made several multi-country trips to Africa in the last few years, showing an active role in China's African foreign policy.²¹⁰ While the Chinese President (Jiang Zemin in 2000 and Hu Jintao in 2006) as the Head of the Chinese government addressed the assembled African representatives at FOCAC when held in Beijing, it was Wen Jiabao who represented the Chinese government in Addis Ababa, Ethiopia (2003) and Sharm-el Sheikh, Egypt (2009). Such a shower of diplomatic attention or 'prestige diplomacy' (Gill and Reilly, 2007:38), has served to facilitate entry into the erstwhile 'forgotten continent'.

Although the State Council, chaired by Wen Jiabao²¹¹ may officially bear overall responsibility for the strategic direction that policies must take, the Politburo Standing Committee is the *de facto* decision-maker on foreign policy. As with most matters of state interest, Chinese Communist Party hierarchy holds more weight than state organs. (Wu, 2005:101). Furthermore, individual political leaders too, can play a very important role.

Hu Jintao, not only as the Chinese head of state, but also as the highest ranking CCP official and chairman of the Central Military Commission, has an important role in formulating China's overall foreign policy, including that towards Africa. In addition, having served as President of the Central Party School for 10 years (1993-2002) just prior to his presidency, he

²¹⁰ Since taking up office in 2003, President Hu Jintao has toured Egypt, Gabon, Algeria, 29 January -4 February 2004; Morocco, Kenya, Nigeria from 24-29 April 2006; Cameroon, Liberia, Sudan, Zambia, Namibia, South Africa, Mozambique and Seychelles in 30 January – 10 February 2007; Mali, Senegal, Tanzania and Mauritius, 10-17 February 2009. Since taking office in 2003, Ethiopia 15-16 December (FOCAC II) Premier Wen Jiabao has visited Egypt, Ghana, Republic of Congo, Angola, South Africa, Tanzania and Uganda 17-24 June 2006; Egypt 8-9 November 2009 (FOCAC IV).

²¹¹ Proposed matters of policy concerning Africa were referred to Wen Jiabao (interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009).

has been influential in shaping the education of successive generations of party cadres (Liu, 2009:106).

Several other high-ranking party members have considerable influence on foreign policy. State Counsellor Dai Bingguo heads up the Leading Small Group on Foreign Affairs which directs the MFA (*Africa-Asia Confidential*, 2009b:8). Dai was Deputy Minister of Foreign Affairs and concurrently MFA party secretary during President Hu's first term²¹² and in 2004 accompanied President Zeng Qinghong on a tour of Tunisia, Togo, Benin and South Africa²¹³. Dai has been on two tours to Africa in recent years and in quick succession – once accompanying President Hu Jintao on his February 2008 trip, and again in July 2010 when he visited Ethiopia, Algeria, Equatorial Guinea, Democratic Republic of Congo and Zambia.²¹⁴ This points towards an influential advisory role on African foreign policy, particularly as Dai has also previously served on the CCP International Liaison Department, which has been active in strengthening relations between CCP and the respective ruling parties in African states (Shinn & Eisenman, 2008:2). The current International Liaison Department head, Wang Jiarui is also an important figure in foreign policy circles, but Dai is reportedly the most influential outside of the Politburo Standing Committee, and outranks both Foreign Minister Yang Jiechi and Minister of Commerce Chen Deming (Jakobsen & Knox, 2010:5-7).

MFA through its Africa Desk officially has the responsibility of foreign policy implementation and 'oversees and coordinates policies and cooperation and exchanges with relevant countries and regions'.²¹⁵ However, MFA's role is in decline, in some instances remaining only in an advisory capacity.²¹⁶

²¹² He also served as Deputy Foreign Minister from 1993-1995, see *Chinavitae*: http://www.chinavitae.com/biography/Dai_Bingguo%7C745

²¹³ Dai Bingguo Talks about Zeng Qinghong's Visit to Africa, 'Which is a Trip of Greetings, Understanding and Learning from the Continent' 1 July 2004: <http://www.chinaconsulatesf.org/eng/xw/t142011.htm>

²¹⁴ See 'Remarks by State Councillor Dai Bingguo at dinner hosted by the Vice President of Zambia' [Speech], 27 July 2010: <http://www.chinese-embassy.org.uk/eng/zgyw/t721613.htm> [accessed 28 September 2010]

²¹⁵ Chinese Ministry of Foreign Affairs website, Africa Department: <http://www.mfa.gov.cn/eng/gjhdq/2913> [accessed 23 February 2010]

²¹⁶ Various interviews, Beijing, September –December 2009.

MOFCOM plays an increasingly important role in the interpretation and implementation of policy towards Africa. The MOFCOM West Asian and African Affairs Department is responsible for organising economic and trade co-operation. Furthermore, if official diplomatic relations do not yet exist with the African country in question, bilateral relations of an economic nature are conducted through this department.²¹⁷ Of interest, is the fact that the Foreign Aid Department is located within MOFCOM, and apparently does not co-ordinate directly with MFA, to the exasperation of the latter (Brautigam, 2009:109; Jacobsen & Knox, 2010:20). Given the shift in strategic focus of China's policy towards African countries to one of a more trade-centred nature, MOFCOM's is increasingly important, to the extent that it overshadows the influence of MFA.²¹⁸ One Chinese researcher noted wryly that the much bandied about slogan 'economics in the service of politics'²¹⁹ was even more apt if reversed. This is played out in the African countries themselves. Whereas the Chinese Embassy reports directly to MFA, the Economic Counsellor's Office, nominally under the Embassy's umbrella structure, is usually physically separate from Embassy itself and actually reports to MOFCOM. This can readily cause confusion, as it is apparent in some countries that the two offices do not exchange information, as they work for separate Ministries that may be competing for influence in Beijing (Reilly and Gill, 2007).

It has become a well-known tradition begun by former Foreign Minister Qian Qichen in 1991 for the Chinese Foreign Minister to make his first diplomatic visit of the New Year to Africa (Bo, 2010:121). Of interest is the recent trend for the Minister of Commerce to make a similar visit to a number of different African countries at a similar time. Minister Chen Deming visited Kenya, Zambia and Angola in January 2009; Ethiopia, Mozambique and Tanzania in January 2010; and Morocco, Equatorial Guinea and Ghana in February 2011. While initially perhaps to assuage African countries that they would not be abandoned in the wake of the financial crisis, Minister Chen's recurring visits may signal not only the growing importance of MOFCOM in matters pertaining to African policy, but also the growing inter-

²¹⁷ Chinese Ministry of Commerce Website, West Asian and African Affairs Department: <http://xyf.mofcom.gov.cn/aarticle/gywm/200203/20020300002546.html?2567248113=3939174942> [accessed 23 February 2010]

²¹⁸ The Ministry of Finance, through incentives to promote the 'going global' policy that benefit mining companies, also indirectly has an influence on policies towards Africa (Holslag, 2006:150).

²¹⁹ Translated from '经济为外交服务' (interview, Chinese Research Institute, Beijing, 22 December 2009)

ministerial rivalry that exists. It increasingly appears therefore that the MFA is being relegated to greasing the cogs of diplomacy while MOFCOM officials engage in the implementation of policy. This is particularly evident where the meting out of concessional loans is concerned.

3.5 Chinese Concessional Loans as a Foreign Policy Tool

In 1994, China Agricultural Bank, China Development Bank and China Exim Bank were created as policy banks²²⁰ in order to relieve commercial banks from policy lending responsibilities and allow the latter to have a more commercial focus, in a process described by a Western banker as 'bureaucratic entrepreneurship'.²²¹ China Exim Bank's was initially staffed by various departments from the Ministry of Finance. After the streamlining of the Central Government in 1998, China Exim received staff from MOFCOM and other commercial banks.²²² Chinese government concessional loans are a relatively new mechanism, piloted under former Premier Li Peng in the early 1990's.²²³ China Exim Bank began disbursing concessional loans in April 1995²²⁴ and is currently one of the largest such institutions in the world (Moss & Rose, 2006).

China Exim Bank is the sole agency for the provision of Chinese government concessional loans, distinguished by the IMF (2003) from purely commercial loans, by what IMF considers their lower-than-market interest rate, a long grace period, or both, in the case of China Exim Bank's loan to Angola. The Ministry of Finance is the sole shareholder of the China Exim Bank, which is wholly owned by the Central government (see Li and Zeng, 2007:144), but reports directly to the State Council (Suzuki, 2008:20). The China Exim Bank conceptualises these so-called Chinese government concessional loans as:

²²⁰ Interestingly, a Chinese researcher from the Chinese Academy of Social Sciences (CASS) commented that China Exim Bank is not referred to as a 'policy bank' in China, rather a 'state-owned bank'. This is perhaps due to the question mark that exists over its commercialisation.

²²¹ Interview, IMF, Beijing, 1 September 2009

²²² Personal correspondence, Chinese Ministry of Foreign Affairs, Beijing, 3 November 2009

²²³ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009.

²²⁴ National Development and Reform Commission website:

http://203.207.194.3:82/gate/big5/wzs.ndrc.gov.cn/gwdk/wgzfdkgbbxml/zdyh/t20081028_243105.htm

[accessed 23 February 2010]

‘...the medium and long-term, low interest rate credit extended by China Exim Bank under the designation of the Chinese Government with the nature of official assistance.’²²⁵

According to World Bank estimates, by 2006 China Exim had disbursed over US\$ 12.5 billion for large-scale infrastructural projects in Sub-Saharan Africa alone, although China Exim Bank’s official reported figures were much less (Bossard,2007:2). More than 80 percent of these loans were, according to Broadman (2007:275) to resource-rich African countries, such as Angola, Nigeria, Zimbabwe and Sudan. Furthermore, China Exim Bank reportedly accounted for 92 percent of Chinese finance commitments for infrastructure in Africa between 2001 and 2007 (Foster et al, 2008a:40).

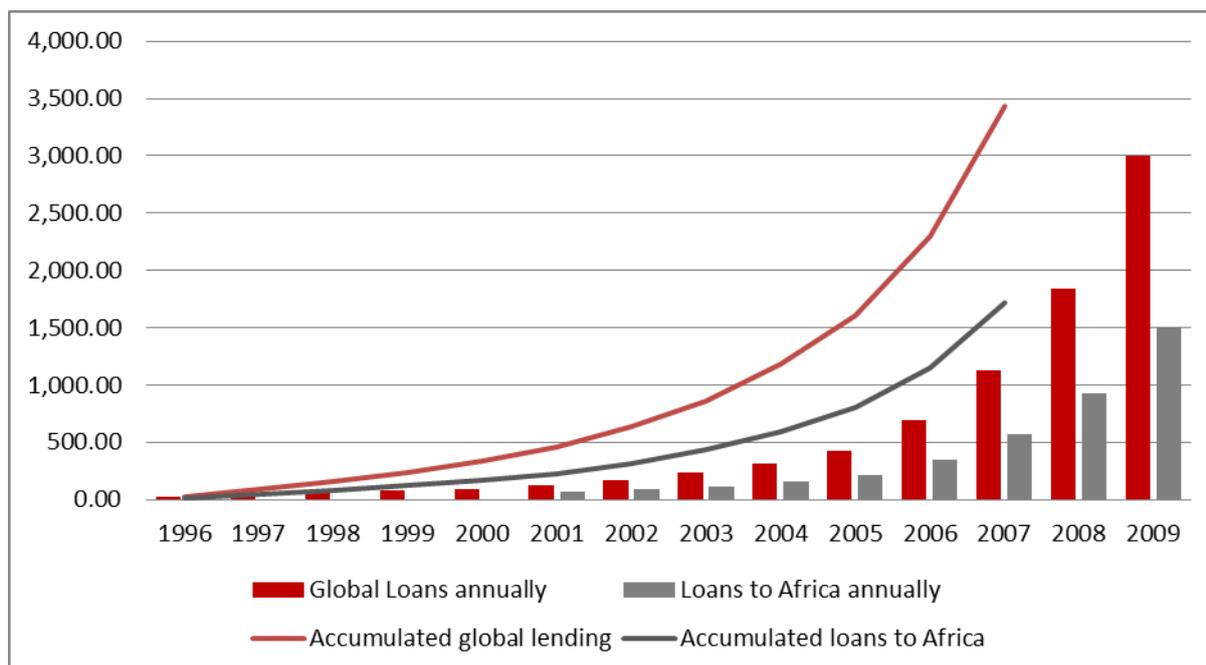
Data in this regard is not consistent, even between Chinese sources. According to the Chinese State Council Information Office (2011), as of the end of 2009, only RMB 73.55 billion (approximately US\$ 11.32 billion) in concessional loans were disbursed globally. Confusingly however, according to China Exim Bank vice president Zhu Xinqiang, as of 2010, the Bank, since its inception, had provided RMB 150 billion (approximately US\$ 23 billion) in loans to African countries alone.²²⁶ What is clear, however, is that Chinese policy banks are increasingly active. In January 2011, *Financial Times* reported that according to their research, between 2009 and 2010 China Exim Bank and China Development Bank had collectively lent more than the World Bank and the IMF combined in the same period ; US\$ 110 billion versus US\$ 100.3 billion (Dyer et al,2011).²²⁷

²²⁵ China Exim Bank website:

http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398_1.html [accessed 29 September 2010]

²²⁶ See : <http://www.focac.org/eng/zxxx/t770971.htm> [21 April 2011]

²²⁷ As these banks do not publish their overseas lending, *Financial Times* reportedly collected the information from public announcements made by the banks themselves, the borrowers, or the Chinese government.

Figure 3.1: China Exim Bank Lending (1996 – 2009) US\$ millions

Source (input data): Brautigam (2009:317)

Nevertheless, I will show below, China Exim Bank's lending practices are not as concessional as is widely assumed, and are increasingly more in line with preferential commercial lending. These agreements are not contingent necessarily on the recipient country being resource-rich, merely that the country possesses the means to repay the loan.²²⁸ Through the loans China can access the mineral wealth of Africa's cash-strapped but resource rich countries. Critically however, it serves another purpose. According to Chinese Exim Bank, the concessional loan is designed to:

“... fund manufacturing projects, infrastructure construction projects and social welfare projects in the borrowing country, which can generate promising economic returns or good social benefits;” and “finance the procurement of Chinese

²²⁸ Resource payments are merely a more convenient form of collateral. China Exim Bank originally wanted Ecuador to put the country's central Bank assets up as collateral (AFP, 2009b). Ghana, just before the discovery of oil in 2007 negotiated to repay the China Exim bank-funded Bui Dam construction with shipments of cocoa (Reuters, 2007a)

mechanical, electronic products, complete sets of equipment, technology and service and other goods by the borrowing country.”²²⁹

According to the China Exim Bank’s concessional loan requirements, Chinese contractors must be awarded the infrastructure contract financed by the loan. Furthermore, in principle no less than 50 percent of the contract’s procurement in terms of equipment, materials, technology or services must come from China.²³⁰

Thus, while China Exim Bank may engage in ‘development financing’, its engagement with infrastructure projects in developing countries is principally to create a conduit through which these countries can buy the products and services of Chinese companies. This thus encourages the further internationalisation of China’s firms. In this case, it is therefore no different from any other Export-Import bank in the world, save perhaps the size and volume of the projects the institution is engaged in globally.

However, unlike loans from the Bretton Woods Institutions (BWI), these loans are not conditional on recipient government fiscal reforms. Aside from the procedural requirements, the only substantive condition is that loans must be used for infrastructure, social or industrial project sectors²³¹, which until very recently were disregarded by more traditional lenders, despite African countries’ pressing need for infrastructural development and rehabilitation.

The concessional loan’s management is the responsibility of the Chinese government, represented in this instance by the MOFCOM, MFA and Ministry of Finance. According to the

²²⁹ China Exim bank Website: http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398_1.html [accessed 28 September 2010]

²³⁰ China Exim Bank website, refer to: <http://english.eximbank.gov.cn/business/government.jsp> [accessed 7 September 2007]

²³¹ China Exim Bank website, refer to: <http://english.eximbank.gov.cn/business/government.jsp> [accessed 7 September 2007]

MOFCOM Department of Aid Studies, The Ministry of Finance²³² is 'responsible for formulating policies and plans, drawing up the signed framework agreement, and determining the interest rate of the loan.'²³³ In practice, it appears that these responsibilities are deferred to MOFCOM and Exim Bank and the Ministry of Finance is required only to sign off on them in order to approve the budget. These loans are managed by MOFCOM, sometimes in conjunction with the MFA.

China Exim Bank concessional loans must be greater than 20 million RMB (approximately US\$ 3 million)²³⁴, but loans in excess of US\$ 50 million must be approved by the State Council (Freeman, 2008:8).

The African government, with the recommendation of the resident Chinese Economic Counsellor's office, through the Chinese Embassy in their country and their Embassy in China will make an application²³⁵ to MOFCOM, whose two departments, the department of Foreign Aid and the Department of Economic Co-operation will consider the application in consultation with China Exim Bank. MOFCOM will study the list of priority projects submitted with the application, approve a selection and calculate an approved budget.²³⁶ MOFCOM assigns a specific amount from the foreign aid budget that will be used to subsidise the interest rate of the loan.²³⁷

China Exim Bank will offer financing at a rate determined by the bank's risk analysis department in conjunction with the Economist Intelligence Unit (EIU), subject to approval by the Ministry of Finance. The base rate is Libor, with an additional percentage added

²³² The Ministry of Finance is the sole shareholder of the China Exim Bank, which is wholly owned by the Central Government. (see Li and Zeng, 2007:144)

²³³ Interview, Chinese Academy of International Trade and Economic Co-operation, CAITEC, Chinese Ministry of Commerce, Beijing, 5 December 2009

²³⁴ China Exim Bank website, refer to: <http://english.eximbank.gov.cn/business/government.jsp> [accessed 7 September 2007]

²³⁵ For a complete list of application requirements, refer to China Exim Bank website: <http://english.eximbank.gov.cn/business/government.jsp> [accessed 7 September 2007]

²³⁶ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009

²³⁷ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009

according to the country's sovereign credit rating (if it exists), the political situation, economic and financial stability.²³⁸ China Exim Bank adds management and commitment fees to cover marginal operational costs.²³⁹ As China Exim Bank was never under pressure to turn a profit, it has thus been able to offer lower than commercial lending rates. Furthermore, if the loan is granted concessionally, the Chinese government will compensate the difference between the concessional interest rate and the loan's commercial rate (based on the lending rate of the Chinese Central Bank) through MOFCOM's foreign aid budget (State Council Information Office,2011). Thus, important to note is that the loans from China Exim Bank are not aid in their entirety; it is only the subsidised portion of interest that is considered aid (Brautigam, 2009: 167). Therefore only a small portion of infrastructure financed in this way is outright aid (Wang, 2007:21). Estimates²⁴⁰ of Chinese aid are therefore often exaggerated as the entire face value of the China Exim Bank loan is often counted (Brautigam, 2010b:27). In this analysis I do not put China Exim Bank's loans in the analytical framework of Chinese aid flows to Africa²⁴¹.

The Ministry of Finance and MFA are also involved, and according to the nature of the projects, the International Co-operation desks of the Departments of Agriculture, Water, Education and Health. The Chinese Economic Counsellor's Desk²⁴² in the recipient African country is involved on a consultative basis. In order to make official such co-operation, a report is written to the State Council, following which, on a subsequent visit by a high-ranking Chinese official to the recipient country or the African head of state to China, the loan agreement is announced and signed, firstly an inter-governmental framework

²³⁸ Interview, China Exim Bank, Beijing, 11 January 2010

²³⁹ 'Management Fee is calculated on the basis of the total amount of the loan and paid in one lump sum before

the first drawdown. Commitment Fee is calculated on the basis of the un-drawn amount of the Loan and paid on interest collection dates.' refer to: <http://english.eximbank.gov.cn/business/government.jsp> [accessed 29 September 2010]

²⁴⁰ China does not report its aid figures to DAC (Brautigam,2010:26)

²⁴¹ This will be discussed in more detail in Chapter 4.

²⁴² This is a representative office of MOFCOM in foreign countries, and is separate to the Embassy, reporting directly to MOFCOM.

agreement between the African government's Finance Ministry and MOFCOM, and then a loan agreement with China Exim Bank. The entire process takes approximately one year.²⁴³

MOFCOM and China Exim Bank will hold *ad hoc* meetings to discuss the progress of the projects.²⁴⁴ Exim Bank is responsible for project appraisal, loan disbursement, loan operation monitoring and collecting principal and interest, which in principle is calculated and paid twice a year.²⁴⁵ It appears that the Bank is involved in the selection of projects, not just their feasibility studies; but a respondent from an international financial institution was doubtful of China Exim Bank's ability to reject a project outright even if the feasibility study suggested otherwise. He suggested that the agreements were arranged through high-level diplomacy as a package of assistance measures. The concessional resources are allocated and China Exim Bank is thus only the implementation body. The budget is decided by MOFCOM; whereas Exim Bank has a say on the deal structuring, the design and implementation and contracting.²⁴⁶ Again, MFA's role here is marginal. Through the embassies, MFA may be allowed a monitoring role once the project is at the implementation stage.²⁴⁷

From this description, corroborated by various respondents, it is fairly evident that the MFA seems to have been side-lined. One former MOFCOM official²⁴⁸ was adamant that MOFCOM is the co-ordinator of the loan. A senior journalist of a state-run newspaper agreed that in such matters of government co-operation, MOFCOM is the most important, although 'MFA and organisations such as the China Africa Business Council play a role'.²⁴⁹ However, the fact that CABAC's participation (a UN-sponsored NGO) was comparable to the MFA's in such a process, is testament to the latter's marginalisation.

²⁴³ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009.

²⁴⁴ China Exim Bank website: http://www.eximbank.gov.cn/yewuarticle/yewu/youhuidk/200811/7639_1.html [accessed 14 March 2011]

²⁴⁵ Interview, Chinese Academy of International Trade and Economic Co-operation, CAITEC, Chinese Ministry of Commerce, Beijing, 5 December 2009,

²⁴⁶ Interview, World Bank Institute, Beijing, 14 October 2009

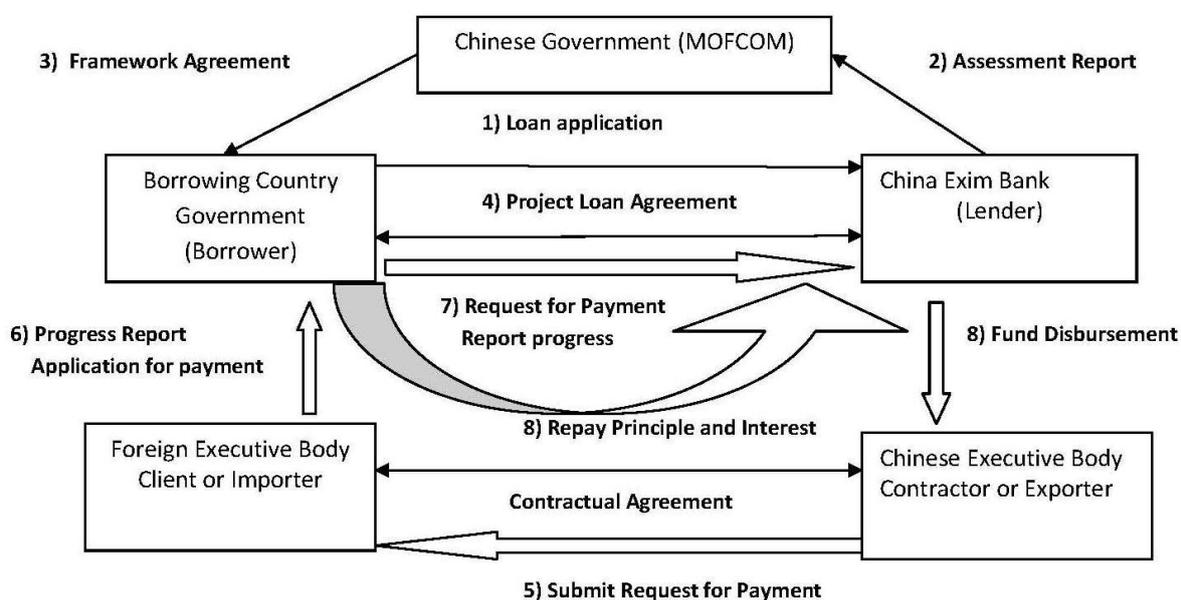
²⁴⁷ Interview, former official, Chinese Ministry of Commerce, Beijing, 8 December 2009

²⁴⁸ Interview, former official, Chinese Ministry of Commerce, Beijing, 8 December 2009

²⁴⁹ Interview, editor, *Xinhua*, Beijing, 6 December 2009

While MFA may play a consultative role as far as the progress and facilitation of the loan agreement goes, MFA has more of a role to play in multilateral fora such as FOAC. As regards the technicalities of bilateral concessional loans, MOFCOM is the most important executive Ministry involved. One Asia-based Western researcher declared that ‘MFA is on the bottom of the pile in terms of the pecking order’, pointing out once again that the Department of Aid resides in MOFCOM, not MFA.²⁵⁰

Figure 3.2: China Exim Bank Loan Cycle²⁵¹



Source: China Exim Bank website²⁵² (translated by author)

3.6 Competing Ministry Agendas

The World Bank has locked horns with China Exim Bank arguing that given the China Exim Bank requirement for a guaranteed revenue stream, the loan should be commercial, and not require a sovereign guarantee. Such matters came to a head in September 2007 during the

²⁵⁰ Interview, researcher, Western think tank, Beijing, 2 August 2009

²⁵¹ As pointed out by Hubbard (2007:11-12), the diagram on the English language version of the site is much less detailed. The diagram shown here is from the Chinese language version.

²⁵² http://www.eximbank.gov.cn/yewuarticle/yewu/youhui/k/200811/7639_1.html [accessed 19 February 2011]

negotiations over a proposed US\$ 9 billion resources-for-infrastructure deal by a consortium of Chinese companies led by China Exim Bank in the Democratic Republic of Congo (DRC).²⁵³ IMF and World Bank managed to persuade China Exim Bank to drop the requirement of a sovereign guarantee after the terms of the agreement were amended (Reuters, 2009b). Brian Atwood, the former administrator of USAID sums up the attitude of the BWI: 'Exim Bank and MOFCOM do more commercial loans. There is nothing wrong with that, they can contribute to development, but they are not ODA [official development assistance].'²⁵⁴

In the case of the Angola agreement, negotiated five years previously, China Exim Bank had not even accepted the Angolan Finance Ministry's offer of a sovereign guarantee. The Bank had initially demanded an additional 1 percent interest rate on top of the loan's agreed interest rate payments as 'insurance', illustrating intentions of a far more commercially-oriented structure than many assume. It was only allegedly when the Chinese Ministry of Foreign Affairs intervened to persuade Exim Bank to waive this 'insurance payment' that the loan structure could be agreed upon.²⁵⁵

'An MFA official confided: 'MFA is not allowed to interfere in economic affairs, so when Exim Bank asked for MFA's help, they asked MOFCOM to intervene. It was brought to the State Council who co-ordinated the decisions... Exim Bank will first go to MOFCOM if it is in difficulties, and then to MFA. MFA are not so pro-active in this regard. The ambassadors generally do not like Exim Bank. There is a lot of miscommunication... My experience of the Exim Bank staff is that they are not good at banking. They used to be a department of in the Ministry of Finance. Although the staff is educated they lack experience.'²⁵⁶

²⁵³ The deal is widely believed to have been modelled on the co-operation agreement signed with Angola. The IMF eventually succeeded in persuading China Exim Bank to retract its requirement of a sovereign guarantee, but the deal was reduced to US\$ 6 billion for rehabilitating the mining industry and the plans for US\$ 3 billion in 'social infrastructure projects' were scrapped.

²⁵⁴ Presentation at the Foreign Correspondents Club of China, Beijing, 26 October 2009

²⁵⁵ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009

²⁵⁶ Interview, Chinese Ministry of Foreign Affairs Beijing, 29 October 2009

Chinese Ministry of Foreign Affairs therefore appears to agree with the World Bank, as regards China Exim Bank's mandate and consequently the appropriate structure for the loans. MFA, when it still had the power to do so, used pressure to steer China Exim Bank back to a policy-oriented mandate rather than more commercially oriented financing. This is evident not only through the outcome of the negotiations surrounding the Angolan interest rate, but also due to the perspective of the Ministry that the Exim Bank, as a policy bank, should pursue foreign policy objectives, and not make a profit. It was even commented that the bank should commercialise in order to remove the question mark from its agenda, illustrating support for the reform proposal with this intention endorsed by the State Council.²⁵⁷

This points to a growing rift between MFA on the one hand and MOFCOM and Exim Bank on the other as regards the 'correct' role for China Exim Bank to play in terms of African foreign policy. Of course, this is illustrative of the different government bodies' competing agendas. The commercial focus of MOFCOM and increasingly China Exim Bank's mandates have been leaving political issues in their wake that are left for MFA to resolve. As a former Chinese Ambassador to an African country said: 'It is only when problems occur that the Chinese companies contact me, otherwise, they do not see me at all.'

For the time being, Exim Bank does follow a political agenda albeit under duress. Nevertheless, this is a very dynamic situation. The Bank seems to prefer to structure more commercially- oriented deals and is increasingly doing so. China Exim Bank President Li Ruogu has been vocal in advocating for the Bank to pursue alternative revenue streams. This would render the bank less dependent on government injections of funds and consequently under less pressure to bend to political whims regarding lending decisions, as these are often loss-making. As early as January 2007 China Exim Bank President Li Ruogu stated that China Exim Bank would seek to rely less on government subsidies and more on commercial lending (Yan,2007). In March 2010, during the National People's Congress, Li announced that China Exim Bank would be transformed into a commercial lender from a government-

²⁵⁷ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009

sponsored policy bank (Cao, 2010). Interestingly, it had been reported a few days earlier by *China Daily* that the bank would remain a state policy lender (Wang & Hu, 2010). Li has also defended China's economic relations with Africa by saying that resource co-operation is 'fair play' when guided by *market rules* [emphasis added] and that China is 'committed to help Africa improve its capacity for self-development – resources can be translated into development.' He maintains that resource co-operation is effective: 'Take DRC, unfortunately it is the only way to get development – use resources for development capital. China is dedicated to help African countries. The process is with the Chinese government - MFA, MOFCOM, have to decide to take action. When we try to exercise the right of independence we are stopped.'²⁵⁸

Such vacillation between commercial enterprise and state support reveals the ambiguity that China Exim Bank navigates with regards to its role. Prior to a large planned capital injection to both China Exim Bank and Sinosure by Central Huijin (the Chinese sovereign wealth fund) in early 2010 the Central Bank, Ministry of Finance, and China Banking Regulatory Commission (CBRC) drafted an original reform proposal for the institutions that was approved by the State Council. However, this was reportedly delayed by the financial crisis and the debate by policy-makers as to whether China Exim Bank followed a commercial or a policy mandate. Faced with much tougher cost controls should the bank be commercialised, Li Ruogu again began emphasising China Exim Bank's deeply policy-oriented role (Zhang, 2010).

Thus for the moment political winds are not in favour of China Exim Bank's commercialisation, indicating the importance of the state-owned bank for foreign policy purposes. At the FOCAC meeting held in Egypt in 2009, Premier Wen announced that a further US\$ 10 billion in preferential loans would be extended to African countries through China Exim Bank (State Council Information Office, 2010). The implications that commercialisation, if it materialises, will have for the Chinese government's concessional

²⁵⁸ Li Ruogu, Chairman and President of China Exim Bank, Presentation at the Tsinghua University School of Public Policy and Management Lecture Series, 11 January 2010

lending remain to be seen. Until China Exim Bank makes good its commercialisation, it will follow a political agenda. Nevertheless, the Bank treads a fine line between structuring more commercially-oriented deals and retaining the privileges contingent on remaining a policy bank.

3.7 Separating Politics from Economics

The tussle emerging between MOFCOM and MFA as regards the role of China Exim Bank is indicative of the somewhat artificial separation of the spheres of economics and politics when considering either China or Africa. China has been castigated for continuing relations with countries whose governments have been ostracized both politically and economically by the rest of the international community. Although Chinese diplomats have long insisted that commercial enterprise is considered quite separate from political affairs²⁵⁹ (Large, 2006) in Africa, it has become increasingly apparent that such a distinction is not always possible.

In the case of Angola, Messiant's work (2007) pointedly uses a political economy perspective in recognition of the overlap of these two spheres. Similarly, Shaxson (2007:215) contends that "In Africa's oil zones, economics *is* politics", succinctly referring to the fact that whereas political power is derived by control of the oil revenue, the reverse is also true.

Supplementing such assertions, as regards China, Yeung & Liu (2008:58) have developed the concept of economic diplomacy as regards China's foreign policy manifestations, defined as:

'...interstate economic relations transpiring in the form of firm-specific activities. Although such economic activities are conducted through national firms, they also have distinctive political and diplomatic overtones and thus cannot be viewed as pure market-based transactions of the kind often described in prevailing economic theories of FDI and transnationals ... Instead, they should be viewed as institutionally mediated interactions between different nation-states that extend beyond the profit motive and economic efficiency.'

²⁵⁹ Minister Counsellor Zhou Yuxiao reportedly said: 'Non-intervention is our brand like intervention is the Americans' brand' (Large, 2006).

This lends credence to the idea not only that it is problematic separating politics and economics, it is as difficult to separate diplomatic agendas and profit motives. Bayne and Woolcock (2007a:7) argue that the three tensions inherent in economic diplomacy (international versus domestic, politics versus economics and state versus non-state actors) often prevent Foreign Ministries from 'getting a word in'. Furthermore, it is recognised that despite the imperative to secure oil and raw materials from Africa, China's relations with the African continent are not purely economic, as relations with African countries have strategic value for China (Xu, 2008). Yeung & Liu (2008:72) identify this as China developing an 'external wing'; much like Japan did with its 'flying geese model'. Conceptually this suggests that China's political objectives are overtly bound up with the increasing flows of Chinese capital entering countries like Angola.

An initial refusal to concede to the problematic nature of separating business from politics caused China's relations with regimes shunned by the rest of the international community, to come under severe criticism. The Chinese government's attempts to assuage the fears of both the African governments in question and the Western regimes opposed to China's policies have led to a certain amount of diplomatic schizophrenia.²⁶⁰

²⁶⁰ This is evident in China's approach towards relations with so-called 'rogue regimes' such as Sudan and Zimbabwe. Spurned by the international community in response to the consequences of domestic political governance, these regimes have developed strong relations with the Chinese government, whose interest in such diplomatic ties stems from access to the countries' natural resources of oil and platinum respectively. Zimbabwean President Robert Mugabe went as far as to launch his 'Look East' policy, intimating that he had no further need for relations with the West, given the strength of his relations with Asian countries, among them China (*Financial Gazette*, 2007). China has, together with Russia, repeatedly used its veto right to halt the imposition of sanctions on Mugabe and others in his regime (Navarro, 2008). However, Beijing has been increasingly cautious in its dealings with Harare in a bid to temper criticism of such relations. Negotiations begun in December 2006 for a US\$ 2 billion loan from China came to nothing, and President Hu Jintao did not stop in Harare on his seven-nation African tour in February 2007. The perceived need to balance the diplomatic requirements of both Zimbabwe and the international community has however led to conflicting policy impulses. Curiously, when in August 2007, a British diplomat reported hearing from China's Special Envoy to Africa, Liu Guijin, that aid to Harare would be scaled down to only humanitarian assistance, this was strongly denied by China's Embassy in Beijing (Spencer, 2007; Zvomoya, 2007). Indeed, in February 2011, the possibility of China Development Bank providing funding of up to US\$ 10 billion loan was announced (Smith, 2011).

Acceptance that politics and economics cannot be separated is growing steadily. One former MOFCOM official commented that one categorically cannot separate economics from politics: 'A political relationship without economics is empty, and an economic relationship without political relations is untenable. Marx only taught us politics, but we need to look at economics as well. The two are linked.'²⁶¹

3.8 Conclusions

China's mechanisms for developing foreign policy towards Africa consist of a complex matrix of government bodies, increasingly influenced by external pressures ranging from Chinese commercial actors to foreign political tensions. Particularly given the rising importance of commercial relations, aid, and concessional loans, MOFCOM is eclipsing MFA's role in policy-making. Africa's political importance remains; as both a large voting bloc in international fora such as the UN and as proponents of the 'One China' policy. However, the continent's economic potential as a source of raw materials and increasingly as a market is on the up. Consequently this has given rise to the emergence of a multiplicity of new actors vying strongly to influence foreign policy. This has served to lessen the grip MFA may have had on this process (Jakobsen & Knox, 2010: 49)

However, both the difference between *de facto* and *de jure* power structures, and the dynamic nature of China-Africa relations render Beijing's policy-making mechanisms more fluid than might otherwise be the case. China does indeed seem to 'cross the river by feeling the stones'²⁶² in terms of its foreign policy outlook to Africa. Its rapid rise to prominence in Africa through a very successful foreign policy has not been without its learning curves. Gillespie (2001:19-21) suggests that such foreign policy failures were precipitated by 'ideological overreach' and a miscalculation of the complexity of the African context. Although she refers to earlier diplomatic *faux pas* 1960's and 1970's, such miscalculations

²⁶¹ Interview, former official, Chinese Ministry of Commerce, 8 December 2009

²⁶² This saying is attributed to Deng Xiaoping, referring to the cautious nature that China should adopt in formulating policies.

are still in evidence in contemporary times, reminiscent of the *An Yue Jiang*²⁶³ arms shipment among other examples.²⁶⁴ The lack of a coherent diplomatic response to such crises in particular, seems to point to a misreading not only of the circumstances of the African country in question as identified by Jackson (1995), but also of the lack of coherence domestically between government bodies and other stakeholders which have an interest in the situation.

China's pragmatic policy shift to economic concerns has been deeply reflected in the drive behind PRC foreign diplomatic relations, particularly with regard to African countries. Increased diplomatic activity has thus, by design, paved the way for the entry of Chinese commercial interests into Africa's economies. This is to access the continent's natural resources and untapped markets facilitated in many cases by the use of concessional loans tied to Chinese procurement, as will be shown below. Increasingly guided by economic imperatives, in a remarkably short space of time Chinese institutions such as China Exim Bank and China Development Bank have emerged important financiers of development projects (Corkin, 2008c:6).

As China's engagement with African countries increases and deepens, the fracturing of policy-making bodies will only extend further. The need to disaggregate Chinese actors operating in Africa is already a necessity (Taylor, 2008:3). This natural fragmentation will result in a number of further pressures on Chinese foreign policy in Africa.

²⁶³ In mid-2008 a controversial arms shipment aboard the ship *An Yue Jiang* bound for Harare caused considerable diplomatic embarrassment for Beijing. The shipment, whose arrival would have coincided with the Zimbabwean presidential elections, was at first defended by the Chinese Foreign Minister as 'normal military trade' between Zimbabwe and China (Dugger and Barbosa, 2008). However, the level of public criticism it attracted²⁶³ forced an announcement of the return of the ship with the cargo undelivered. It remains unclear as to whether the arms were in fact eventually smuggled through Angola or DRC, although this is denied by the Chinese government (AFP, 2008).

²⁶⁴ A further example of a Chinese misreading of an African political climate was the commentary published in the *Peoples' Daily* (see <http://english.people.com.cn/90001/90780/91343/6337848.html>) response to the Kenyan political violence after presidential and parliamentary elections held in December 2007. An attempt to show solidarity with Kenyans and point the finger at colonial heritage by declaring that democracy was not appropriate for Africa. Instead it was widely interpreted by Africans as racist slander, insinuating the Africans were not developed enough for democracy.

China is outwardly supportive of international norms and institutions, as the current global order has been very conducive to its growth thus far. China actively supports institutions that foster the international environment conducive to its continual growth (He, 2007:10). However, increasingly these propounded international norms and institutions are placed at odds with China's activities in Africa. Faced with mounting criticism, and the threat that Beijing's international acceptance as a 'responsible power', particularly in Africa, will be withheld, Chinese policy-makers are being confronted with the need for increased flexibility.

The implicit contradiction arises whereby China must appease the international community in its overtures to Africa, while not appearing to acquiesce for the sake of its own sovereignty and that of African countries'. As China struggles to reconcile the two foreign policy objectives of being seen to maintain the international norms and structures as well as strengthening relations with African countries, such efforts will be exacerbated by the Western interpretations of its actions on the one hand, and the as yet under-estimated agendas of African actors.

CHAPTER FOUR: Angola's China Exim Bank Loan Negotiation

4.1 China Exim Bank's Entry into Angola

China Exim Bank's first engagement with Angola was in 1991 when a loan of RMB 50 million²⁶⁵ was disbursed for an Angolan government school project. A framework agreement for preferential credit was signed by the Chinese and Angolan governments in 1997, indicating an intention to expand co-operation (Angolan Embassy in China, 2008:17). However, a senior analyst for China Exim Bank commented that when he visited Angola in 1998, it was not deemed a viable country for engagement. Underlining what many Chinese respondents have voiced, he emphasised repeatedly how important a country's political stability was for China Exim Bank to consider engagement.²⁶⁶

China Exim Bank's current role only took shape following the end of the Cold War and the cessations of Angola's own civil conflict. After the death of Jonas Savimbi and the collapse of UNITA armed resistance in 2002, the MPLA government needed to access financing to rebuild the country after the war. The end of the Cold War had lost Angola its earlier geo-strategic significance resulting in a lack of interest by the parties that had previously been so involved in Angola's political landscape. President dos Santos wrote to the IMF in June 2001 requesting additional assistance following the conclusion of an IMF economic monitoring programme (Afrodad, 2008:10). The IMF, however, while prepared to offer loans, was insistent on increased transparency and a macro-economic stabilization policy, aimed at reducing inflation by cutting public expenditure and reducing borrowing. Angola refused to cut back on expensive oil-backed commercial financing which also prevented Luanda from satisfactorily explaining where its oil revenues went²⁶⁷ (Brautigam, 2009:275; Global Witness, 2004; 2011). Furthermore, under IMF constraints, any large-scale infrastructure reconstruction programme would have to wait until Angola had achieved a healthier fiscal

²⁶⁵ This loan was the equivalent of US\$ 9.4 million in 1991. The accord was initially signed in 1984 and payment delayed due to the civil war until 1991, when there was a temporary cease-fire (Angolan Embassy in China, 2008:17).

²⁶⁶ Interview, China Exim Bank, Beijing, 15 January 2010

²⁶⁷ According to Brautigam (2009:274), Angola had by the end of the civil war taken out 48 commercial oil-backed loans.

situation²⁶⁸ (Lee and Shalmon, 2008: 124). Neither condition was acceptable to Angola, so in 2002 President dos Santos appealed to China.²⁶⁹ After high-level negotiations²⁷⁰ China appeared willing to offer only 2.3 million RMB in grant aid (US\$ 280, 000 in 2002), according to one senior official formally involved in the negotiations.²⁷¹ This was not sufficient for Angola's needs however, so China Exim Bank was brought in.²⁷² Lending was cautious and gradual at first. In 2002, China Exim Bank, together with China Construction Bank provided financing of US\$ 145 million for projects undertaken by Chinese companies. The funds were disbursed directly to the Chinese companies undertaking the work (Campos and Vines, 2007:5; ERA, 2009:81).

China Exim Bank's role in Angola as a financier of large-scale development projects has since received considerable media attention. This is due in part to Angola's increasing prominence as an energy partner for China. Although China has only very recently become a significant commercial partner in Angola, the Angolan ruling party (MPLA) now has considerable relations with Beijing due to China Exim Bank and several other Chinese financial institutions' sizeable loans to the Angolan government.²⁷³ Given China's well-documented support of UNITA²⁷⁴, Luanda's ties with Beijing underline the inherently pragmatic nature of such relations. Indeed, as observed by one Chinese researcher, 'They [the Angolan government] do not stay in the past'.²⁷⁵

²⁶⁸ In fact, according to Brautigam (2009:275), Germany 'broke ranks' with the Paris club decision not to lend more money to Angola before its overdue loans were settled. Berlin drew up a debt reduction agreement in 2003 allowing German companies access to Angola's market and the extension of further German export credits. As seen in Figure 4.3 Deutsche Bank entered with more oil-backed financing shortly afterwards.

²⁶⁹ Interview, Chinese Ministry of Foreign Affairs, Beijing, 28 October 2009. According to one respondent, President Dos Santos had previously studied the rise of China (interview, university professor, Luanda, 18 August 2010).

²⁷⁰ According to one well-informed respondent, the Angolan government's representative came to Beijing and talked to the three important people; the Foreign Minister, the Prime Minister and the President (Interview, administrator, Chinese construction firm, Luanda, 19 August 2010)

²⁷¹ Wang Chengan, Deputy Secretary of Forum Macau, presentation at a conference held by Institute for West Asian and African Studies (IWAAS) 'Symposium on Sino-African Relations: Reflections and Prospects, Beijing, 13 October 2008. Forum Macau is a multilateral grouping of Macau and the community of Portuguese-speaking countries (CPLP).

²⁷² It is interesting that here; the respondent makes a distinction between 'aid' and China Exim Bank loans, inferring that the latter is not considered part of the former. This will be explored further in later sections.

²⁷³ For a list of high-level bilateral visits and signed agreements, see Appendix 2

²⁷⁴ See Campos and Vines (2007)

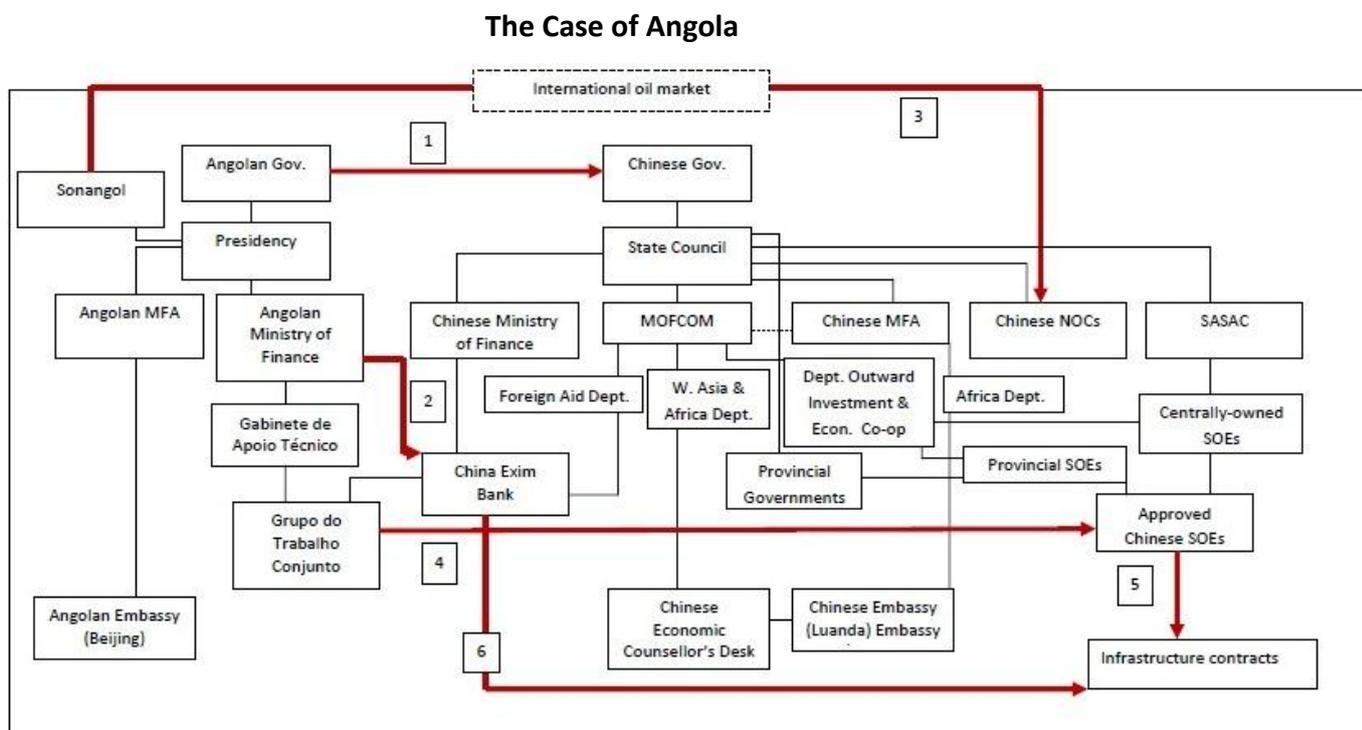
²⁷⁵ Interview, Chinese think tank, Beijing, 16 October 2009

Whereas in the previous chapter I outlined China Exim Bank's generic loan process within the context of China's foreign policy in general, in this chapter I investigate the China Exim Bank loan process as applied to the case of Angola. I also investigate two sets of assumptions; those surrounding the so-called 'Angola Model' as the mechanism has been dubbed and pre-conceived notions of Chinese companies' behaviour in relation to the credit line. Finally I put to rest the debate as to whether the China Exim Bank loan is aid, trade or investment.

4.2 Angola's China Exim Bank Loan Agreement Mechanism

China Exim Bank's standard procedures for disbursing a Chinese government concessional loan have already been explained in the previous chapter. In the case of Angola, the procedure follows this pattern for the most part, although some important modifications occur as shall be explained below.

Figure 4.1: Government bodies involved in China Exim Bank concessional loans:



Source: author's own research.

4.2.1 Basic Framework

Figure 4.2 (above) presents in diagram form the standard procedure as described in the previous chapter using the case of Angola as a specific example and including all the government bodies purported to be involved in the transaction between the two countries, China and Angola. On paper therefore, the process occurs as follows:

- 1) The Angolan Government signs a framework agreement with the Chinese government, represented respectively by the Angolan Ministry of Finance and the Chinese Ministry of Commerce.
- 2) The Angolan Ministry of Finance signs a loan agreement with the China Exim Bank.
- 3) Sonangol sells oil off-take to China at the international spot price on the day of shipment. The monies from the sales are deposited in an account in the Angolan government's name with China Exim Bank.
- 4) The joint commission (*Grupo do Trabalho Conjunto*) formed by the *Gabinete de Apoio Técnico* (GAT²⁷⁶) and the China Exim Bank agrees on a set of projects which are then put out to tender for a pre-approved list of Chinese companies.
- 5) The Chinese companies complete the projects and present invoices for their work to the Angolan Ministry of Finance,
- 6) These invoices are paid by China Exim Bank directly to the Chinese companies, drawn down from the Angolan's government's account with China Exim Bank.

In the Angolan case, Negotiations began in 2002, culminating in the signing of a Framework agreement on 26 November 2003 between the Chinese Ministry of Commerce and Angolan's Ministry of Finance (ERA, 2009:81)²⁷⁷. Reportedly this agreement detailed that loans would extend up to US\$10 billion (ERA, 2009:82).²⁷⁸ In March 2004, Vice Premier Zeng

²⁷⁶ Technical Support Office, Angolan Ministry of Finance

²⁷⁷ This source actually refers to an agreement between the Angolan Ministry of Finance and China's Ministry of Foreign Trade and Economic Co-operation (MOFTEC), but MOFTEC was restructured to become the Chinese Ministry of Commerce (MOFCOM) in March 2003, 8 months previously.

²⁷⁸ Interestingly, the US Ambassador to Angola, Dan Mozena, reported on 27 January 2009 in a confidential diplomatic cable leaked by Wikileaks that the Chinese Ambassador, Zhang Bolun, confirmed that lending to Angola would be capped at US\$ 10 billion. (See: <http://angola-luanda-pitigrili.com/archives/8740> [15 January 2011]). The Chinese Vice President, on his visit to Angola in November 2009 confirmed that Chinese lending to Angola had reached US 10 billion (Angop, 2009b).

Peiyan made a state visit to Angola²⁷⁹, during which time the first loan agreement amounting to US\$ 2 billion with China Exim Bank was announced²⁸⁰, came into effect in March 2004, with the first tranche released in December 2004 (Campos and Vines, 2007:6). This was later extended by US\$ 500 million in supplementary funding on 19 July 2007²⁸¹ (GAT, 2008b:2). On 28 September 2007 the loans were further extended by US\$ 2 billion (GAT, 2008b: 2).²⁸² In July 2010, the Angolan Minister of Finance Carlos Alberto Lopes confirmed that negotiations were underway to finalise a third tranche of US\$ 6 billion from China Exim Bank to assist with Angola's reconstruction²⁸³. However, in December 2011, Lopes reported to the Angolan Parliament that the third tranche was only US\$ 3 billion (Angop, 2011c), indicating a total pledged loan amount of US\$7.5 billion.

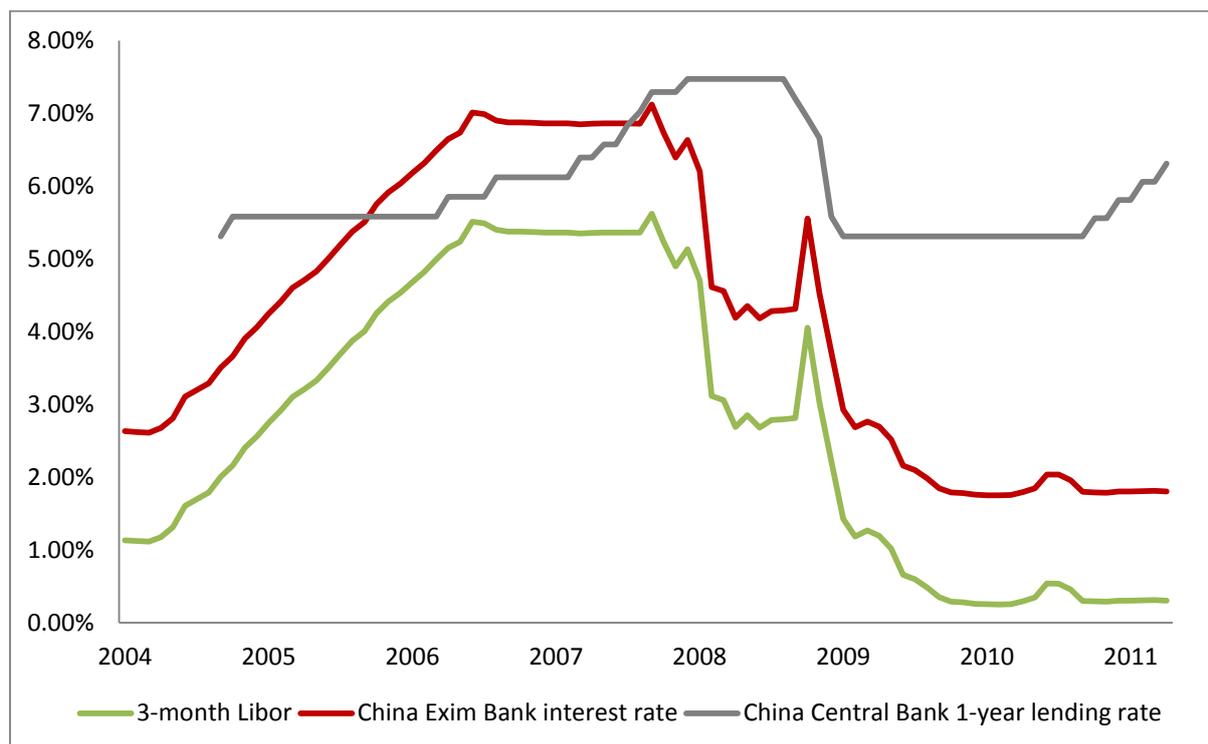
²⁷⁹ During this visit nine other co-operation agreements were also signed, Two co-operation agreements in the fields of energy, mineral resources and infrastructure; an economic and technical co-operation agreement; an interest-free loan agreement for funding Angolan projects, amounting to approximately US\$6.3 million; a co-operation agreement between the Angolan Ministries of Oil, Geology and Mining and the National Commission for China's Development and Reform; a long-term oil supply contract whereby Sonangol would supply China Petroleum and Chemical Corporation (Sinopec) with 40,000 barrels of oil per day; two memoranda of understanding concerning a joint study of oil concession Block 3 to be undertaken by Sonangol and Sinopec; A phone networking agreement between Chinese Group ZTE Corporation International and the Angolan Mundo Startel, worth US\$69 million (Burke and Corkin, 2006:18; Fidalgo,2011).

²⁸⁰ Although the agreement was signed on 2 March 2004 (Angolan Ministry of Finance, 2007); it was approved *post hoc* by the Angolan Council of Minister on 26 March 2004, Resolution 4/04 (BNA,2005:251)

²⁸¹ According to the Ministry of Finance (2007) a memorandum of understanding for the second tranche of US\$ 2 billion had been in place since 20 June 2006.

²⁸² This sequence of events was also confirmed by a respondent from GAT, Angolan Ministry of Finance, Luanda, 6 July 2010.

²⁸³ Angolan Minister of Finance, Carlos Alberto Lopes, broadcast on Radio Nacional de Angola, 4pm, 9 July 2010. This deal was mentioned as having been signed in November 2009 by a respondent from China Exim Bank (Interview, China Exim Bank, Beijing, 9 December 2009). In fact the signing of the additional US\$ 6 billion loan was confirmed by an informed source at China Exim Bank 8 months previously (Interview, China Exim Bank, Beijing, 9 December 2009.)

Figure 4.2: China Exim Bank loan interest rate (2004 – 2011)

Source: Money Cafe²⁸⁴, Reuters²⁸⁵, and author's own calculations

4.2.2 Loan Terms

According to the Angolan Minister of Finance, the first loan tranche of US\$ 2.5 billion is repayable at 3-month Libor²⁸⁶ + 1.5 percent over 15 years, including a grace period of 3-5 years and the second tranche of US\$ 2 billion is repayable at Libor+1.25 percent over 18 years. (Angop, 2011c). In the Angolan case, added to these terms is the management fee of 0.3 percent of the loan amount, and 0.3 percent 'commitment fee' which is not to be used by the individual projects (Dubosse, 2010:75).²⁸⁷ The Angolan government must provide a down-payment of 10 percent of the project value of each financed project (see Appendix 3). Late payments garnered an interest rate of 3-month Libor +3 percent. (Pinto de Andrade, 2007:59). These terms render a less expensive financing option than the oil-backed loans

²⁸⁴ <http://www.moneycafe.com/library/3monthlibor.htm> [14March 2011]

²⁸⁵ source: <http://uk.reuters.com/article/2011/03/18/china-economy-rates-idUKTOE71H06920110318> [21 April 2011]; <http://www.reuters.com/article/2011/04/17/china-economy-rrr-idUSL3E7FH06920110417> [21 April 2011]

²⁸⁶ Interest rate is quoted according to the Angolan Ministry of Finance. Libor, according to the British Banker's Association, is the most widely used benchmark or reference rate for short term interest rates.

²⁸⁷ Dubosse does not elaborate on what the significance of this is. According to Dubosse (2010:75) an 'assembly commission' of 1 percent applies if the loan is syndicated. In the case of China Exim Bank, this does not apply as the loan was not arranged to be syndicated. Dubosse (2010:75) also states that the interest rate is 3-month Libor+3 percent, although this contradicts all other sources, see Figure 4.3; Vines et al (2009:47); Alves (2010a:11); Interview, Angolan Ministry of Finance, Luanda, 6 July 2010.

extended to the Angolan Government by previous financiers, but not by as much as is ordinarily supposed. Indeed, Alves (2010a:11) contends that ‘Chinese credit lines are not regular loans, as the interest rate at around 1.5% is much lower than standard commercial loan rates (around 10%)’. However, this does not take into account the fluctuating values of Libor, which have actually rendered a floating interest rate that reached highs of over 7 percent (see Figure 4.2). Indeed, if compared to the conditions of other loans, both bilateral (government-to-government) and commercial (from the private) sector, the loan terms are not as different as has often been supposed. Despite the considerable hype surrounding China Exim Bank’s loans to Angola since their announcement, little has been done to compare them to the various other financing mechanisms Angola is party to (see Figure 4.3).

Figure 4.3: China Exim Bank compared to Angola’s other creditors (June 2009)

DATE	LENDER	VALUE	PURPOSE	TERMS AND CONDITIONS		
				Interest Rate	Commissions and Fees	Guarantee
Nov 2003	Deutsche Bank - Spain	US\$ 500 million	Public investment projects	Libor+ 1~5%	1% (flat) arrangement fee 1% (flat) management fee	Angolan Finance Ministry
Mar 2004	China Exim Bank	US\$ 2 billion (1 st tranche)	Public investment projects	3-month Libor +1.5%	0.3% management fee 1% arrangement fee (N/A) ²⁸⁸ 0.3% commitment fee	Contract of Petroleum Supply
Aug 2004	India Exim Bank	US\$ 40 million	5 contracts for the supply of equipment for Moçamedes Railway	1.75%		Angolan Ministry of Finance
Nov 2004	Portugal Cosec	EUR 300 million	Public investment projects	Euribor+ 0.4~0.6%	0.1% management fee	Angolan Ministry of Finance
2005	China International Fund	US\$ 9.8 billion	Projects managed by government	3-month Libor +1.5%	0.3% management fee 0.3% commitment fee	Contract of Petroleum Supply
Mar 2005	Santander Bank - Spain	EUR 100 million	Public investment projects	6-month Libor +1~1.5%	0.5% (flat) management fee 0.25% (flat) commitment fee Variable insurance fee	Angolan Finance Ministry
Sept 2005	Fortis Bank - Spain	EUR 250 million	Public investment projects	6-month Libor +0.75~1%	2% (flat) management fee 0.5% (flat) commitment fee Variable insurance fee	Angolan Ministry of Finance

²⁸⁸ This ‘arrangement fee’ is payable only if the loan is syndicated.

Dec 2005	Korea Exim Bank	US\$ 31.4 million	Rehabilitation of cotton project in Sumbe	0.6%	0.1% (above each disbursement) management fee	Angolan Ministry of Finance
2006	Proex ²⁸⁹	US\$ 580 million	Public investment projects	Libor	0.5 % (flat) management fee 0.5% (flat) arrangement fee	Contract of Petroleum Supply
2006	Brazilian Development Bank	US\$ 750 million	Public investment projects	Libor +1%	1% (flat) management fee 0.5% (flat) arrangement fee	Contract of Petroleum Supply
Jul 2006	India Exim Bank	US\$ 10 million	Acquisition contract of 599 tractors	6-month Libor +2.5%	0.5% (per year) management commission 0.5% (flat) arrangement commission	Ministry of Finance
Jul 2007	China Exim Bank	US\$ 500 million (supplement to 1 st tranche)	Public investment projects	3-month Libor +1.5%	0.3% management fee 1% arrangement fee (N/A) 0.3% commitment fee	Contract of Petroleum Supply
Sep 2007	China Exim Bank	US\$ 2 billion (2 nd tranche)	Public investment projects	3-month Libor +1.5%	0.3% management fee 1% arrangement fee (N/A) 0.3% commitment fee	Contract of Petroleum Supply
Apr 2008	Deutsche Bank - Spain	US\$ 225 million	Public investment projects	Libor+ 1~5%	1% (flat) arrangement fee 1% (flat) management fee	Angolan Finance Ministry

Source: Economic Research Department, Japanese Embassy in Angola; Croese (2011:28)

Given the volume of financing involved, even incremental differences in the interest rates are significant. China Exim Bank loans have better terms than the commercial loans listed above; however they are not as concessional as public loans from Korea or India in interest terms (see Figure 4.3). Furthermore, according to Brautigam (2011) US Exim Bank provides guarantees for private bank loans at Libor plus an interest rate of between 0-4 percent, suggesting that in some instances US Exim Bank provides cheaper financing than China Exim Bank.

Where China Exim Bank provides advantageous terms for Angola is in the length of the repayment term, which is 15 - 18 years compared to European commercial loans which have

²⁸⁹ *Programa de Financiamento às Exportações* - This was a program of the Brazilian government designed to facilitate Brazilian exports, deemed illegal under WTO statutes.

a repayment period of 4-5 years²⁹⁰. The repayment period of the loan is structured according to the time-frame of each project that is carried out under the loan financing agreement. Therefore, the grace period (during which time the government does not need to service any debt) is the length of time taken to complete the project. After 5 years, the loan reverts to having its principle and its interest serviced over 12 years.²⁹¹

4.2.3 Debt Servicing through Oil

Exim Bank's lending policy is to structure a loan so that there is a revenue stream that will be able to support the debt repayment.²⁹² Through the framework agreement signed with China (represented by MOFCOM), the Angolan government, through Sonangol, sells the oil extracted from its concessions to China.²⁹³ The agreement is to supply China with a fixed amount of oil on a quarterly basis. Angola has committed to supplying adequate petroleum for the repayment of the loan (Pinto de Andrade, 2007:59). In the case of Angola, the oil shipments are priced according to the international spot price of the day.²⁹⁴ Thus, while the oil is not actually sold on the international market to the highest bidder, the price that China as the guaranteed buyer must pay is determined by current international market prices. This is very different from some of Angola's previous oil-backed financing arrangements brokered by Western institutions²⁹⁵ (Shaxson, 2007). This arrangement is not favoured by the Chinese government, in whose interest a lower, fixed price would be more palatable, in the form of a long-term supply contract (Bo, 2010:120). The Chinese government views the role that London's markets have on the international oil prices (for instance the Brent crude benchmark) with suspicion – seeing the pricing as 'controlled by London', rather than a direct sale.²⁹⁶ Reinforcing this, one informed respondent suggested that although this is the

²⁹⁰ That having been said, the Chinese loans are easily four to five times the size of the European commercial loans.

²⁹¹ This is different to the World Bank where the debtor pays interest during the grace period and then pays interest and capital after the grace period has expired (economist, multinational financial institution, Luanda, 23 July 2010).

²⁹² Interview, World Bank Institution, Beijing 14 October 2009.

²⁹³ The respondent suggested that Chinese companies are eager to buy Angolan oil as '...the Gulf oil is dominated by the US.' (Interview, China Exim Bank, Beijing, 9 December 2009)

²⁹⁴ Interview, China Exim Bank, Beijing, 9 December 2009

²⁹⁵ Often the price of the barrel of oil was fixed, usually at a preferential price for the buyer, in some cases as low as US\$ 25 per barrel (Shaxson, 2007).

²⁹⁶ Interview, Chinese official, Luanda, 14 July 2010.

mechanism through which the oil reaches China, the terms of sale were not set up or controlled by China.²⁹⁷ The price at which the oil sells was determined in a separate agreement. Yet another commented that the Chinese government ‘do not have full control of the financial flows.’²⁹⁸ This has reference to other actors influencing the price of Angolan oil to China and will be referred to in Chapter 6.

Figure 4.4 Angola’s Oil Exports to China (2006-2009)

	2006	2007	2008	2009
Value of Oil Exports (US\$)	9,938,280,959	12,499,105,512	18,609,657,266.42	15,782,193,917.96
Quantity of Barrels	163,138,002	175,375,550	195,250,193	250,908,766
Average value per barrel (US\$)	60.92	71.27	95.31	62.90 ²⁹⁹
Percentage of Total Exports	32.9%	29 %	28.9%	39 %

Angolan Ministry of Petroleum (2010:30-31); author’s calculations

Such observations are pertinent given that at the inception of the China Exim Bank loan negotiations, China considered Angola ‘a truly independent provider’³⁰⁰ and thus a preferable source of African oil imports (ERA, 2009:37). This was in comparison to Nigeria, which, while at the time a larger producer of crude oil, was considered to be dominated by Western oil interests, which it was assumed would prejudice Chinese interests. Furthermore, Angola was not a member of OPEC at the time of the first loan agreements, a situation the Chinese side considered favourable (Hunter Christie *et al*, 2010:14). This changed on 1 January 2007 when Angolan became the organisation’s twelfth member. Furthermore, as explained in Chapter 6, the Angolan government seems in much greater control of the oil shipments to China than China would like.

The volume of the shipments is set according to a fixed quantity of barrels and not according to a fixed value.³⁰¹ Reports as to specific quantity involved vary; Alves (2010a:12)

²⁹⁷ Interview, financial institution, Luanda, 23 July 2010.

²⁹⁸ Interview, Western construction equipment importer, Luanda, 15 July 2010

²⁹⁹ According to the Angolan Ministry of Petroleum (2010:30), in 2009 China paid more per barrel on average than the United States (US\$ 57.83) or Europe (US\$ 42.83) or Portugal (US\$ 58.69).

³⁰⁰ In this context, such a phrase is interpreted as meaning ‘free from untoward Western influence’.

³⁰¹ Interview, Angolan Ministry of Finance, Luanda, 6 July 2010.

and Dubosse (2010:75) aver that it is 10,000 barrels per day for the first 2 years and subsequently 15,000 barrels per day for the balance of the loan period. Fidalgo (2011) reports it to be 40,000 barrels per day for the first China Exim Bank loan agreement and 100,000 barrels per day for the second China Exim Bank loan.³⁰²

The funds that the Angolan government acquire through the quarterly sale of oil to China are put into an escrow account. Although a respondent from China Exim Bank said that the escrow account, open to international trading, was opened with China Exim Bank³⁰³, a respondent in Angola suggested that such escrow accounts are usually held in a third-party account.³⁰⁴ The escrow account needs to hold enough funds to service the interest and the principle for 6 months. Given the volatile price of oil, the amount transferred to the account can vary significantly. If the quarterly payments exceed the minimum payment requirement, the surplus is transferred to Angola's Treasury, *Banco Nacional de Angola* (BNA). If the quarterly payment is less than is required, then BNA needs to make a deposit into escrow account.

From this process two things are clear. Firstly, the China Exim Bank's loan is actually a facilitation mechanism for the Angolan government to convert oil revenues directly into construction contracts undertaken specifically by Chinese companies. Furthermore, the mechanism whereby the contracted construction companies are paid directly by China Exim Bank ensures that China Exim Bank has full control of project repayments, in an attempt to mitigate the perceived risk of the loan money entering the Angolan financial system. Brautigam (2010a) calls this an 'agency of restraint'.

³⁰² There is some confusion, however as Fidalgo (2011) appears to consider the US\$ 2 billion loan agreement signed in March 2004 as the 'first' loan, and a US\$ 10 billion package of loans from China Exim bank (US\$ 6 billion); China Development Bank (CDB) (US\$ 1.5 billion) and Industrial and Commercial Bank of China (ICBC) (US\$ 2.5 billion) as the 'second loan'. Fidalgo (2010) reports that for the second loan ICBC required 40,000 barrels per day, and China Exim Bank required 100,000 barrels per day, but makes no mention of China Development Bank's required oil repayments. Coupled with the long-term supply contract signed between Sonangol and Sinopec in 2005, Fidalgo (2011) calculates that China is receiving 220,000 barrels per day from Angola.

³⁰³ Interview, China Exim Bank, Beijing, 9 December 2009

³⁰⁴ interview, financial institution, Luanda, 23 July 2010

Secondly, it is difficult to determine the exact quantity of debt the Angolan government has with the Chinese government at any particular time as the escrow account is constantly fluid; oil revenue deposits increase the funds available and construction projects' disbursements correspondingly decrease the funds. The debt itself varies, as the debt is only created when it has been disbursed for a development project. The amount remains fluid as the debt is simultaneously created (or drawn down) as projects are disbursed and paid back in oil money deposits that are balanced by deposits to BNA. The loan is then, in essence, guaranteed by BNA. Thus China Exim bank's pledged loan total is merely a ceiling on the volume of transactions that China Exim Bank and BNA have agreed to facilitate in this way. In December 2011, the Finance Minister reported that Angola's debt to China was US\$ 5.6 billion, but did not elaborate on how this had been calculated (Angop, 2011c).

4.3 Financing infrastructure projects in Angola

Angola's construction industry was, until the financial crisis, the economy's strongest non-oil industry, albeit only making up 5.2 percent of GDP in 2008 (African Economic Outlook, 2011). It was largely driven by government spending for the Public Investment Programme (PIP), facilitated among others by the China Exim Bank credit line. However, as of 2007, the industry also attracted 30 percent of inbound non-oil FDI (ANIP, 2007). Public infrastructure spending is thus the mainstay of the non-oil economy (BMI: 2009:6).

This sector was previously been dominated by Portuguese (Soares da Costa, Teixeira Duarte, Mota-Engil) and Brazilian contractors (Odebrecht, Camargo Corrêa), both of whose governments have been extending credit lines linked to buying the respective countries' goods and services³⁰⁵ (see Figure 4.5 below).

³⁰⁵ This contextualises the Chinese credit line, to be discussed in further sections.

4.3.1 China Exim Bank-funded infrastructure contracts

The loans extended by China Exim Bank are targeted specifically towards facilitating public investment in Angola and are officially managed by the Angolan Ministry of Finance (Burke et al, 2007; Vines et al, 2009), specifically the department known as GAT³⁰⁶, previously under Madalena Ramalho³⁰⁷. According to the terms of the loan, Chinese companies are largely contracted to undertake required projects. Once the projects have been satisfactorily completed, the contractors may present their invoices to the Angolan Ministry of Finance which then requests China Exim Bank to disburse the funds.

Figure 4.5: Cumulative bilateral credit pledged to Angola (2010), US\$ millions

Creditor Country	Loan Value
China	14,400 ³⁰⁸
Brazil	2,300
Germany	2,200
Portugal	1,900
Canada	1,16
Spain	600
South Africa	255
US	120
UK	70
India	50

Compiled from: US State Department - <http://www.state.gov/e/eeb/ifd/2008/100819.htm>; media reports

³⁰⁶ GAT was created in September 2004 by executive decree specifically to manage the Chinese credit lines (Angop,2004)

³⁰⁷ Madalena Ramalho was, according to a respondent, side-lined from GAT in early 2011 (interview, journalist, Luanda, 2 February 2010).

³⁰⁸ This includes credit lines from China Exim Bank US\$ 7.5 billion, China International Fund Ltd.'s official lending figure of US\$ 2.9 billion, and China Development Bank US\$ 1.5 billion and Industrial and Commercial Bank of China's pledge of US\$ 2.5 billion (See Gazel, 2010; Angolan Ministry of Finance,2007b, see also chapter 6).

Invoices received by the China Exim Bank for projects constructed under the credit line are paid with the funds in the Angolan government's escrow account. Thus, as previously explained, the cost of the projects is drawn down against the money in the account as the funds are then paid directly by China Exim Bank to the Chinese construction companies, and the bank writes down the contract amount against the loan available to the Angolan Government. The Angolan Ministry of Finance and BNA also register these disbursements as debts (Angolan Ministry of Finance, 2007b).

The projects themselves are those identified as priorities by the respective ministries, which are submitted to a joint committee comprising the Angolan Ministry of Finance and MOFCOM, *Grupo de Trabalho Conjunto* (Joint Working Group) (Afrodad, 2008:14). According to an Angolan official, as regards Angola's concessional loan agreement, China Exim Bank 'always accepts' the Angolan proposals, lending credence to the idea that China Exim Bank does not normally have the political power to refuse them. In the initial stages, Exim was reportedly 'quite nervous' and questioned the project decisions frequently, making several objections, but now they are more 'open', they have realised that fundamentally it is a partnership and they are much more 'flexible'. The respondent quoted that '97-98 percent' of the projects are accepted.³⁰⁹

According to the Ministry of Finance, the Chinese companies are selected by the Chinese government, and the Angolan government choose the *fiscalização*³¹⁰ company.³¹¹ According to a respondent from the China Exim Bank, the Angolan government would select and approve a handful of Chinese companies from those permitted by MOFCOM to tender. At least three Chinese companies tender for each contract. The names of these companies are

³⁰⁹ Interview, senior official, Angolan Embassy, Beijing, 28 October 2009

³¹⁰ This is a Portuguese word; the meaning is roughly translated to 'due diligence, monitoring and regulation'. *Fiscalização* is thus generally undertaken by engineering consultants.

³¹¹ Interview, university researcher, Luanda, 28 August 2010.

then presented to MOFCOM, which will verify their credentials.³¹² This is done by two bodies within MOFCOM³¹³: The China Chamber of Commerce for the Import and Export of Machinery and Electronic Products³¹⁴; and the China International Contractors' Association.³¹⁵ These organisations would report to MOFCOM's Department for Foreign Economic Co-operation, responsible for regulating Chinese companies overseas (Gill and Reilly, 2007:42). The construction contracts are then undertaken by Chinese construction companies on the approval of the Ministry of Finance in Angola.³¹⁶

While an impressive array of infrastructure has been completed since 2004, the execution of these projects has not been without its challenges. The main hurdles are bureaucratic capacity, poor understanding of the operating environment on the part of the Chinese companies and supply bottlenecks (Corkin, 2008a). This is unlikely to improve in the short-term, although it is expected that contracted Chinese companies will learn to be less ambitious in setting their projected project completion targets. There are also fears that the massive infrastructural spending planned by the government will be misdirected if it is not complemented by capacity-building and training programmes to improve Angola's ability to absorb investment of such magnitude. The problem is compounded by the fact that due to a lack of local capacity and short supply, most construction materials, and often the technical expertise, need to be imported (Burke and Corkin, 2006:37). These issues will be expanded on in Chapter 5.

According to a respondent from China Exim Bank, phase I started disbursements in 2005 (US\$ 1 billion); phase II started in 2007 (also US\$ 1 billion), as has largely been disbursed.³¹⁷ As of December 2008, GAT appears to have thus accounted for most of the first loan

³¹² Interview, China Exim Bank, Beijing, 9 December 2009

³¹³ The companies undergo an examination every year to inspect their credentials. The former is generally for the larger enterprises and the latter for the smaller firms. In Addition, their credentials for each project is checked, according to their experience.

³¹⁴ 中国机电产品进出口商会 refer to <http://www.cccme.org.cn/cn/index.asp>

³¹⁵ 中国对外承包工程商会 refer to <http://www.chinca.org>

³¹⁶ Interviews, former official, Chinese Ministry of Commerce, Beijing, 8 December 2009; Interview, China Exim Bank, Beijing, 9 December 2010.

³¹⁷ Interview, China Exim Bank, Beijing, 9 December 2009

package of US\$ 2 billion (phase I and II); with plans drawn up for the US\$ 500 million loan as well as phase III, the first tranche of the US\$ 2 billion loan signed in September 2007 (see Appendix 3). According to Fidalgo (2011) as of 2010, 125 projects had been completed by Chinese companies.

4.3.2 Local Procurement Component

Although in principle China Exim Bank loans require that all projects that it finances are undertaken by a Chinese company (see chapter 3), in the Angolan case it was negotiated that 30 percent of contract value was to be allocated to the Angolan private sector, to encourage Angolan participation in the reconstruction process (Corkin, 2011a). This was reportedly the maximum concession that China Exim Bank would allow.³¹⁸ Although a minority percentage, it is arguably a realistic condition, given the paucity of skilled labour and local industries to support the material requirements of projects of this scale.

Considering that China Exim Bank's primary function is to stimulate demand for Chinese goods and services, such a concession to Angola, representing a considerable departure from the default position on procurement, is an indication of the strength of Angolan bargaining. However, this concession may only extend as far as ensuring that 30 percent of contracted labour is Angolan.³¹⁹ According to one Angolan researcher, contractually more than 50% of the work force needs to be Angolan, but there are considerable problems in implementing this as the capacity to do so does not exist; only the smaller Chinese companies can fulfil this local labour quota.³²⁰

Up to 60 percent of tenders awarded to Chinese companies may also be subcontracted to local partners. Each project must be to the value of at least US\$ 10 million (Ferreira,

³¹⁸ Interview, Angolan Ministry of Finance, Luanda, 6 July 2010

³¹⁹ Interview, senior official, Angolan Embassy, Beijing, 28 October 2009

³²⁰ Interview, university researcher, Luanda, 28 August 2010

2008:300). Furthermore, according to the conditions stipulated by China Exim Bank, in principle no less than 50 percent of the project procurement will be sourced in China.³²¹

4.4 Discrediting Assumptions surrounding the China Exim Bank Credit Line

Due largely to its treatment in popular media, several aspects of China Exim Bank's lending to Angola are misunderstood. The first is the notion of the 'Angola Model'. The second is the idea of risk, in relation to Chinese state-owned actors.

4.4.1 The 'Angola Model'

Ostensibly so named due to its initial emergence in Angola, the term 'Angola Model' (or 'Angola Mode' as it is sometimes referred to) is used glibly to describe the China Exim Bank loan arrangement that is viewed as essentially trading construction goods and services for natural resources required by China. This is true on a superficial level. The 'Angola Model' however also assumes that the Chinese government's heavy involvement in Angola's national reconstruction programme has allowed Beijing to accumulate considerable political capital and easy access to oil equity.

Having first appeared briefly in several publications (see Chan, 2008; Chen et al, 2007; Burke *et al*, 2007:56; and Corkin, 2007a, 2007b), the concept received a more in-depth investigation from a World Bank report (Foster *et al*, 2008:43) after which it became common currency as a concept, despite a lack of consensus as to a concrete conceptual definition, much like the 'Beijing Consensus'³²². It is in this light that the so-called 'Angola Model' requires further investigation.

³²¹ China Exim Bank website:

http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398_1.html [17 February 2009]

³²² See chapter 2.

It became very clear through numerous interviews, that the ‘Angola Model’ was a concept used to loosely describe China’s engagement with Angola, but there was no research to support the term as uniquely Angolan, or uniquely implemented by China or even specifically as a ‘model’ for China’s engagement with other countries.

A Chinese researcher suggested awkwardly that it was hard to make concepts such as the ‘Angola Model’ thus ‘completely clear’; and was able to offer little in the way of a definition further than ‘exchanging infrastructure for resources’: ‘post-conflict Angola had no money to pay for the reconstruction, so the model is to pay for the infrastructure not with money, but with what they have.’³²³ Indeed, the concept received little attention in Chinese-language scholarship beyond this basic definition; and apparently materialised only after the term had appeared in English texts (Deng, 2007; Wang, 2009).

Taking this as a departure point, Corkin (2008a:182) and Vines et al (2009:47) assert that there is little that is particularly unique about the so-called ‘Angola Model’, given that it is not the first time that Angola has secured oil-backed financing to support large-scale infrastructure projects (see Figure. 4.3) Furthermore, if the vague nature of ‘oil for infrastructure’³²⁴ is to be used as a definition³²⁵, Angola is not the first country in which such co-operation occurred with China. Indeed, as pointed out by one senior African diplomat³²⁶ China had entered Sudan 10 years prior to such engagement in Angola³²⁷, essentially also facilitating exactly the same kind of exchange – oil for infrastructure. He even suggested that after Chinese investors’ ‘good experience’ in Sudan, the former began looking to move into other African countries, of which Angola was the next.³²⁸

³²³ Interview, Chinese research institute, Beijing, 22 December 2009.

³²⁴ ‘贷款换石油’. This literally means ‘loan for oil swap’. See Jiang (2009a); 中国企业报 [China Enterprise News], 2011)

³²⁵ As suggested by respondent from Chinese research institute, Beijing, 22 December 2009.

³²⁶ Interview, senior African diplomat, Beijing, 11 September 2009

³²⁷ See also <http://hi.baidu.com/zhaottn/blog/item/a45715f5ff463420bd310958.html> [18 March 2011]

³²⁸ Interview, senior African diplomat, Beijing, 11 September 2009

Interestingly, a respondent from the China Exim Bank offered the explanation that the phrase ‘Angola Model’³²⁹ had been coined by the China Exim Bank itself.³³⁰ When the Bank first entered Africa, ‘... lots of African countries were interested in this kind of co-operation, and so the bank decided to “do what they had done in Angola” in these countries ... hence the ‘Angola Model’ as that is where it was first enacted’.³³¹ Burke et al (2007:61) describe negotiations between China Exim Bank and Ethiopian officials regarding concessional loans:

‘An important aspect of the negotiations, regularly emphasised by the Chinese Government, was the so-called “Angolan Model” of Chinese loan structuring. The Ethiopian government officials had no idea what the “Angolan Model” entailed. They gradually came to understand the way in which the Chinese had structured arrangements with the Government of Angola and the use of unexploited natural resources as collateral.’

In fact, the concept of bartering natural resources for large-scale infrastructure projects actually comes from China’s own experience with Japan. As Brautigam (2009:47) notes:

By the end of 1978, Chinese officials had signed seventy-four contracts with Japan to finance turn-key projects that would form the backbone of China’s modernisation. *All would be repaid in oil.*’

Consequently, it is evident that this form of co-operation’s origins are nowhere near Angola; it is an example of China formulating its engagement from its own experience as a developing country, borrowing heavily, as in many other aspects of its foreign policy, from Japan (Brautigam, 2009:18).

³²⁹ ‘安哥拉模式’ in Mandarin Chinese

³³⁰ This seems similar to claims regarding the ‘Marshall Plan for Africa’; where it is deemed expedient to lay ownership claims to a politically fashionable concept (see chapter 2).

³³¹ Interview, China Exim Bank, Beijing, 15 January 2010

That China's situation has changed somewhat since such deals were struck with its Asian neighbour, bodes well for Angola. It shows that the mechanism itself as a means of development, is not fundamentally flawed. Rather the key to its success lies in its management, from both the financier side (China) and the resource provider side (Angola).

4.4.2 Negotiating Risk

Risk is a key consideration in international negotiations (Cross, 1991:179), heightened by a lack of familiarity between the parties concerned (Dupont, 1991:336). It appears that rather than giving rise to a 'model' of any sorts, China's co-operation with Angola is merely structured in order to ensure guaranteed returns on what both China Exim Bank and Chinese companies consider a risky undertaking.

Despite assertions that Chinese companies and policy-banks have a 'risk model that is different' (see for example Davies, 2008:151), implying that they are less bound to profit than their Western counterparts, China Exim Bank has been exceedingly cautious in its dealings with governments such as Angola's and remains wary of African projects, due to the perceived high level of risk involved.³³² Consequently, despite being a 'policy bank', China Exim Bank has structured its loans commercially, precisely to mitigate the risk of lending to a country with a profile such as Angola's.³³³

Exim Bank's lending policy is to structure a loan so that there is a revenue stream that will be able to support the debt repayment.³³⁴ Thus, as pointed out by one Chinese researcher: '...through the oil revenue acting as a guarantee, Exim Bank feels comfortable to offer its loans.'³³⁵ Furthermore, as noted, the mechanism whereby the contracted construction companies are paid directly by China Exim Bank ensures that China Exim has full control of

³³² Personal correspondence, Chinese Ministry of Foreign Affairs, Beijing, 27 October 2009

³³³ This will be expanded on in chapter four.

³³⁴ Interview, World Bank Institute, Beijing 14 October 2009

³³⁵ Interview, Chinese research institute, Beijing, 22 December 2009

project disbursements, in an attempt to mitigate the perceived risk of the loan money entering Angola's financial system.

In addition to this, as discussed in the previous chapter, during the negotiation, China Exim Bank initially demanded a 1 percent interest on top of the agreement's interest rate payments as 'insurance', rejecting the Angolan Finance Ministry's offer of a sovereign guarantee. It was only after the Chinese MFA, negotiated the removal of this additional percentage point, with BNA standing as the guarantor, that the agreement was sealed.³³⁶ According to an Angolan observer, China Exim Bank was also initially very 'inflexible' in terms of the projects that it agreed to finance.³³⁷ Such actions portray China Exim Bank as a very wary actor, not at all as the rash state-owned institution so often described.

China Exim Bank itself is not the only Chinese actor with a high risk aversion. According to Chen *et al* (2008:7) Chinese contractors and subcontractors, contrary to popularly held belief, are very profit- oriented. Their preferred method of contract tendering is international bids (49 percent) although grants, concessional loans projects and other mechanisms facilitated by the Chinese government (generally closed bids between Chinese companies only) also make up a substantial portion (40 percent). Furthermore, these companies dislike bidding for projects financed solely by African governments as often there are payment issues. This is particularly relevant in the context of Angola, as following the economic crisis of 2008-2009, the government experienced severe cash flow problems due to the dramatic drop in the oil price. Construction companies were not paid for months for projects already completed, with severe implications, as will be discussed in the following chapter.

It is very evident China Exim Bank's financing has facilitated Chinese construction companies' entry into Angola, given the level of tied procurement.³³⁸ However, despite the large

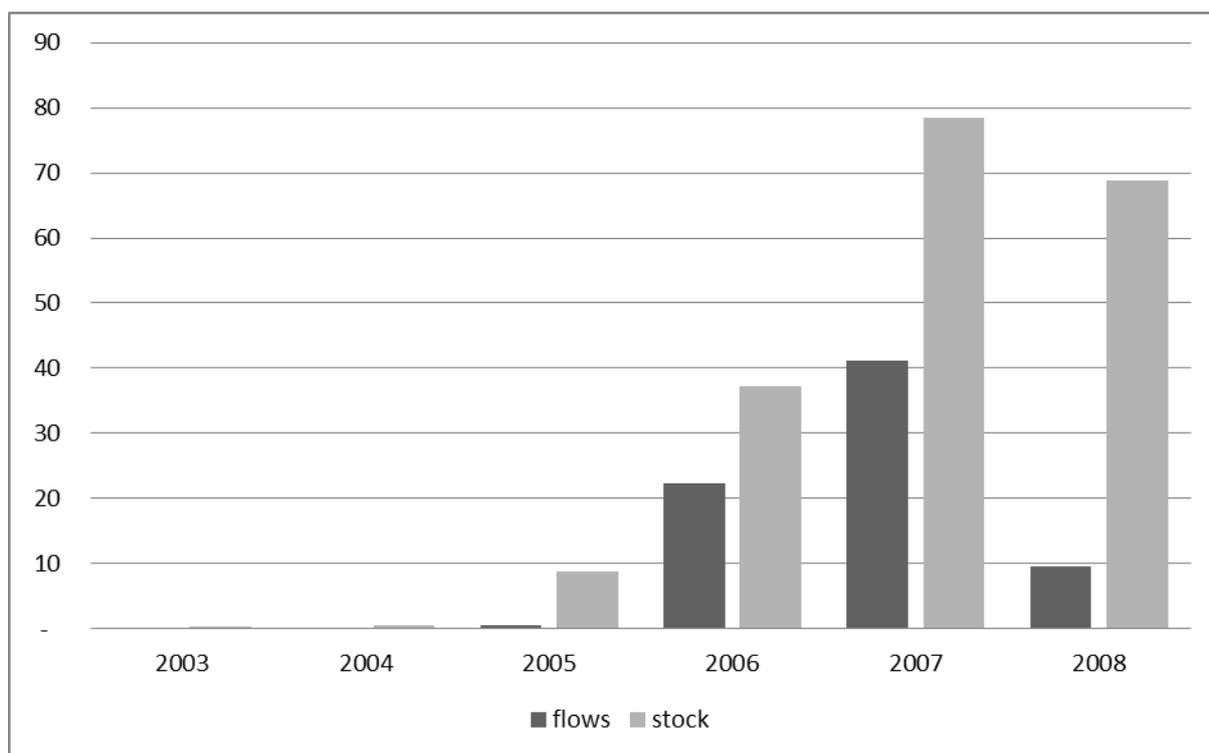
³³⁶ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009

³³⁷ Interview, senior official, Angolan Embassy, Beijing, 28 October 2009

³³⁸ Interview, marketing manager, Chinese private construction firm, Luanda, 2 August 2010.

volumes of loan financing via China Exim Bank, and the resulting volume of contracts obtained by Chinese contractors in Angola, reported Chinese FDI to Angola (i.e. those volumes external to the credit line) is remarkably low (see Figure 4.6). Although it is highly likely that these figures are under-reported, this tends to suggest that Chinese companies are as yet unwilling to venture into the Angolan market of their own accord outside of the Chinese credit line. As observed by a Chinese government researcher: ‘... unless the Chinese government gives them a special offer they will pursue their own goals, the national interests are often not profitable and they are not stupid.’³³⁹ This holds important implications for the Chinese companies’ appetite for risk.³⁴⁰

Figure 4.6: Chinese FDI in Angola, (2003 – 2009), US\$ millions



Source: 2009 年度中国对外字节投资统计公报 [2009 Chinese Ministry of Commerce Statistical Bulletin on Chinese Outward Investment 2009]

³³⁹ Interview, Chinese research institute, Beijing, 4 December 2009

³⁴⁰ Furthermore, given the exemptions the credit line holds from normal investment procedures as regards local content, this currently limits potential policy impact on encouraging Chinese companies to create local employment and local value addition (see chapter 5).

Indeed, contrary to the popular perception that Chinese state-owned companies, with their deep pockets, disregard risk completely, Zhou (2010) argues that Chinese state companies, due to more bureaucratic management are in fact more risk averse than private companies and will only move into overseas markets after state incentivization. Generally large state-owned firms hold an oligarchic position in the domestic Chinese economy. Consequently, cut throat domestic competition, one of the principal reasons that private Chinese companies move overseas (Gu, 2009:572), does not apply to them. It was only after the introduction of the China Exim Bank credit facility that Chinese SOEs began entering the Angolan market. This mechanism is deemed to mitigate the risk of an unknown market as the bidding occurs in China. China Exim Bank can also arrange for export credit and other financing required by the Chinese SOEs at preferential rates. Most importantly, the Chinese companies are paid directly by China Exim Bank rather than the Angolan government.³⁴¹

Thus due to high risk aversion, without the institutional and financing stability provided by China Exim Bank, there might have been resistance on the part of the large Chinese companies to enter markets such as Angola.³⁴²

Private Chinese companies, however, receive no such direct incentives from the Chinese government to expand overseas. The vice president of a private Chinese firm remarked: 'The Chinese Embassy does not help at all ... so it is a very sensitive issue indeed. We don't think they help us or do enough. 'They give the SOEs help, but we are not their customers'.³⁴³

An illustrative example is the fact that despite the widely held belief that Chinese nationals get preferential visa treatment, one private Chinese manager reported paying 5,000 RMB (US\$ 750)³⁴⁴ for a 30-day ordinary visa, whereas a work visa would cost 15,000 RMB (US\$ 2,250). Another private Chinese businessman reported paying 8,000 RMB (US\$ 1,200)

³⁴¹ Although this did not solve payment problems completely in the case of Angola, it still dramatically reduces the risk of non-payment.

³⁴² Interview, Beijing, 16 October 2009

³⁴³ Interview, vice president and general manager, private Chinese construction firm, Luanda, 7 July 2010

³⁴⁴ Interview, site manager, private Chinese construction company, Luanda, 3 August 2010. This is in comparison to an ordinary visa for a South African which would cost US\$ 110.

for his ordinary visa.³⁴⁵ Regardless of the possibility that these businessmen may have been overcharged, it illustrates their perception of a lack of support from the Chinese Embassy.

Private Chinese companies have thus come to Angola devoid of any overt support from their government.³⁴⁶ This is done out of a sense of economic survival due to the Chinese over-subscribed domestic sectors (Gu, 2009:572; Zhou, 2010) Most viewed Angola as a wide-open market, given the restricted access to market goods and their expense (Huang, 2002;2003). Indeed, most private Chinese companies appear to have entered the Angolan market engaging in import and export, expanding later to other sectors. Consequently, despite less ready access to finance and support, private Chinese companies have readily entered Angola (among other African countries); as they are forced to demonstrate a decidedly higher appetite for risk in order to survive.

Appetite for risk therefore appears to be a key difference between large state-directed Chinese companies and the smaller private Chinese entrepreneurs. Whereas the former are pushed to enter Angola through special state incentives, the latter are pushed to do so due severe domestic market pressure.

The Chinese government is eager to encourage Chinese companies to expand beyond the credit line in order for more stable commercial relations to development between the two countries.³⁴⁷ This is part of a broader trend of Beijing trying to encourage Chinese investors to rely less heavily on subsidised state financing and pursue more commercial lending (Hornby, 2009).

4.5 Categorising China Exim Bank Loans to Angola – Aid, Trade or Investment?

One of the more perplexing methodological questions for Western researchers concerning China Exim Bank's loans in general, and to Angola specifically, is how to categorise them.

³⁴⁵ Interview, sales manager, Chinese import-export company, Luanda, 23 July 2010

³⁴⁶ Raine (2009:195) argues that even though Chinese companies may not answer directly to the Chinese government, they may still have entered the market with indirect state support, such as awareness campaigns and advertising for African markets.

³⁴⁷ Interview, manager, private Chinese importing business, Luanda, 15 July 2010; Interview, Chinese think tank, Beijing, 2 December 2009

Media reports have variously and misleadingly termed these loans ‘aid’ and ‘investment’ without a proper inquiry into the nature of the phenomenon they are describing. Indeed, a challenge I encountered in much of the research on China and Chinese capital flows to Africa is the difficulty in imposing the traditional categorization of aid, trade and investment on these flows. Regardless of the Western-centric origin of this matrix, it has been used in the early work of the Asian Drivers programme, which spear-headed much of the research in this regard (Kaplinsky³⁴⁸ *et al*, 2007).

Although ostensibly the use of this methodology in analysing and making sense of Chinese capital flows to Africa would seem plausible, in reality it has several weaknesses. Firstly, it is very difficult to implement in practice. Asche & Schüller (2008:16) note the difficulty in distinguishing ‘foreign policy’ from ‘development policy’. This leads to a problem with distinguishing aid, trade and investment as separate categories, as often a disbursed amount will fulfil several or all of these functions. Secondly, China is not as yet a signatory to the Paris Declaration³⁴⁹ in the capacity of donor, rendering unsuitable Development Assistance Committee (DAC) definitions for aid and investment (Brautigam, 2010a). As China does not belong to the OECD/DAC as a donor country, Beijing is under no compunction to re-align its development assistance practices with globally-set norms (Dahle Huse and Muyakwa, 2008:13).

In addition, the Chinese system of aid disbursement reportedly has no set protocol for defining aid (Davies, 2007: 50). Although Chinese concessional loans are discussed in the State Council White Paper on Chinese Foreign Aid (State Council Information Office, 2011); projects financed by concessional loans are categorically not counted as aid projects *per se*.

³⁴⁸ ‘The Asian Drivers Programme’ is a generic terms used by several institutions to describe projects that investigate the impact of China and India on the developing world. Open University and the Institute for Development Studies both house such programmes.

³⁴⁹ The Paris Declaration on Aid Effectiveness, signed on 2 March 2005 was an agreement under which donors pledged among other targets, to harmonise their foreign aid in order to avoid duplication, thus implicitly agreeing to share information and co-ordinate their strategies and policies.(see http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html [17 March 2011])

This suggests that there is also some confusion amongst Chinese policy-makers as to how to group them analytically.

Both Western and Chinese academics have indeed begun to question applicability, or even the usefulness, of such narrowly defined terms, suggesting that the bundled or packaged nature of Chinese engagement with other developing countries defies the use of these separate terms (Davies,2007:51; Kaplinsky & Morris,(2009:560). Indeed, given the strategic and pragmatic nature of Chinese 'aid' flows, it is questionable as to whether a separation of aid and investment in the traditional sense is relevant at all. Such challenges point once again to the need to re-evaluate the epistemological points of departure in analysing China's relations with Africa. As identified by Halpern (2006: 58) this is a case of an analysis of the interaction of two non-Western political entities using Western methodologies.

As one Chinese academic underlines this point:

'The West has set some standards for certain aid, but I would say there are various kinds of aid. I am not an economist, yet personally I don't see any problem for aid to be linked with investment. Do you know the Chinese leader Deng Xiaoping's famous saying? "No matter a white cat or black cat, to be able to catch a mouse is a good cat". In the field of development, it seems to me that the West controls the discourse, they can define everything, modernization, standard of development, real or quasi democracy, aid, structural adjustment, even currency'³⁵⁰.

In later work, Kaplinsky and Morris (2009) recognise that Chinese aid and investment are bundled together. Indeed, confirming this observation, several Chinese respondents³⁵¹ refer to 'package'³⁵² deals, inferring that the Chinese state's engagement with Angola did indeed bundle several forms of co-operation.

³⁵⁰ Personal correspondence, university professor, Beijing, 11 June 2009

³⁵¹ Interviews: former official, Chinese Ministry of Commerce, Beijing, 8 December 2009, 13 January 2010; Interview, Chinese Academy of International Trade and Economic Co-operation, CAITEC, Beijing, 5 December 2009; Chinese official, Luanda, 10 May 2010 amongst many others.

³⁵² Translated from the Chinese '一揽子'

A respondent from China Exim Bank also pointed out that ‘package co-operation’³⁵³ took an integrated approach, taking into consideration that Angolan needed to reconstruct all aspects of their economy following the end of the civil war. He contrasted this with the World Bank’s methods, which he saw as giving a loan for a singular specific project, defined by the creditor rather than the recipient country, and thus lacking the all-encompassing nature of China Exim Bank’s engagements.³⁵⁴ While China Exim Bank’s credit lines do not fall neatly into the categories of either trade, aid or investment, they do on the other hand display characteristics of all three. I discuss this below.

4.5.1 The Case for China Exim Bank loans as ‘Aid’

Several reports on China Exim Bank’s loans to Angola have remarked on the ‘deeply concessional’ (Vines et al, 2009:47) rates at which the former has provided credit lines to the latter. According to a recent report by the World Bank, Chinese Exim Bank loans are ‘marginally concessional, although significantly less so than those associated with ODA’ (Foster et al, 2008a: vi). However, the same report attributes a 50.3 percent grant element to at least the first US\$ 2 billion tranche of China Exim Bank financing (Foster et al, 2008a:46), whereas to qualify for ODA under DAC definitions, it need only be 25 percent³⁵⁵ (Brautigam, 2010b:10). In fact, in order to determine the percentage of the loan considered by China to be aid, we need only note the comparison between the China Central Bank lending rate and China Exim Bank’s lending rate to Angola (see figure 4.2). As discussed in chapter 3, the Foreign Aid Department located within MOFCOM is required to subsidise the difference between these two lending rates. As can be observed, although for a brief period between 2005 and 2007 the China Exim Bank lending rate was actually higher than that of China’s Central Bank, since 2008 and particularly since the beginning of 2009, the subsidy on China Exim Bank’s interest rate has increased. However, even its highest rate (since mid-2010) is

³⁵³ ‘一揽子合作’ [author’s own English translation of this term], China Exim Bank, Beijing 15 January 2010

³⁵⁴ Interview, China Exim Bank, 15 January 2010

³⁵⁵ See definition of ‘official development assistance:

http://www.oecd.org/glossary/0,2586,en_2649_33721_1965693_1_1_1_1,00.html#1965586 [17 March 2011]

4.45 percent. This is effectively the portion of the China Exim Bank loan considered to be 'aid', and would not under DAC definition constitute aid.³⁵⁶

Kragelund (2008:279) notes: '... many non-DAC donors do not provide aid in order to facilitate economic and social development; rather, they give aid to catalyse trade, make use of their own resources, and gain political influence.' This assumes of course, firstly that DAC donors give aid for completely altruistic reasons, and secondly that non-DAC donors consider such mechanisms 'aid' at all. China only considers that part of the interest rate on the loan subsidised by the Chinese Ministry of Commerce's Foreign Aid budget as aid, not the loan amount in its entirety.³⁵⁷ Moreover, if one compares the interest rate of the China Exim Bank loan with other commercially structured deals (see Figure 4.3); the interest rate subsidy is much less than widely assumed.³⁵⁸

As a result, while the China Exim Bank does contain a portion of aid, it cannot be considered aid outright. As pointed out by one researcher: 'The "Angola Model" is effectively commercial.'³⁵⁹ Significantly, a senior Chinese diplomat told Brautigam, 'This is not foreign aid, but it is a good rate' (Brautigam, 2009:275). Of note is the fact that that IMF specifically excludes lending by export credit agencies (of which China Exim Bank is one) 'with the pure purpose of export promotion' in its definition of ODA (IMF, 2003). Even in the case of development financing, the grant elements of loans and export credits need to be 35 percent or more to be considered concessional financing (IMF, 2009:17; Foster et al, 2008b:2). That China Exim Bank loans would not thus be considered concessional under IMF conditions, is significant in Angola's case. On 3 November 2009, The IMF entered into a stand-by agreement (SBA) to lend the Angolan Government SDR 858.9 million³⁶⁰, equivalent

³⁵⁶ Interestingly, were China Exim Bank loans considered 'aid' due to their grant element (currently disputed), according to OECD definitions, the entire face value of the loan would be considered as aid, rather than just the subsidised portion, as China calculates it (Brautigam, 2010a). This may be a reason for the differing estimates of Chinese aid to Africa.

³⁵⁷ See chapter 3

³⁵⁸ This is also pointed out in Brautigam (2009)

³⁵⁹ Interview, Chinese think tank, Beijing, 16 October 2009.

³⁶⁰ SDR are 'special drawing rights' a unit of international reserve assets defined and maintained by the IMF. It is weighted against four currencies: the US dollar, the Japanese yen the British pound and the Euro.

at the time of the agreement to US\$ 1.4 billion, over 27 months, 300 percent of Angola's allocated borrowing quota. One of the performance criteria of the loan, according to article 12 of the technical memorandum of understanding (IMF, 2009:17) is that a ceiling would be placed on the Angolan government's non-concessional borrowing. The ceiling, stipulated in the memorandum of economic and financial policies submitted with a letter of intent by the Angolan government, is US\$ 2 billion. Consequently, increased borrowing from China Exim Bank is in clear violation of the spirit of this agreement. Indeed, the Angolan government signed an additional loan facility with China Exim Bank for several billion dollars the very month that the Letter of Intent was sent to the IMF (November 2009). On closer examination however, contained in the memorandum of economic and financial policies, article 10, is the following:

'However, we are of the view that this borrowing ceiling could be reviewed in the context of SBA program reviews in the event that concessional loans to Angola fall short of our expectations to avoid jeopardizing our vital infrastructure reconstruction process. As concessional resources increase, the level of non-concessional borrowing decreases in the same amount. The government is also working with the World Bank and the Africa Development Bank to reduce implementation costs of infrastructure projects by strengthening the project appraisal framework and improving the procurement system.' (IMF, 2009:4)

Thus exception has been made for Angola as this clause allows the Angolan government to override the non-concessional borrowing ceiling. It is unlikely that the Angolan government would have entered into the agreement in good faith without the inclusion of a clause such as this, and is a clear manifestation of the government's agency and ability to steer the agreement to its own benefit. It is probable that the IMF conceded to such wording in order to maintain dialogue and engagement with the Angolan government, from which it had become increasingly estranged since 2002 following the collapse of negotiations and the entrance of new lenders such as China. Angola for its part has introduced the IMF as a counter-measure against the influence of actors such as China on its economic sovereignty.

4.5.2 The Case for China Exim Bank loans as ‘Investment’

Given the commercial nature of China Exim Bank’s structures, it could be viewed as a kind of state-led investment. However, in the case of Angola, the China Exim Bank credit line, a bilateral government agreement, is outside of the jurisdiction of the *Agência Nacional para o Investimento Privado* (ANIP). As the agreement takes the form of an oil-backed loan, China’s involvement in the Angolan economy does not constitute direct investment³⁶¹ (Burke and Corkin, 2006:22).

There is an argument for China Exim Bank’s credit lines having initially assisted in facilitating Chinese companies’ investment in Angola in the construction sector and the oil industry. A representative from China Exim Bank confirmed that China Road and Bridge Corporation (CRBC), a large SOE, has undertaken US\$ 600 million of Exim Bank financed contracts in Angola, but ‘...the Angolan government trusted them so much, they have contracted them independently to undertake US\$ 700 million of additional projects.’³⁶² The Chinese Ambassador to Luanda furthermore confirmed that although many Chinese companies entered the market through the government financing facility, they are now pursuing contracts independently of the state credit line.³⁶³ However, even contracts separate from the credit line do not necessarily entail direct investment and actual recorded Chinese FDI is much smaller (see figure 4.6). Indeed, between 1 September 2004 and 30 September 2006, just over 20 private Chinese investment requests totalling a mere US\$ 30.5 million were approved (Afrodad, 2008:16).

Pursuing another line of argument, Chinese oil company Sinopec’s initial oil equity purchases were believed to have been facilitated by China Exim Banks’s first loan agreement (Downs, 2007:53; Lee and Shalmon, 2008:120). However, the loans themselves are not Chinese investment as they are structured to be fully repaid by the Angolan government.

³⁶¹ A respondent from the Angolan Chamber of Commerce and Industry interviewed by Burke and Corkin (2006:22) suggested that the oil-backed loan still involves capital risk through the potential for loan defaulting since it is a sizeable sum for a developing African country. However, as explained previously, China Exim Bank has structured the loan to mitigate such risks as much as possible.

³⁶² Interview, China Exim Bank, Beijing, 9 December 2009.

³⁶³ Interview, Chinese official, Luanda, 10 May 2010

Indeed, the nature of the loan mechanism (on paper at least) serves to convert Angola's oil revenues directly into public infrastructure construction contracts, undertaken by Chinese companies. If anything, the loans are merely a mechanism to facilitate the Angolan government's own public investment programme, thus expediting the Angolan government's investment in its own economy. This was implicitly recognised by other respondents as well. As noted by one senior Western diplomat : 'It is Angolan money, not Chinese money – as these are loans, not grants, backed by Angolan oil and sanctioned by the Angolan government.'³⁶⁴ As commented by one Chinese researcher: 'Angola however has developed their proposals and used China as a channel, so what they have done is exceptional. They have used China as their national strategy to launch a take-off.'³⁶⁵ Both respondents' comments strengthen the argument that this mechanism is Angolan, not Chinese investment facilitation.

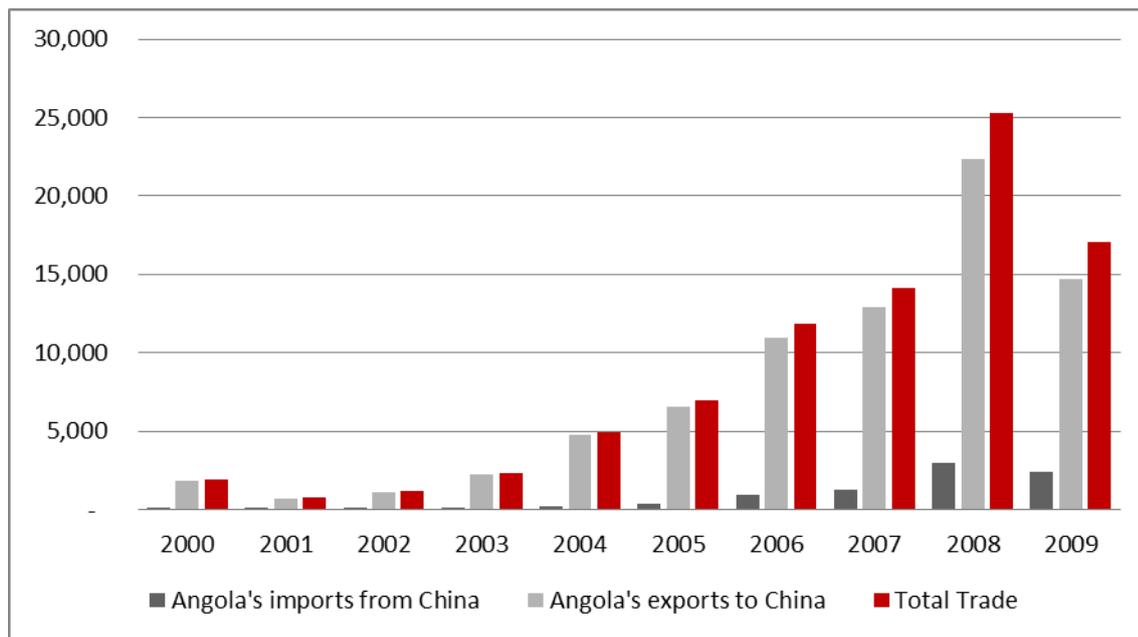
4.5.3 The Case for China Exim Bank loans as trade facilitation

Most analyses assume that a deepening of engagement with Angola is a direct result of China's need to secure oil resources, preferably at source (Alves, 2010a; Vines et al, 2009; Chen et al, 2008). Indeed, Angola is currently China's largest African trading partner, primarily due to China's hunger for crude oil. According to the Angolan Ministry of Petroleum's (2010:29) latest available statistics, 39 percent of Angola's crude exports went to China, accounting for 15.7 percent of China's total oil imports (EIA,2010). Angola is reportedly the fifth largest African market for Chinese exports (CAITEC, 2010: 10), but these are dwarfed by Chinese imports of crude oil (see Figure 4.7), resulting in China running a large trade deficit with Angola.

³⁶⁴ Interview, senior Western diplomat, Luanda, 29 June 2010

³⁶⁵ Interview, Chinese research institute, Beijing, 16 October 2009

Figure 4.7: Angola-China Trade, (2000 – 2009), US\$ millions



Source: UN Comtrade, Chinese Ministry of Commerce

The Chinese Embassy in Angola has made it a priority to increase Chinese exports to Angola in order to balance trade figures (*Exame Angola*, 2010b)³⁶⁶ As a result, the procurement policies linked to China Exim Bank's loans take on a very strategic purpose in that they are a concrete measure by which the Chinese government can attempt to reduce the trade deficit with Angola. As explained by Wang Chengan, the Deputy Secretary of Forum Macau, the deal was structured through China's export buyer's credit. Furthermore, because China Exim Bank required a sovereign guarantee, oil exports were used to service the loan. In the case of Angola, it happened to be the case that oil was the biggest and most important asset. From the Chinese perspective at least, it is apparently a co-incidence that the loan became oil-backed and consequently so controversial a deal. Fundamentally, it was devised because it was 'mutually beneficial.'³⁶⁷

³⁶⁶ Corroborated by interview, general manager, Chinese import-export company, Luanda, 15 July 2010,

³⁶⁷ Presentation by Wang Chengan, Deputy Secretary of the Macau Forum, at conference held by Institute for West Asian and African Studies (IWAAS) 'Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2009

The majority of projects undertaken by Chinese companies in Angola are still funded through the China Exim Bank loan. As discussed in chapter 3, according to the conditions stipulated by China Exim Bank, in principle, a Chinese company will undertake the projects to be paid for by the concessional loan and in principle no less than 50 percent of the project procurement will be sourced in China.³⁶⁸ Although it appears that some policy space may exist for African governments to negotiate as regards the terms of the local labour and procurement chains for China Exim Bank financed contracts, as in the case of Angola, the China Exim Bank lending is still relatively prescriptive, given that the bank's primary function is to stimulate demand for Chinese goods and services. However, China Exim Bank also provides financing directly to Chinese construction companies engaging in contracts overseas, financed either by the host government, or from development banks such as World Bank, African Development Bank etc. Contracts in this case must exceed US\$ 1 million, and the company must be able to afford a down-payment of 15 percent of the contract, but the tied procurement requirements to come from China are much lower:

‘The spin-off from exports of Chinese equipment, materials, technology, labor [sic] service, and management services that derive from overseas construction contracts shall account for no less than 15% of the total contract value of the project’.³⁶⁹

It would appear that where the Angolan government finances a project directly, rather than accessing China Exim Bank financing through the sale of oil, this would achieve greater space to allow and encourage the development of local procurement, as in principle, up to 85 percent of the procurement could be sourced locally, or at least from a country other than China. As discussed above however, due to high risk aversion, there would be resistance on the part of the large Chinese companies to enter into such contracts, without the mitigating presence of China Exim Bank,³⁷⁰ particularly given the Angolan government's difficulties with payment in the wake of the economic crisis of 2008-2009.³⁷¹

³⁶⁸ China Exim Bank website:

http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398_1.html [17 February 2009]

³⁶⁹ China Exim Bank website:

http://english.eximbank.gov.cn/businessarticle/activities/export/200905/9395_1.html (accessed 17 February 2010)

³⁷⁰ Interview, Chinese research institute, Beijing, 16 October 2009.

³⁷¹ See chapter 5.

For the Chinese government, balancing the trade deficit with Angola (caused due to rising oil imports) is politically important. Consequently, it is evident that the Chinese government has developed this financing mechanism to encourage their risk-averse companies to enter the Angolan market and stimulate Chinese exports to Angola through procurement of goods and services. China Exim bank financing therefore appears to be a type of subsidised trade financing. China is not unique in this. One Western diplomat observed that one of his embassy's biggest endeavours in Angola was to promote his country's exports as: '...most of what we import from Angola is oil and there is a bit of a trade imbalance. Why should those petrodollars go to Brazil or China when [his country's] construction companies could get them?',³⁷²

4.6 Conclusions

From the above discussion, several aspects are made clear. Firstly, the 'Angola Model' did not originate with Angola; China undertook a similar barter agreement with Sudan more than 10 years earlier, and was itself on the receiving end of such a mechanism with Japan decades earlier. Rather, it appears more to be a basic mechanism whereby China Exim Bank secures guaranteed repayment of its credit lines and market access for Chinese companies expanding overseas. This does not have to be through natural resources; in the case of Ecuador, the China Exim Bank initially demanded the Central Bank assets at collateral (AFP, 2009d). However, repayment with natural resources is often the easiest solution. Therefore *ipso facto* most such barter agreements are arranged with resource-rich countries.³⁷³

Another Chinese researcher explains 'After the civil war in Angola and China's social market economy - the market forces in China are strong. China will not provide loans without any guarantees. Oil was used as collateral, in Angola in 2003 and natural resources in the DRC in 2007....'³⁷⁴

³⁷² Interview, Western embassy, Luanda, 29 June 2010

³⁷³ In the case of Ghana, where China Exim Bank is partially financing the Bui Hydro-electric Dam, payment was secured through shipments of cocoa (Kokutse, 2008)

³⁷⁴ Interview, Chinese think tank, Beijing, 16 October 2010

A Chinese academic confirmed this, explaining that while oil co-operation had been dominant for a little while, it was not the key factor. She believed that although with Angola-China relations 'at a glance', oil is the major issue, as time goes on, oil co-operation will play a leading role in that it will act as a kind of 'gateway' leading to other forms of co-operation, such as construction and the services industry.³⁷⁵

Secondly, China Exim Bank loans do not fit neatly into the conventional Western categories of 'aid', 'trade' or 'investment'. As Lancaster (2007:2) notes, Chinese aid is part of a larger package of investment *involving export promotion*. This perfectly encapsulates China Exim Bank financing. Whereas a portion of the loan is subsidised by MOFCOM's Department of Foreign Aid, this is much less than often believed, as seen when compared to the commercial rates at which syndicated oil-backed loans are extended to Angola (see Figure 4.3). Whereas China Exim Bank facilitates Angola's own public investment programme, and may initially have expedited some Chinese companies' investments, these loans cannot be considered Chinese government investment *per se*. Rather they are a means with which to secure an oil supply and open up markets for Chinese (predominantly state-owned) companies' goods and services. As pointed out by Hubbard (2008:227) 'The economic development of a recipient country is a condition of the loans, but not its dominant purpose.'

The question of Angola's ability to deal with debt has been raised. A Chinese respondent commented that he thought that current loans were too much of a burden for the country, posing great risks. He said: 'In the next 20 years, African will owe a lot of money to China. In 1980's it was money owed to the West, now 20 years later, it might be money owed to Chinese banks. This is a problem.'³⁷⁶

³⁷⁵ Interview, Chinese research institute, Beijing, 22 December 2009

³⁷⁶ Interview, China Exim Bank, Beijing, 9 December 2009

As a Chinese researcher pointed out: 'China needs to be flexible. Despite the fact that we claim our assistance has no strings, in fact there are strings! There are resources strings, such as the co-operation with Angola. Furthermore, there are not political, but economic strings.'³⁷⁷ These 'economic strings' are not fiscal requirements in the sense of the ill-fated structural adjustment programmes of the 1980's, but more in terms of requirements regarding the structuring of the loan mechanism. Furthermore, the terms of the agreement vary significantly between recipient governments. This is highly dependent on the agency of the African negotiator.

There is a growing mutual wariness of the economic relationship that has burgeoned since 2004. Hearty political posturing indicates that both China and Angola see each other as necessary strategic allies for the foreseeable future, but this may mask an uneasy marriage of convenience. The project implementation process has not gone as smoothly to plan as expectations of either the Chinese or the Angolan actors. This will be explored in more detail in Chapter 5.

³⁷⁷ Jiang Hengkun, Assistant Director, African Studies Institute, Zhejiang Normal University, presentation at conference held by Institute for West Asian and African Studies (IWAAS) 'Symposium on Sino-African Relations: Reflections and Prospects', Beijing, 13 October 2008

CHAPTER FIVE: Angola's National Reconstruction Implementation

Angola's national infrastructure was devastated during nearly four decades of civil conflict.³⁷⁸ As previous chapters have explained, the oil-backed credit lines from China Exim Bank, amongst others³⁷⁹ form part of the financing that is facilitating the Angolan government's ambitious national reconstruction programme initiated since peace in 2002. While in chapters three and four I dealt with the negotiation mechanisms of the credit line, in this chapter I will treat the implementation of the projects financed as a result of the credit line, and the interaction of the Chinese construction companies with Angola's local context. It has not been without controversy. Chief among the concerns that have arisen amongst Angolan respondents, is the lack of Angolans' participation in the reconstruction of their own country, viewed as an important mechanism for national reconciliation and poverty alleviation (Marques de Morais, 2011a:68). It will be shown here, that while there are specific aspects of the China Exim Bank credit line that do not encourage local participation, the latter is incrementally. However, the Angolan government has not actively promoted, and has in fact deliberately weakened, the circumstances under which local participation in national reconstruction through the Chinese –financed construction projects could occur.

5.1 Angola's Local Construction Industry and Capacity

Despite the Angolan construction sector's market potential, circumstances are challenging. The World Bank, in its 2010 Logistics Performance Index ranked Angola as 142nd out of 155 countries³⁸⁰ (Arvis *et al*, 2010:x). Customs, Infrastructure and Logistics Quality and Competence were the worst three performing indicators. Business Monitor International (2009:36) places Angola at the bottom of its ranking of infrastructure in Sub-Saharan African countries. The most important impact of Angola's lack of infrastructure on the construction

³⁷⁸ Angola had effectively been at war with itself since early 1961 when resistance to Portuguese rule first emerged. According to the African Development Bank, 80 percent of Angola's transport infrastructure was not operational in 2009(BMI: 2009:6).

³⁷⁹ The sector has previously been dominated by Portuguese (Soares da Costa, Teixeira Duarte, Mota-Engil) and Brazilian contractors (Oderbrecht, Camargo Corrêa), both of whose governments have been extending credit lines linked to buying the respective countries' goods and services as discussed previously (see chapter 4, figure 4.4).

³⁸⁰ Customs, Infrastructure, International Shipments, Logistics Quality and Competence, Tracking and Tracing and Timeliness were ranked as respectively 151, 149, 130, 147, 106, and 121 out of 155.

industry is the delay (months at a time) it can cause for project completion due to breaks in the supply chain. Materials are very expensive due to the excess demand³⁸¹ and the need to import large volumes through congested ports. Furthermore, companies must often source their own water and electricity for large projects as they cannot rely on the national grid for constant supply.

An embryonic local construction industry is developing in Angola. A local magazine featured the story of a young entrepreneur who had started his own construction company using Chinese labourers to maintain competitiveness and relying on the extensive network of contacts developed during his three and a half year stay in China (*O Pais*, 2010). While this is an encouraging trend, it is telling that even Angolan firms rely on Chinese inputs in order to remain viable. In the context of Angola, so little is produced in-country that often only 'locally procured' (that is through an Angolan handler), rather than 'locally produced' materials are available. Materials that are locally manufactured are cheaper than imported inputs, but the paucity of supply results in procurement of these requiring political connections. Furthermore, excess demand places upward pressure on these goods' pricing.³⁸²

Local suppliers, such that exist, do not keep up with demand. Not only Chinese companies, but other foreign companies look to China for their procurement shortfall. Cement was the most imported product in the second quarter of 2010, with more than 600 thousand tonnes coming through Angola's ports. China was the largest source of this import (*Exame Angola*, 2010b; CNC, 2010a). As one respondent commented: 'The most important considerations are delivery time and cost. The only people who can guarantee these things are the Chinese companies'.³⁸³

³⁸¹ According to Luis Peixoto, Associação dos Empreiteiros de Construção Civil e Obras Públicas de Angola (ECCOP), cement used to cost 750 Kw per 50 kg bag (approximately US\$10, but there was a drastic increase in price due to supply problems. He expressed the hope that Cimangola (a local cement factory) would alleviate this. (presentation: 'Experiências do dia-a-dia com a China no sector de construção e obras públicas em Angola' at 'Reflexões sobre o impacto socio-económico da presença chinesa em Angola: Pontos de vista e o papel da Sociedade Civil' organised by O Programa de Apoio aos Actores Não Estatais (PAANE), 12 May 2010.]

³⁸² Interview, vice president and general manager, private Chinese construction firm, Luanda, 7 July 2010; interview, local content manager, Western oil company 12 July 2010

³⁸³ Interview, director, Macau-based company, Luanda, 6 May 2010

Another respondent concurred, saying: ‘The Angolan government cannot delay in its “conquest of the country”, and now there is no turning back. It is even not as fast as they want it to be, but it is what can and could be done – only China can keep up this pace.’³⁸⁴

5.2 Chinese contractors in Angola

In an interview in May 2010, the Chinese Ambassador estimated that there were 30-40 state-owned companies in Angola, with another 60-70 private companies³⁸⁵ rendering 100 companies in total³⁸⁶. However, 5 months later, he was quoted numbering the SOEs at above 50 and the private companies 400 in number (*Macauhub*, 2010a, *Macauhub*, 2011a). This underlines the lack of clarity as to how many Chinese contractors are currently operating in Angola (for a list of known contractors, see Appendix 1). Reportedly 77.3 percent of Chinese private investment is in the construction sector (*Angolahub*, 2011). Official investment figures from Angola’s National Agency for Private Investment (ANIP), however, put the figure much higher – almost 99 percent.³⁸⁷

The Chinese companies, as with elsewhere in Africa, generally engage in EPC (engineering, procurement, construction) contracts; thus they are largely known to bring in their own equipment, materials and labour (CAITEC,2010:7).³⁸⁸ In general, instances of local employment and local value addition in the construction sector in Africa as regards Chinese companies are extremely weak. This is consistent with Gu’s (2009:576) findings. The European International Contractors Association (EICA) has criticised donors for awarding Chinese companies contracts despite questionable local benefit (Sleight, 2008).

³⁸⁴ Interview, Western equipment importer, Luanda, 15 July 2010

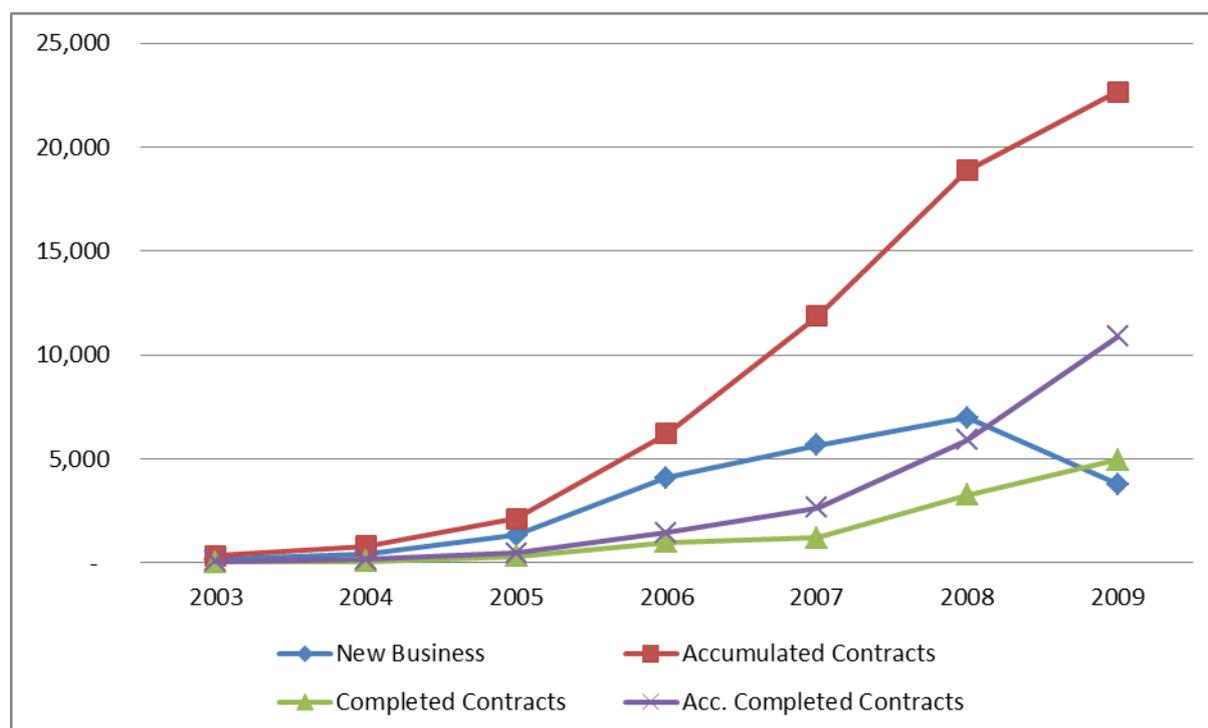
³⁸⁵ Another Chinese industry specialist estimated that there were ‘officially’ 30-40 Chinese private companies in operation (Interview, Chinese private businessman, Luanda, 23 July 2010)

³⁸⁶ Interview, Chinese official, Luanda, 10 May 2010

³⁸⁷ This is according to the raw data of Chinese non-oil investments in Angola 2005 – 2009; raw data received by the author from the ANIP office in Luanda.

³⁸⁸ Interview, Planning and Concessions Division, Angolan National Roads Institute (INEA), Luanda, 17 August 2010. As in other parts of the continent, Chinese construction companies have historically focussed on the lower-value, labour intensive part of the construction value chain, lacking the consulting expertise for higher value services (Liu & Wu, 2008:24). According to one respondent, there is only currently one Chinese construction design firm in Angola and 80 percent of the projects won by Chinese SOEs are sub-contracted to this firm for design work. (Interview, Chinese journalist, Beijing, 6 December 2009).

Figure 5.1: Chinese companies' Angolan contracts, (2003 – 2009), US\$ millions



Source: 商务部对外投资合作国别指南：安哥拉（2010）
[MOFCOM Country Guide to Foreign Investment and Co-operation: Angola (2010)]

It is apparent that Chinese companies however retain popularity because of their cheaper bids relative to market competitors. According to one respondent, Chinese construction companies have brought down the price of the construction in Angola, having 'broken the monopoly of the Portuguese and Brazilian companies. As one respondent put it: '... using a Chinese company leaves the African country in question with more funds, as the contract prices are cheaper.'³⁸⁹ This is not without problems however. There is evidence of buildings constructed only a few years ago that are already showing signs of structural damage, such as several apartment blocks in the Viana area, just outside of Luanda, and the much-publicized Luanda General Hospital, which had to be evacuated in July 2010 for fear of collapse. This suggests problem in the project implementation process that I will discuss below.

³⁸⁹ Interview, Western construction equipment importer, Luanda, 15 July 2010.

5.3 Varied Chinese Actors in Angola

All projects financed by China Exim Bank are subject to a closed tender offered to at least three Chinese companies and supervised by the Chinese Ministry of Commerce. As each project must be at least US\$ 10 million in value (Ferreira, 2008:300), it is generally the larger state-owned companies that would have sufficient capacity, technology and management to undertake such bids.³⁹⁰ Many within the private sector in China believe China Exim Bank lacks transparency and the political will to reach out to private Chinese companies.³⁹¹ Consequently the nature of ownership of Chinese company considerably affects their access to financing in order to expand to overseas projects.

Companies with access to China Exim Bank's loans (and tenders for other such Chinese government aid projects) use these mechanisms as a foot in the door for market entry, and then develop their business from there. The Chinese Ministry of Commerce has strongly denied that SOE's received subsidies in their outward expansion. (*Xinhua*, 2010) but this has been equally strongly contested within China (Sheng, 2010). This does not however mean that these privileged firms unerringly follow a mandate dictated by Beijing. Gill and Reilly (2007) examine in detail what they describe as the 'principle-agent dilemma'; the phenomenon whereby state-owned Chinese companies, despite having gained market entry through government support, sometimes, to varying degrees, pursue agendas that create tensions with the political objectives of Beijing. This is a result of a gradual decentralisation of control over the SOEs, amongst other government bodies, a key reform initiative over the past few decades (Lieberthal, 1992:6).

A Chinese diplomat³⁹² described the practices of some Chinese companies, both SOEs and private. In an effort to access development aid projects, they attempt to manufacture demand for their services. The Chinese company will convince an African government of the need to undertake a certain project, produce an in-house feasibility study assuring the

³⁹⁰ Many state-owned companies were used to implement the Chinese government's aid projects to African countries in the 1960's and 1970's, giving them the advantage of experience, as the private sector did not yet exist in China.

³⁹¹ Interview, Chinese business consultant, Shanghai, 15 September 2009

³⁹² Interview, Ministry of Foreign Affairs, Beijing, 29 October 2009

government of the company's ability to undertake a project, and then persuade the African government to negotiate with the Chinese government to access project financing. The Chinese company then subcontracts to a third party, abdicating from the responsibility of the project.³⁹³ This is perhaps one of the reasons that the companies are so interested in developing their own local political networks, separate from the Chinese Embassy. As one consultant put it: 'If you do feasibility studies, you may not necessarily get the project, but if you develop relations with the political elites of the government of the country in question, you will get the project without needing to do the feasibility studies.'³⁹⁴ He stated that while many of the embassies in Africa realise that this is a problem, the message has yet to filter up to the central decision-making bodies, or garner sufficient political will to have something done about it. This was corroborated by an MFA official and former diplomat. Gill and Reilly (2007:42) claim that despite the requirement for Chinese corporations with overseas investments greater than \$10,000 need to register with MOFCOM before investing abroad '... repeated reiterations of this policy suggest that adherence is spotty at best.'³⁹⁵

Consequently, a range of actors and their agendas are present in Angola. Prior to conducting fieldwork, a matrix was developed in an attempt to distinguish the various different types of Chinese actors operating in Africa according to ownership³⁹⁶ (see Figure 5.2) divided according to centrally state-owned³⁹⁷, provincial government-owned³⁹⁸ or private³⁹⁹.

³⁹³ This describes very aptly the relationship between key figures in the Angolan elite and a private Chinese company known as 'China International Fund' (CIF) to be discussed in the chapter 6.

³⁹⁴ Interview, Chinese business consultant, Shanghai, 15 September 2009

³⁹⁵ This is particularly with regard to the national oil companies, which some policy makers allege have 'hi-jacked' China's foreign policy, due to their powerful lobbies for State Council support for acquiring overseas equity (ICG, 2008:17). Particularly as Beijing's initial support of such moves by the national oil companies in Africa has done little to alleviate China's oil security issues, voices have grown louder to rein in the Chinese oil majors. Given their increased political power, this may be akin to closing the door after the horse has bolted. Furthermore, as Tsang suggests (quoted in McGregor, 2008) it is also possible that the oil companies are merely being used as a scapegoat so that the State Council can be absolved of responsibility for the results of their foreign policy in Africa.

³⁹⁶ A former Chinese SOE manager characterised Chinese companies in a very similar way to Figure 5.2. (So, 2010)

³⁹⁷ Two of the more important Chinese policy banks in Africa are China Exim Bank and China Development Bank, both wholly owned by the Chinese central government, reporting directly to the State Council.³⁹⁷ The state shareholder of all centrally state-owned companies is the State Assets Supervisory Commission (SASAC). Since its establishment in 2003, SASAC's companies have been reduced from 196 to 123 through consolidations (An,2010)

It is nevertheless important to realise that any typology is inherently dynamic and individual companies can move fluidly between categorisations. This is particularly because it is not possible to categorise companies definitively as 'private' and state-owned due to continuing domestic restructuring in China (Lin,2009). The key issue is the extent to which each category of actor is motivated by strategic or commercial considerations and the degree to which they are held to account by public or administrative bodies.⁴⁰⁰

The hypothesis was that the nature of ownership of the Chinese construction companies would influence the nature of its operations in an overseas market such as Angola. This relates specifically to their role in state-directed initiatives such as China Exim Bank loans to foreign governments. As Bo (2010:19) points out, the larger more strategic SOEs retained under central government ownership often experience a kind of 'revolving door' from government ministries in terms of executive management. This means that top executives in larger SOEs have good political connections, and were often the superiors to ministry officials, giving them clout in policy decisions.

³⁹⁸ Chen and Chuan (2009) argue that Chinese provinces have increased their international profiles, primarily through the overseas activities of SOEs whose management was delegated by the Chinese central government to provincial-level government. They note a remarkable expansion of these companies' African profile (Chen and Chuan, 2009:10). Although provincial SOEs were previously relied upon to enact national policy, especially vis-à-vis aid projects, competing interests have increasingly led to frictions between provincial and state actors. This is also noted by Gill and Reilly (2007) in the so-called 'principle-agent dilemma'.

³⁹⁹ See Gu (2009)

⁴⁰⁰ At the same time, situations exist in which China foreign policy has been influenced by major firms. Indeed, Bo (2010:2) maintains that in the case of the oil sector, national oil companies are 'co-governors' of oil policy. This is exacerbated by the fact that the heads of large SOEs often hold the same government rank as the heads of their monitory bodies, complicating the chain of command (Pan, 2010)

Figure 5.2: Matrix of Chinese Actors in Angola

<p>Chinese centrally owned banks and enterprises</p> <ul style="list-style-type: none"> • Nominally accountable to State Council) • Vehicles for government concessional loans and strategic acquisitions • Subject to competition for State Council influence • National champions 	<p>Chinese provincial state-owned enterprises</p> <ul style="list-style-type: none"> • Product of economic decentralisation • Vehicles for 'twinning' with African states etc . • Tender for Chinese government projects and others • Can clash with Beijing's strategic objectives (where loyalty to provinces is a significant factor) 	State-owned
<p>Chinese 'private' enterprises</p> <ul style="list-style-type: none"> • Economic opportunists • Small-scale operators, with very small profit margins • Often blamed for labour, environmental violations (together with provincial SOEs) • Although used as a scapegoat, reflect badly on central government • National champions 	<p>Chinese individual entrepreneurs</p> <ul style="list-style-type: none"> • Generally not the recipients of direct government incentives • Usually have the most contact with locals • Focused mainly in retail and service sectors • Highly dependent on familial networks 	

A number of foreign consultants who had worked in Angola with Chinese companies remarked that they observed no noticeable difference between state-owned and private companies that they had dealt with.⁴⁰¹ One respondent stated that he was:

'...more and more assured, in terms of how they see things, that they are all the same; they have the same agenda, somewhere, something is for the benefit of the country, return for China. They are nationalistic and proud; they work for China both private and public. The private sector still does not operate in a way that the government would not permit – the control is ferocious, the penalty is harsh if they don't comply with the general framework.'

In his opinion, 'The private companies'⁴⁰² cards are not on the table, but they do the same thing [as public companies]. They all benefit and are controlled.'⁴⁰³

⁴⁰¹ Interview [telephonic], foreign construction consultant based in Luanda, 27 September 2010; Interview, Western construction equipment importer Luanda, 15 July 2010

⁴⁰² The term 'private company' must also be used with some caution here. No respondents clarified what they termed as a 'private company' and the term often differently viewed in China when compared to Western understanding of it (Lin, 2009).

⁴⁰³ Interview, Western construction equipment importer, Luanda, 15 July 2010

Several factors may explain this discrepancy. Firstly, whereas all companies might be working 'for China', this goal is likely to be interpreted differently by different firms. A provincially-owned company encouraged to increase its profit, which would ultimately accrue to the Chinese provincial government that owns it, would in all likelihood view this as a patriotic duty regardless of whether such profit accrual appeared to conflict with orders from Beijing. In the same manner, the various Chinese ministries have come into conflict over differing interpretations of what constitutes the national interest.

Secondly, there is considerable confusion in determining whether a company is state-owned or private, as '[t]he definition of the private sector in China is far from unified (Lin, 2009). Thirdly, as previously discussed, the Chinese companies that gain access to the large-scale China Exim Bank contracts in Angola are usually SOEs or 'national champion' private companies that have the same relationship as SOEs with the government. Jakobsen (2009) groups Chinese actors into five slightly different groups to Figure 5.2:

- 1) Officials that represent the 'state', government department and centrally-owned institutions such as China Exim Bank;
- 2) Large successful enterprises whether SOEs or privately owned;
- 3) Small and medium enterprises;
- 4) Well-connected 'middle-men', particularly those who are instrumental in the arms trade, including the so-called 'bamboo network' of private businessmen and diasporic traders.
- 5) Chinese migrant labourers

Of interest is the fact that Jakobsen groups SOEs and larger 'private' companies together. This is firstly because the SOEs are operating more and more like private companies, but also because some of the larger private companies have been recognised as 'national champions' and are starting to receive the same support from the state as the SOEs – international CEOs are allowed to accompany the Premier on state visits.

This results in their relying on contracts arranged by the Chinese government through the China Exim Bank credit line. Consequently, they attach more importance to their government contacts than smaller private firms, as there are clear benefits from doing so. As a result, potential differences between SOEs and private companies are not as clearly observable by those respondents that have interacted with them. Research on the difference between SOE and private companies' market behaviour in Angola is currently inconclusive, but the distinction may prove important for later research (Corkin, 2011b).

5.4 China Exim Bank's Role as Financier vis-à-vis Local Participation

Ownership of the funds used to finance Chinese construction projects is of key importance in determining the potential level of local employment and material and service procurement. ANIP stipulates in Angola's Basic Private Investment Law, Article 54/1 that foreign investment projects registered with the organisation must use 70 percent local labour (Tang, 2010a:353). However any projects that are funded by the China Exim Bank credit line, a bilateral government agreement, are outside of the jurisdiction of ANIP and thus are not required to adhere to these regulations. Although China Exim Bank's framework agreement with the Angolan Ministry of Finance does reportedly include a clause regarding 70 percent local employment, this refers only to unskilled labour (Tang, 2010a: 353).

Furthermore, as previously discussed, according to the conditions stipulated by China Exim Bank, no less than 50 percent of the project procurement will be sourced in China and Chinese companies will undertake the majority of the projects to be paid for by the concessional loan and in principle.⁴⁰⁴ Many Angolan construction industry professionals thus feel that Chinese companies are afforded an unfair advantage due to the policies surrounding the credit lines.⁴⁰⁵ The blame for this is laid squarely at the door of the Angolan state. However, there is little evidence to show that local Angolan companies have even been able to cope with their reserved quota. An Angolan Ministry of Finance official confirmed that the 30 percent quota condition was only upheld if it 'did not compromise

⁴⁰⁴ China Exim Bank website:

http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398_1.html [17 February 2009]

⁴⁰⁵ Jose Severino, President, Associação Industrial de Angola (AIA), presentation 'A presença chinesa e o sector privado de Angola', Luanda, 12 May 2010

project deadlines'.⁴⁰⁶ This suggests that while policy concessions are made, little is done to support the nascent industries in practice as they try to fulfil their quota of the contract work. One Angolan respondent doubted that the 30 percent local quota had been implemented. He pointed out that 'both sides realised, as did the companies, that firstly, there were no [local] companies with the necessary experience and experts, and secondly, the Chinese were not prepared to work with other companies.'⁴⁰⁷ The Chinese ambassador to Angola in an interview called the 30 percent quote for Angolan companies 'unrealistic' (De Comarmond, 2011).

Indeed, where local partners have been engaged, they have in some cases failed to deliver. In one example, an Angolan company was subcontracted to clear and level the building site of one of the stadiums to be built for the African Basketball Championships⁴⁰⁸, but this was delayed for so long that the Chinese company eventually had to perform this work themselves and build the stadium in a matter of weeks to be ready for the tournament.⁴⁰⁹

Politically, the Chinese government has recognized the need to address local content issues vis-à-vis their overseas projects in order to counteract the negative image some Chinese companies are creating. In 2006, at the opening ceremony of the FOCAC Head of State Summit held in Beijing, Chinese President Hu Jintao announced, as part of an eight-point plan, that China would provide training for 15,000 African professionals and double the number of Chinese government scholarships to African students from 2,000 to 4,000 per year over the following three years (Hu,2006:10). By 2009, it was announced that this target had been reached. Premier Wen Jiabao, at the FOCAC Summit in November 2009 held in Sharm-el-Sheikh, Egypt, announced plans to train 2,000 local agricultural personnel, 3,000 doctors and nurses and 1,500 school principals and teachers, pledging to train 20,000 African professionals from various fields in total . An increase in Chinese government scholarships for African students to 5,500 per year, in order to assist African capacity

⁴⁰⁶ Interview, Ministry of Finance, Luanda, 6 July 2010

⁴⁰⁷ Interview, Angolan think tank, Luanda, 13 May 2010

⁴⁰⁸ In 2007, Angola hosted the African basketball championships Afro-basket. Chinese companies were contracted to build four basketball stadia in Cabinda, Benguela, Huila and Huambo provinces, financed by the Chinese credit line.

⁴⁰⁹ Interview, journalist, Luanda, 1 May 2010

development, was also promised.⁴¹⁰ Furthermore, while some government provision is made for such capacity building, SOEs are encouraged to create capacity building initiatives independently of government support.

A Chinese academic conceded that prior to the emphasis placed on it by President Hu Jintao Chinese companies were not interested in corporate social responsibility; they did not realise it was important and 'need to have their consciousness raised. They need to realise there are many other factors; it is not just the commercial deal, there are aspects like the training, the environment and sustainability to consider.'⁴¹¹

Some of the larger construction oriented SOEs, such as CRBC and Sinohydro, have both sent groups of Angolan students to China in the past two years. Sinohydro sent up to 70 students according to one respondent⁴¹², whereas CRBC sent 34 -50 students to Changsha University to study bridge-building.⁴¹³ The students, according to an official Angolan source, are engaged in various studies ranging from engineering and architecture to medicine and language. On their return to Angola, they are expected to either work for the SOE that sponsored their study or become involved in other infrastructure projects in Angola. What is interesting, is that the Angolan source suggested that it was an Angolan initiative, maintaining that it was the Angolan Ministry of Public Works that had the 'brilliant' idea of proposing that the larger Chinese SOEs send Angolans to China for training.⁴¹⁴ Another Chinese SOE China National Machinery & Equipment Import & Export (CMEC) provides training for the Angolan workers they employ. This is especially with regards to training in the use of the equipment that the company imports from China.⁴¹⁵ As Chinese contractors show a marked preference for Chinese standards and design (Chen, Goldstein and Orr, 2008: 12), the greatest potential for technology transfer and local linkage development is through Angolans being trained in China to become familiar with these processes, then

⁴¹⁰ Wen, Jiabao (2009) Address at the Opening Ceremony of the 2009 FOCAC Summit in Sharm-el-Sheikh, Egypt, 9 November. Available: <http://www.china-wire.org/2009/11/wens-speech-at-4th-ministerial-conference-of-forum-on-china-africa-co-op-full-text/>

⁴¹¹ Interview, Chinese think tank Beijing, 16 October 2009

⁴¹² Interview, Chinese private business man, Luanda, 23 July 2010

⁴¹³ Interview, China Exim Bank, 9 December 2009, CRBC Press Release: <http://www.crbc.com/cjinfo.asp?NID=179>

⁴¹⁴ Interview, senior official, Angolan Embassy, Beijing, 28 October 2009

⁴¹⁵ Interview, executive administrator, Chinese SOE, Luanda, 12 August 2010

gradually taking over the maintenance and supply of parts. CITIC Construction, which entered the Angolan market in 2008, reportedly began skills training programmes almost immediately. A company representative said that as of mid-2010 the company had sent between five and seven training teams (totalling approximately 100 Angolans) for between one and three months to China. The workers are integrated into the company operations in Angola on their return.⁴¹⁶

The State Assets Supervisory and Administration Commission (SASAC), which reports to the Chinese State Council is the government stake-holder in all centrally-owned SOEs (Shankleman,2009:20) and is responsible for managing and monitoring the companies. It is a logical assumption therefore that centrally-owned SOEs would be under more pressure to adhere to commitments made by the State Council regarding more politically correct corporate behaviour such as 'localisation policies' and training. As Gill and Reilly (2007) note however, this is not always the case. Nevertheless, it remains the dominant view of most Chinese officials and policy –makers that SOEs are more reliable, and have higher quality contractors, possibly because in name at least, the government can exercise more control over them and curtail diplomatically damaging corporate behaviour. A Chinese MFA official stated that in differentiating between private and SOE companies, private companies are 'only interested in money', and they are also 'only using Africa as a springboard to the US and other markets'. They are interested in 'quick money' and not aspects such as CSR.⁴¹⁷ This was corroborated by an Angolan engineer.⁴¹⁸ However, one Chinese academic suggested that private companies 'do very well as they need to manage themselves better [without state support]'.⁴¹⁹ This suggests that private companies are more adept at using local sourcing if it is economically viable to do so (in Angola, this appears yet to be the case). SOEs, by contrast, while less flexible, usually engage in longer-term projects, thus their interest in local content development would more likely stem from a need to render their projects more sustainable in the medium to long term.⁴²⁰ Chinese companies, regardless of

⁴¹⁶ Interview, general manager's assistant, Chinese SOE, Beijing, 16 August 2010

⁴¹⁷ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009

⁴¹⁸ Interview, Planning and Concessions Division, INEA, Luanda, 17 August 2010

⁴¹⁹ Interview, Chinese research institute Beijing, 22 December 2009

⁴²⁰ Interview, Chinese research institute Beijing, 22 December 2009

ownership, as yet seem hesitant to develop local linkages in Angola, as it is viewed as too risky.

5.5 Chinese Companies' Procurement Practices in Angola

Several large Chinese companies have their Angolan subsidiary devise their procurement strategies, although these must be approved by the head offices in China.⁴²¹ According to one respondent from a state-owned company, some basic inputs such as electricity, cement, gravel and charcoal are sourced from Angola, but often lack of supply or quality force them to procure from elsewhere. He estimated that less than 5 percent of locally-sourced materials make up the final spend as they are all very basic, low value products.⁴²² Hence, local quality is still an issue, with companies preferring to import from South Africa, rather than use local materials.⁴²³ China remains one of the largest sources of imports.

All the larger contractors, such as CITIC construction, CMEC and China Jiangsu, due to the volume of their needs, are forced to bring much of their own materials and workers from China.⁴²⁴ CMEC appears to have an agreement with another large contractor, Sinohydro in terms of importing equipment. Inquiries as to the percentage of the contract value made-up by equipment imports were evaded.⁴²⁵

Some Chinese companies have begun setting up their own factories to manufacture bricks and inputs made from locally available materials such as wooden door frames, windows and balustrades. This localised production is a development dating from approximately 2008⁴²⁶ One industry consultant suggested this might become a trend: 'What it comes down to is that some materials are cheaper to produce if they are heavier – like bricks and cement – so the companies might be interested to produce these locally; also construction timber.'⁴²⁷

⁴²¹ As he put it 'The procurement strategy is a subordinate department. It puts us in a favourable position here. (Interview, general manager's assistant, large Chinese SOE, 16 August 2010)

⁴²² Interview, general manager's assistant, Chinese state-owned company, Luanda, 16 August 2010

⁴²³ Interview, Chinese think tank, Beijing, 16 October 2009

⁴²⁴ Interview, marketing manager, private Chinese construction company, 2 August 2010; Interview, executive administrator, Chinese state-owned construction company, 12 August 2010

⁴²⁵ Interview, executive administrator, Chinese state-owned construction company, 12 August 2010

⁴²⁶ Interview, marketing manager, Chinese private company, Luanda, 2 August, 2010; interview, vice-president, Chinese private company, Luanda, 7 July 2010

⁴²⁷ Interview, NGO, Luanda, 11 May 2010

According to its website, Chinese construction company Golden Nest International has five separate factories fabricating steel, concrete blocks, sand products, paint and alnico.⁴²⁸

Of considerable interest is the 1,500 hectare special economic zone that is being developed just outside of Luanda and funded by the Chinese government credit line, the only one of 13 industrial poles being developed across the country that is being funded through foreign financing. Very little information was available on these plans; however it is highly likely this development will follow the model of other Chinese-funded industrial parks across Africa.⁴²⁹

It is therefore feasible that this will become a site for Chinese construction companies to further 'localise' (at least in the geographic sense) their supply chains. While the relocation of various inputs from China to Angola is an encouraging trend, of concern however is the fact that those parts of the value chain that have been localised geographically are still controlled by the Chinese contractors, with very little local labour input. Unless such enterprises incorporate local labour or ownership, these developments may have limited impact on stimulating the local economy. The value of the pole to local employment generation remains unclear. Angola's Institute for Industrial Development (IDIA⁴³⁰) estimate of 2,000 jobs seems conservative given the planned size of the zone. This may indicate that largely Chinese labour will be used in its construction.

5.6 A Chinese supply chain

Evidence points to Chinese service providers having set up a supply chain directly to China. Smaller private Chinese companies began following increasingly rapidly in the wake of the larger Chinese firms to provide distribution of Chinese products and services required for the construction industry.

Generally less able to take on construction contracts of the magnitude required in Angola's public investment program (especially as main contractors), these companies subcontract from the larger companies and also set up the procurement chain in order to provide

⁴²⁸ See 'Golden Nest Angolan Company: http://www.goldennest.net/en/2_15.asp [28 December 2010]

⁴²⁹ In November 2006, Chinese President Hu Jintao announced the development of 3-5 Special Trade and Economic Co-operation zones. As of early 2010, there were officially 6 zones in Zambia, Mauritius, Nigeria (2), Egypt and Ethiopia (CAITEC, 2010:4). For further reading on this, see Brautigam (2009:97)

⁴³⁰ *Instituto de Desenvolvimento Industrial de Angola*

equipment and materials from China. Several have expanded their businesses to other consumables. One of many private Chinese businessmen explained how he entered Angola by supplying air-conditioning units to Chinese-constructed buildings and had since branched out to white goods and other 'items of daily use' which he sold at several outlets locally.⁴³¹

An African private consultant who worked extensively with Chinese private companies explained that Chinese private companies worked 'in parallel' to Chinese SOE activity, providing 'complementary actions' to SOE projects. He observed that smaller projects and investment from private Chinese companies follows the initial bigger projects financed through China Exim Bank.⁴³² Essentially he described a scenario whereby the state financing attracts the larger, more politically connected Chinese companies to tender for infrastructure contracts. This activity leads the smaller, private Chinese companies and entrepreneurs to establish themselves in the market in order to provide the goods and services required by the main contractors.⁴³³ This ensures that the value chain is quickly established, but more (significantly for this research) it is transplanted almost in its entirety from China, isolating itself from the risk of the local context, but also limiting local content. This is consistent with Horizon Consulting's (2007:180) findings, which distinguish three steps in the progression of the value chain:

- 1) Exporting Chinese goods and services directly to the host country.
- 2) Investing in industrial chains whereby parts are imported from China to be assembled in the host country.
- 3) Establishment of industrial zone for manufacturing.

It is apparent that while many Chinese companies are still engaged in the first phase, steps towards phase two and phase three are underway. For example, Dongfang Nissan

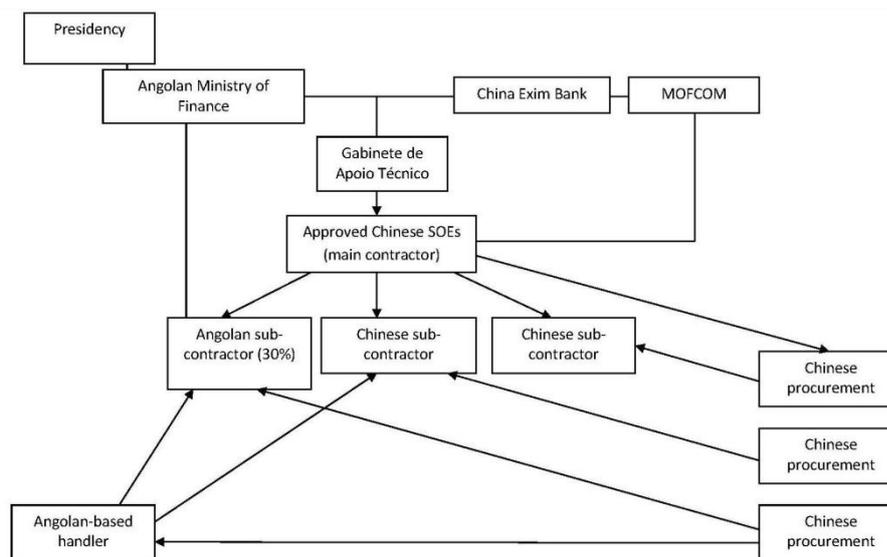
⁴³¹ Interview, manager, Chinese private importer, Luanda, 15 July 2010

⁴³² Interview, private African consultant, Luanda, 26 July 2010

⁴³³ This was corroborated by several smaller Chinese service companies, who were attracted to Angola through the market that had been stimulated; the success of other Chinese firms and through observations of the kinds of imports Angola began to require (Interviews, various private Chinese entrepreneurs, Luanda, 23 July 2010, site manager, private Chinese construction company, Luanda, 3 August 2010). Such practices are also typical of Japanese firms.

established a car assembly plant in Luanda in the Viana Industrial Zone, mentioned above (Brautigam, 2009:209). Other Chinese companies, as discussed, are investing in their own factories to assemble or manufacture certain inputs.⁴³⁴

Figure 5.3 Chinese contracting and procurement process in Angola



Source: author's own research

The Chinese brick-making machinery has reportedly replaced Angolan brick-manufacturers in the market.⁴³⁵ As a result, local producers are generally only used in an emergency to make up a short-fall, if material quantities were under-estimated.⁴³⁶ This also extends to basic consumables such as vegetables. One Chinese company, on its website, proudly reports the self-sufficiency of the Chinese workers in growing their own produce. It appears that some of these Chinese vegetable gardens actually supply urban households in Luanda, actively expanding beyond a purely subsistence basis.⁴³⁷

⁴³⁴ Interview, administrator, Chinese construction company, Luanda, 19 August 2010

⁴³⁵ Angolan brick-makers used to manufacture so-called hydro-form bricks in a kind of 'auto-construção', where building materials are made on-site. (Interview, senior diplomat, Western Embassy, Luanda, 27 April 2010).

⁴³⁶ As an example, in November 2009, the market price on cement in Angola was US\$ 220 per tonne. The company sourced cement at US\$ 160 per tonne from China but at short notice had to make up the shortfall with cement from a local supplier sourced through Turkey at US\$ 240. (Interview, vice-president, Chinese private company, Luanda, 7 July 2010)

⁴³⁷ The Angolan Ministry of Agriculture apparently leased 50 hectares of land to the China Railway Construction Corporation (CRCC) in order to start a vegetable garden to supplement the workers' diets. (See CRCC press releases <http://www.crcc.cn/357-1548-3395.aspx>; <http://www.crcc.cn/434-1344-7942.aspx>). It appears to sell commercially too. The researcher, during fieldwork came across a flyer advertising a range of

The current lack of Angolan value-add may well in all likelihood change over time. Chinese companies with a longer presence in other African markets have shown increasing adeptness at developing deeper local linkages. This is consistent with Tang's (2010a) findings. It must be remembered that the earliest projects undertaken by Chinese construction companies in Angola were as late as 2002, following the cessation of civil conflict. However, for the time being, Chinese contractors, whether SOEs or private, seem equally less inclined to increase their local content.

5.7 Local Employment Challenges

A number of frictions have arisen with regards to Chinese companies and labour relations. Chinese companies across Africa have been accused of labour abuse (Bearak, 2010; Song, 2010). These claims stem from the fact that whereas Chinese labour unions are weak and essentially an extension of the government, in African countries they can be very powerful political forces. Trade unions, generally very strong in Africa, are considered by Chinese companies to be a force that reduces the productive environment.⁴³⁸ This is not dissimilar from the sentiments of other employers; the difference is that Chinese companies across the board are not accustomed to dealing with them given the weakness of trade unions domestically.⁴³⁹ Even in Angola, where labour unions are also weak, the Angolan government has imposed rigid labour laws. This demonstrates what many Chinese businessmen have observed: whereas government-to-government relations between Angola and China are good, this is not the case in day-to-day interaction. Chinese companies, regardless of their ownership structure have a reputation for being reluctant to hire local labour, preferring to bring labour from China. As a result, there is rising discontent about Chinese companies generally, among Angolans, as the former are not seen to create local employment. Not only are Angolans resentful as a result, but according to Chinese managers, because Angolans are most likely to form an impression of Chinese people from

vegetables (in Chinese and English, but interestingly not in Portuguese – suggesting an expatriate market) with contact details for orders and delivery.

⁴³⁸ Interview, reporter, *People's Daily*, Beijing, 3 December 2009

⁴³⁹ One private Chinese businessman said tellingly: 'Chinese don't have workers' laws or rights. The workers can really endure a lot to benefit later and resolve things; - I have seen it with my own eyes'. (Interview, Western construction equipment importer Luanda, 15 July 2010)

uneducated migrant labour, they have a very unfavourable impression of Chinese people in general. This is in stark contrast to the view of an Angolan official who maintained that 'The Chinese people do not pose a social problem in Angola, they do not interact that much with the local population.' Despite some cases of 'bad humour' he does not regard the situation to be serious. He averred that the Chinese workers do not really 'form part of the life of the locals'.⁴⁴⁰ This in itself is indicative of the lack of integration between Chinese and Angolan workers.

Due to Chinese companies' perception of a lack of suitable local labour, the number of Chinese workers in Angola has increased fairly rapidly. According to an Angolan engineer, the 'official' number of Chinese in 2006 was only 4,000 after the first financing tranche by China Exim Bank.⁴⁴¹ This number has increased substantially. There are no reliable figures for the number of Chinese nationals present in Angola, still less for the number involved in construction. However, most respondents put the official (read legal) number between 40,000 and 60,000⁴⁴² Chinese nationals in Angola. According to Chinese Ambassador to Angola Zhang Bolun, quoted in March 2009, 50,000 Chinese nationals were active in Angola (Angop, 2009b). This figure is however very likely an underestimation, as reportedly more than 40,000 working visas were issued to Chinese nationals in 2008 alone (Alves, 2010a:7). The Angolan government has reportedly said that there are 70,000 Chinese nationals working in Angola (Faucon & Su, 2010). The highest estimate encountered was 400,000.⁴⁴³ Another foreign procurement operator with an extensive list of Chinese clients put his estimation at 100,000 – 150,000 'with unofficial numbers adding on another 20 percent'⁴⁴⁴. According to the Chinese Commercial Councillor's Desk, there are officially 31,072 Chinese workers in Angola. However the same report stated that there were in excess of 50,000 Chinese workers in 2008, reducing to about 47,000 in 2009 (MOFCOM,2010:24;39).

⁴⁴⁰ Interview, senior official, Angolan embassy, Beijing, 28 October 2009

⁴⁴¹ Interview, Planning and Concessions Division INEA, Luanda, 17 August 2010

⁴⁴² Interview, Western Embassy, Luanda, 27 April 2010

⁴⁴³ He estimated that 10-15 percent of Chinese workers stayed beyond their service contract to pursue business independently. (Interview, private African financial consultant, Luanda, 26 July 2010)

⁴⁴⁴ Interview, Western construction equipment importer, Luanda, 15 July 2010

Figure 5.4: Visas Issued to Chinese Nationals (2004 – 2007)

	2004	2005	2006	2007
Work Visas	192	1,952	14,283	22,043
Dependents	49	18	39	57
TOTAL	241	1,970	14,382	22,100

Source: Angolan Ministry of Interior, quoted in Campos and Vines (2007: 23)

A survey of 32 Chinese contractors in Africa found that labour was sourced 51 percent from Africa and 48 percent from China, with 1 percent sourced in third countries. Significantly however, the same study found that 91 percent of management positions were held by Chinese nationals whereas 8 percent was African, with 1 percent sourced in third countries (Goldstein, 2007). Of concern is the fact that in the same study, neither human resource issues nor poor local productivity and management were cited by Chinese companies as significant threats, suggesting a certain degree of satisfaction with the current *modus operandi vis-à-vis* labour.⁴⁴⁵

Tang (2010a:353) in a survey of Chinese companies' projects in Angola in 2007 puts the percentage of local labour at between 59.7 percent and 61.8 percent.⁴⁴⁶ He further disaggregates the projects into sectors, and finds that the sectors requiring more technical expertise such as telecommunications and hydropower have the lowest rate of local employment (37.8 percent and 42.6 percent respectively) whereas agriculture (81 percent), catering (75.3 percent) and trading (73.8 percent) have the highest (Tang, 2010a:354). An African financial consultant commented that Chinese companies do not yet have confidence in the local labour or dealings with Angolans, due to the perception that the locals 'cheat' them.⁴⁴⁷ This is consistent with Tang's (2010a) findings. Figures from the Angolan Ministry of Finance as regards Chinese and Angolan employment on projects funded by the China Exim Bank credit line are incomplete (see Appendix 3) and thus do little to generate a clear picture of local employment generation, let alone at different management levels. From

⁴⁴⁵ 'Human resource issues' and 'poor local productivity an management' were ranked 9th and 15th respectively in an index of 22 different potential threats, with only 4 and 2 respectively of the 32 Chinese contractors surveyed mentioning them.

⁴⁴⁶ This is based on a survey of 30 projects managed by the Angolan Ministry of Finance in 2007, and 55 other Chinese construction companies.

⁴⁴⁷ Interview, financial consultant, Luanda, 26 July 2010

what data is available, aggregate local employee content actually dropped from 63.6 percent to 55.7 percent between phases I and II of the credit line project execution.

Local employment at a management level is rare. An Angolan researcher was shocked to find that even in the Chinese company canteens, the only local staff were casual labourers working as the dish-washers while even the chefs are Chinese.⁴⁴⁸

There are several reasons for the apparent lack of enthusiasm of Chinese companies for local labour. I detail these below.

5.7.1 Transplanting of Domestic Modus Operandi to Overseas Markets

A Western observer commented ‘What many people fail to realise, is that the major engineering projects from China are operating in Africa much like they operate in China- they bring their own workers. So if a company from Guangdong wins a tender for a project in Ningxia, the company recruits all its own workers from Guangdong. It is therefore not surprising that the Chinese companies are not using the local labour and suppliers in Africa.’⁴⁴⁹ A Chinese consultant corroborated this stating: ‘The way that Chinese companies come in with their own workers in a turn-key type operation is the way that they know; it is how they operate in China and in other developing countries - it is the operational model that they know.’⁴⁵⁰ A private client of a Chinese company commented that this was sometimes the case even if it was ‘easier, better and more cost-effective to do it another way’.⁴⁵¹ A foreign construction consultant concurred, observing that that there was ‘... no learning, it’s like they want to do it the way they want to do it, even if there is a problem’. He commented that the project was often slowed down as ‘...everything was ordered from China’, despite a lack of justification, in his assessment.⁴⁵²

⁴⁴⁸ Interview, university researcher, Luanda, 29 June 2010

⁴⁴⁹ Interview, World Bank Institute, Beijing, 14 October 2009.

⁴⁵⁰ Interview, Chinese business consultant, Shanghai, 15 September 2009

⁴⁵¹ Interview, general manager of a guesthouse, Luanda 28 July 2010

⁴⁵² Interview (telephonic), foreign construction consultant based in Luanda, 27 September 2010

5.7.2 Lack of adequately skilled local labour

In 2008, the Angolan workforce numbered 7.288 million, less than 50 percent of the population (INE⁴⁵³, quoted in MOFCOM, 2010: 28). Of this number only 15 percent work in the secondary and tertiary industries. Furthermore, education is historically an under-invested sector. It is alleged that most of the educational budget has gone towards giving the children of the political elite bursaries to study overseas (Hodges, 2004). An exception to is the oil sector whose level of local participation, innovation and efficiency is 'ring-fenced' from the failings of other sectors of the economy, particularly as regards skilled and trained management (Soares de Oliveira, 2007a: 602,612). Social spending has been approximately 30 percent of the budget since 2007, revised at 32.4 percent in the 2010 budget (Angolan Government, 2010b:62, 67) However, in education it is only 6.55 percent of the total budget, and higher education 0.80 percent (Angolan Government, 2010b:70).⁴⁵⁴

Consequently, it is unsurprising that most respondents observed that one of the biggest barriers to increased local employment was a lack of training. Such skilled Angolan labour that does exist, is expensive due market scarcity. One respondent from the oil industry commented that Angolan nationals are equal to or sometimes more expensive than other expats with more experience: 'You can get someone in London with 40 years' experience for less than an Angolan local. It is almost cheaper to employ expats'. Inevitably Chinese companies have therefore used Chinese nationals in higher management positions due to the artificially inflated price of Angolan skilled labour. Conversely, Angolans are less likely to work for Chinese companies due to the perception that the pay they offer is lower.

5.7.3 Communication problems

The language problem was cited as one of the major issues as regards hiring local workers as almost no Angolans speak Chinese and few of the Chinese migrant labourers speak English

⁴⁵³ *Instituto Nacional de Estatísticas*

⁴⁵⁴ Data for longitudinal comparison is not publicly available

let alone Portuguese. English is used as the medium of conversation as this is more accessible, but it is not widely spoken enough to resolve many communication problems.⁴⁵⁵

In addition, no communication appears to take place between China and Angolan industrial organisations. Chinese companies in Angola have two organisations, the Angola-China Association for Commerce and Industry and the China Chamber of Commerce in Angola. Both these institutions are geared towards facilitating knowledge and exchange between Chinese companies, rather than Chinese and Angolan companies. Beyond the training courses that some of the larger Chinese companies undertake, there is no integrated strategic vision for local content development among Chinese companies. The insular nature of these bodies and the absence of interactions between them, their Angolan counterparts and Angolan ministries prevent dialogue that could lead to more effective localisation efforts being implemented on the part of Chinese companies.

5.7.4 Misalignment of Chinese employers' expectations

Almost all respondents commented on the Chinese perception that African employees are not used to working as hard as their Chinese counter-parts. A Chinese consultant to Chinese companies entering African markets suggested that the companies seem to feel that Chinese workers are 'easier to manage'.⁴⁵⁶ Put bluntly by one academic, 'Although many construction projects are pursued under international bidding rules, the locals are not participating in these projects as the Chinese companies prefer to employ the Chinese workers because they are hard-working.'⁴⁵⁷ Another Chinese policy consultant agreed, indicating that there is a tendency for Chinese people to regard Africans as lazy, 'they don't have the mentality to work'.⁴⁵⁸

A frequent complaint was the unreliability of local labour; it was a 'very common thing' that Angolan workers would make some money over a few weeks, and then disappear to spend

⁴⁵⁵ Interview, marketing manager, Chinese private company, Luanda, 2 August 2010

⁴⁵⁶ Interview, China-Africa Business Council, Beijing, 8 December 2009

⁴⁵⁷ Zeng Qiang, presentation on 'Challenges to the further development of Sino-African Economic Co-operation: Some reflections, Symposium on Sino-African Relations: Reflections and Prospects. Organised by the Institute of West Asian and African Studies, Chinese Academy of Social Sciences, Beijing, 13 October 2009

⁴⁵⁸ Interview, researcher at a Beijing-based institute, Beijing, 21 October 2009

it and then return. As a result, one company has established an evaluation system with penalties to curb such disruptions.⁴⁵⁹ Another Chinese manager said: 'Firstly you don't know what their skills level will be like, secondly they don't know how to do business - they always want to go off sick - , and thirdly they don't want to work Sundays etc., so it is very difficult to manage them. They need training and they need to know how to work.'⁴⁶⁰ This lack of reliability erodes the impetus to invest in training local labour as well.⁴⁶¹ By contrast, a commonly cited reason for Chinese labour preference is the Chinese workers' ability to 'eat bitterness'⁴⁶² or work extremely hard.

The counter-argument to this was made by an African diplomat, who expressed concern with regards to a lack of cultural understanding, as Chinese managers are not sympathetic to bereavement leave or leave to observe religious practices, regarding these as impacting negatively on productivity levels.⁴⁶³ An Angolan industry specialist⁴⁶⁴ explained that it was difficult for Angolans to get to the construction sites given the state of traffic congestion and the disrepair of public transport, whereas Chinese workers live on-site. He also pointed out that Chinese migrant workers do not have family responsibilities in Angola, whereas Angolans need to observe such traditions as 'óbito'⁴⁶⁵.

It appeared that this was a particular issue where deadlines were concerned and that the strongest motive for using Chinese materials and workers was in order to ensure that the projects are on time and on budget.⁴⁶⁶ Another Chinese journalist expanded on this, stating that the Chinese way was to work until the target for that day is reached – the completion of the second story of a building for example. It was not to 'work a certain number of hours and then go home or be paid for overtime.'⁴⁶⁷ This *modus operandi* affects how deadlines are calculated. In these cases, Chinese labour was used because to train the local workers

⁴⁵⁹ Interview, general manager's assistant, large Chinese SOE, 16 August 2010

⁴⁶⁰ Interview, marketing manager, private Chinese construction firm Luanda, 2 August 2010

⁴⁶¹ Interview, director, Macau-based company, Luanda, 6 May 2010

⁴⁶² *chi ku* (吃苦)

⁴⁶³ Interview, senior African diplomat, Beijing, 11 September 2009

⁴⁶⁴ Interview, administrator, Chinese construction company Luanda, 19 August 2010

⁴⁶⁵ This is the practice of mourning and attending family funerals, usually requiring an absence from work of several days.

⁴⁶⁶ Interview, researcher at a Beijing-based institute Beijing, 21 October 2009; Interview, World Bank Institute, Beijing, 14 October 2009

⁴⁶⁷ Interview, reporter, *People's Daily*, Beijing, 3 December 2009

was seen as delaying project's completion. This has serious implications for local labour training, as Chinese development assistance in the form of facility construction is extensive.

5.7.5 The Cost-benefit of wages

Angola's minimum wages are published from time to time. In May 2009, the white-collar minimum wage was US\$ 115 per month (US\$ 1,380 annually), and for blue-collar workers US\$ 55 per month (US\$ 660 annually). According to a labour contract that I was shown by a Chinese contractor, his Chinese blue-collar employees are paid 1,500 RMB (US\$ 225) per month with a bonus of 10,000 RMB (US\$ 1,500) payable during the Chinese New Year. Each contract is valid for one to three years, depending on the project involved.⁴⁶⁸

The Chinese Embassy recommends basic salaries for Angolan drivers and truck drivers are US\$ 4,800 and US\$7,200 annually (including 'social security' and other basic costs). They recommend hiring Angolan labourers on a casual basis and paying them a daily rate of 650 - 750 Kw (US\$ 6.80 – 7.80) (MOFCOM, 2010a:28). Angolan workers surveyed the Centre for Strategic Research (CEIC⁴⁶⁹) at the Catholic University of Angola reported receiving 300 – 400 Angolan Kwanza (US\$ 3.10 – 4.20) per day and an extra 150 Kwanza (US\$ 1.60) for lunch, thus US\$ 141-174 per month and US\$ 1,692- 2,088 annually. Both the Chinese and the Angolan construction work salaries are above minimum wage, but it is interesting to note that the Angolan salaries at Chinese companies are half the Chinese Embassy's recommendations and 23-38 percent less than what the Chinese contract workers received. This is consistent with Tang's (2010a:359) findings that despite the fact that Chinese workers are paid more than Angolan labourers, Chinese labour is still more cost-effective due to higher productivity levels.

According to CEIC data from survey research on Angolan workers at Chinese companies, 85 percent of Angolan respondents stated that their Chinese counterparts are willing to work for less than they would be prepared to.⁴⁷⁰ However, it has been pointed out that Chinese migrant labour is extremely cheap in China; Chinese workers actually earn more on overseas

⁴⁶⁸ Interview, site manager, Chinese private construction company, Luanda, 3 August 2010

⁴⁶⁹ *Centro de Estudos e Investigação Científica*

⁴⁷⁰ Interview, university researcher, Luanda, 29 June 2010.

contracts than at home, even if this is less than the going rate in the host country.⁴⁷¹ This underlines how the distorted nature of the cost of labour in Angola influences local employment by Chinese companies.

5.8 Barriers to Local Content Law Effectiveness

The Angolan government has an impressive body of regulations governing local content, having pursued a local content policy, dubbed ‘Angolanisation’ in the oil industry since 1957. However, as noted by one Angolan business consultant, implementation has not matched the policy-making, as there has been little effect from this policy despite its existence for more than 50 years.⁴⁷²

According to Schmitz (2007: 418) successful industrial policy should challenge enterprises to meet certain criteria set by the government and provide support in order for them to do so. Unfortunately, Angolan local content policies seem to do the former without the latter. Few Angolans in the construction sector feel that they are receiving sufficient support from the government.⁴⁷³ Furthermore, while the Angolan government does make it increasingly difficult to bring in foreign labour, there are as yet no viable local alternatives. As a result, it appears that Angolanisation policies are patchily enforced in order not to halt the industry completely. Thus, despite a body of local content laws, there are several notable examples of the contradicting policy environment present in Angola, whereby short-term gain is prioritised above local content development. The following factors have been identified as reducing the effect of local content policies:

5.8.1 Removal of Import Duties on Construction Materials

Import duties on construction materials were removed as of 29 July 2009, resulting in all construction materials imported for the purpose of national reconstruction being brought into the country duty free⁴⁷⁴. One large state-owned Chinese company representative

⁴⁷¹ Interview, senior diplomat, Western Embassy, Luanda, 27 April 2010

⁴⁷² Interview, Angolan management consultant, Luanda, 10 May 2010

⁴⁷³ Interview, Luanda, 9 July 2010

⁴⁷⁴ See : http://experts.e-to-china.com/analysis/general_analysis/Customs/2009/0807/59849.html [13 December 2010]

confirmed that this was an important way in which his company received assistance from the Angolan government.

Although in the short term this would lower the costs of all projects as most of the materials are currently imported, in the longer term it would make it even harder for a nascent local industrial complex to supply construction materials to develop. However, it has relieved supply bottle-necks in part. Despite a local supply being unable to keep up with market demand, cement duties were an estimated 35 percent in order to protect the local industry.⁴⁷⁵

An Angolan activist pointed out the lack of long-term strategic priorities: ‘They are making imported materials cheaper, much cheaper than it is to produce it locally ... at the MPLA conference the President stood and up said he did not understand why 82 percent of our goods and services are imported, amounting to US\$ 8-10 billion. But there are no incentives in the economy with the result that cement, “mosaic”, basic construction material, steel, must all come from China. There are actually incentives to import, so local industries could not compete in a market economy.’⁴⁷⁶

5.8.2 Maintenance of the Hard Kwanza Policy

The Angolan government, as a source of national pride, has maintained the Angolan currency at an artificially high level for some years (Vines et al, 2005). Particularly during the economic crisis of 2008-2009, significant funds from the national treasury were spent on retaining the currency’s value.⁴⁷⁷ Given that more than 80 percent of goods sold in Angola’s market are imported, the hard currency may in theory render the standard of living cheaper than it might be (particularly as regards imported refined fuel subsidies) but the policy has an extremely negative effect on the local business environment, effectively pricing local production out of the market.

⁴⁷⁵ Interview, vice-president, private Chinese company, Luanda, 7 July 2010

⁴⁷⁶ Interview, NGO, Luanda, 18 August 2010

⁴⁷⁷ The effect on foreign reserves was so severe that President Dos Santos dismissed Central Bank Governor Amadeu de Jesus Castelhana Maurício apparently in dissatisfaction that currency reserves were reduced to US\$ 13 billion from US\$ 18 billion through efforts to stabilise the currency. Maurício, governor since 2002, has been credited with bringing inflation under control from 100% to its current level (Almeida, 2009b).

5.8.3 Labour Law Rigidity

Angola's Labour Law was published on 11 February 2000⁴⁷⁸. It stipulates a 44-hour work week, with no more than 8 hours work per day⁴⁷⁹, one day off weekly and 22 days annual leave. This is not in line with the pace of construction encouraged due to the urgency of the infrastructure projects. Indeed, one Chinese researcher stressed the need for African countries to understand the market forces related to labour demand and to create a better environment for employment. (Of course, this is from the view point of the employer).⁴⁸⁰ However, in an attempt to avoid the regulations that accompany contracted labour, a Chinese diplomat confirmed that '... on Monday [Chinese companies] will recruit workers, on Friday they will lay them off – by retaining them only as weekly workers, they remain casual workers and they do not have to pay benefits.'⁴⁸¹ Chinese employers are unwilling to give their Angolan workers contracts, with 86 percent of the workers surveyed by CEIC working without one, despite the fact that they would prefer contract labour. This makes it difficult to determine how many Angolans are employed by Chinese companies, as there is no official record. Furthermore, it allows Chinese employers to evade the stringent labour laws that govern formal employment in Angola. Of concern is the fact that it contributes to the casualization of labour.

The Angolan government, like others in Africa, is tempted to allow Chinese companies to use their own labour force in order to accelerate the rapid completion of much-needed infrastructure projects. The long-term benefit of skills training and employment is subordinated to the short-term benefit of alleviating pressures to deliver specific public goods (roads, railroads and other infrastructure).

5.8.4 Lack of Implementation

As one Angolan think tank researcher put it: 'We are good at rules, but bad at implementation.'⁴⁸² Even where local content law is applied, it is rarely monitored. An oil major representative admitted that after having promised a certain level of local content in

⁴⁷⁸ Having first been passed on 5 August 1999, it came into force 60 days after publication and was amended on 19 June 2000.

⁴⁷⁹ In special circumstances, the work week can be extended to a 54 hours.

⁴⁸⁰ Interview, CAITEC, MOFCOM, Beijing, 5 December 2009

⁴⁸¹ Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009

⁴⁸² Interview, Angolan research institute, Luanda, 27 April 2010

a tender, no one checks to see if this is implemented.⁴⁸³ This is likely to be the case in the construction industry. In fact, across the board, Angola respondents claimed that the 30 percent quota set aside for Angolan companies in the Chinese credit line was seldom respected.⁴⁸⁴

This is characteristic of poor implementation noted by several respondents: ‘The reality is that implementation is always the big problem. Some aspects are the capacity of the government to implement these things. There is a lack of consistency in the programmes; one sometimes feels they are a little bit lost. There is always this dilemma; when there are problems, the policy will just be reversed, rather than changed or made public.’⁴⁸⁵

Many Angolans believed that that special circumstances surrounding the Chinese credit lines exempted them from due procedures normally followed in the construction industry, although a few were hopeful that this might change.⁴⁸⁶

One Angolan construction industry professional pointed out that there is no quality certification in Angola.⁴⁸⁷ One respondent commented: ‘No one is going to ask questions, but the processes are not so rigorous’.⁴⁸⁸ He described how many of the Chinese companies were resistant to external consultants, preferring to use own in-house experts, arguably a conflict of interest.⁴⁸⁹ Although not exclusively a problem with Chinese companies, the process of ‘fiscalização is often ignored, which while expediting the construction of the building and reducing its costs, leads to structural problems later on.

⁴⁸³ Interview, Western oil company Luanda, 12 July 2010

⁴⁸⁴ Interviews, Luanda, 12 May 2010; Luanda, 9 July 2010; Angola programme manager, Luanda, 18 August 2010

⁴⁸⁵ Interview, Angolan management consultant, Luanda, 10 May 2010

⁴⁸⁶ Luis Peixoto, Associação Associação dos Empreiteiros de Construção Civil e Obras Públicas de Angola (ECCOP), [presentation], Luanda, 12 May 2010, Interview, Luanda, 26 July 2010

⁴⁸⁷ Although the *Instituto Nacional de Regulação de Qualidade* (INRQ) exists, but they don’t really fulfil this function adequately.

⁴⁸⁸ Interview, senior official, Angolan National Roads Institute, Luanda, 17 August 2010

⁴⁸⁹ This respondent described an instance where a Chinese company wanted to build a road without first demining it (Interview, Luanda, senior official, Angolan National Roads Institute, 17 August 2010).

This is particularly the cases where maintenance is not prioritised. According to the Angolan National Roads Institute (INEA⁴⁹⁰), as regards roads in Angola, regulations stipulate that a 10 percent (of the value of the contract) bank guarantee be made available to cover the cost of structural problems in projects should they occur during the guarantee period of 24 months. However, it is recognised that 24 months is not a sufficient maintenance period for projects of this nature, and INEA has difficulties enforcing these regulations.⁴⁹¹

Interestingly, Chinese think tank researchers and policy makers are also at times frustrated with the lack of African implementation: 'African partners must also have the initiative...China is only willing to give advice, not to order the African countries in terms of what to do... to be pragmatic, they can't really wait.'⁴⁹²

5.8.5 Vested Interests and Lack of Political Will

A key concern that prevents the implementation of local content laws, is that in eagerness to have projects completed swiftly, the Angolan government, among other African governments with such financing arrangements, forego the policy of insisting on a local complement of labour, as such localisation could as one African diplomat put it 'slow the projects down and decreases efficiency and productivity.'⁴⁹³ Recall the respondent from the Ministry of Finance who confirmed that local firms would only be involved in construction projects managed by the Ministry if 'it did not compromise the undertaking and delivery of the project.'⁴⁹⁴

A number of Chinese respondents from private firms felt however that the Angolan government did little to foster an enabling environment for their businesses.⁴⁹⁵ One Chinese marketing manager even said that '...the big problem with this government is that they have no plan and no understanding of the circumstances of business and industry... it is not that

⁴⁹⁰ *Instituto Nacional de Estradas de Angola*

⁴⁹¹ Interview senior official, Angolan National Roads Institute, Luanda, 17 August 2010

⁴⁹² Interview, Chinese think tank, Beijing, 2 December 2009

⁴⁹³ Interview, senior African diplomat, Beijing, 11 September 2009

⁴⁹⁴ Interview, Angolan Ministry of Finance, Luanda, 6 July 2010

⁴⁹⁵ Interviews, Luanda, vice president, private Chinese construction company, Luanda, 7 July 2010, various private Chinese businessmen, Luanda, 23 July 2010; marketing manager, Chinese private construction company, 2 August, 2010;

the government here does not have money, it's just that they waste a lot of it. ...It is also probably not appropriate for me to say this, but the corruption is also very serious.'⁴⁹⁶

As one respondent pointed out, the winners of the operating contracts are all linked to the key figures.⁴⁹⁷ Several respondents also felt that political elites have an interest in thwarting any local business development in order to prevent the development of an alternative economic locus which might in time lead to competition for their economic interests and ultimately a political threat.⁴⁹⁸

A Chinese think tank researcher that had visited Angola corroborated this view: 'Angola is so expensive! The country has neighbours and sea lines, it could import much more efficiently. It is elite control of the import and export that creates this inefficiency. The armies, for instance have wonderful facilities. There is no visible entrepreneurship yet. It reminds me of China in the late 1970's.'⁴⁹⁹

Consequently, despite Angola's existing local content policies, a lack of political will to enforce them ensures that they are ineffective. As one Angolan business consultant observed: 'We need to reverse some of these policies by the government. The government programme and policy statements are fine and use all the right language, but they are programmes for 2-3 years [as opposed to long-term strategies].'⁵⁰⁰

5.8.6 Institutional Reshuffling around Chinese credit lines

The Angolan executive has made several fundamental changes to government structures responsible for economic planning and the national reconstruction programme (which the Chinese credit lines finance).

⁴⁹⁶ Interview, marketing manager, private Chinese firm, Luanda, 2 August 2010

⁴⁹⁷ Interview, Western oil company Luanda, 19 August 2010

⁴⁹⁸ Interview, Western diplomat, Luanda, 12 July 2010; Interview, Western oil company, Luanda, 12 July 2010

⁴⁹⁹ Interview, Chinese think tank, Beijing, 16 October 2009

⁵⁰⁰ Interview, Angolan management consultant, Luanda, 10 May 2010

Following the national elections in 2008 President dos Santos transferred power from the Ministry of Finance to the Ministry of the Economy. A respondent from the banking sector suggested that the recently established Ministry of Economy was more influential in making policy - 'calling the shots', whereas the Ministry of Finance and BNA were '...the tools, just like in any other economy'. He further suggested that the Ministry of Finance under Carlos Alberto Lopes was acting in a more advisory capacity than previously. He suggested that under the previous Minister of Finance, José Pedro de Morais, who was more influential, the Ministry of Finance had had more influence. However, the BNA had been side-lined by the new Ministry of the Economy under Minister Manuel Nunes Junior.⁵⁰¹ Nunes Junior did not remain in place very long either, as his reform agendas began to compete with the interests of the ruling elite (Roque,2011:5). He was replaced by Abraão Pio dos Santos Gourgel, former BNA governor, in October 2010. The creation of an Economic Planning Committee (announced officially in October 2010) to report directly to the Presidency once again shifted power from the Ministry of the Economy and centralised it around the President (McClelland and Mendes,2010). Other changes following the 2008 elections saw the merging of the Ministry of Public Works and the Ministry of Urbanisation to form the Ministry of Construction and Urbanisation. An Angolan engineer commenting on this transformation called it 'the wrong decision' as there was then essentially half the people to do the same amount of work while still getting to grips with the institutional changes.⁵⁰²

These sets of changes, while ostensibly made to streamline the reporting structures and improve policy coherency, have also weakened several key ministries ensuring that they cannot accumulate power or influence that might threaten the Executive.⁵⁰³ It also has an impact on the efficiency of policy implementation as none of the new structures have any institutional knowledge. As one respondent commented: 'The ideas are good, but I don't know if you can find anyone capable of managing it all. The capable ones are all too busy

⁵⁰¹ Interview, foreign-owned bank, Luanda, 6 May 2010

⁵⁰² Interview, senior official, Angolan National Roads Institute, Luanda, 17 August 2010

⁵⁰³ Interviews, senior Western diplomat, Luanda, 6 May 2010

enriching themselves. No one has what it takes. I doubt it will succeed. The Chinese are very good.'⁵⁰⁴ This emphasised once again the problems with implementation.

Vines *et al* (2005:6) claim that an emphasis on infrastructure-led development espoused by a patriarchal state illustrates a 'time-warp' in Angolan policy-making; as such development models have since been rejected worldwide. Shaxson (2006:185) is not optimistic about the current rapid growth experienced by Angola, comparing it to the 1970's oil-driven economic boom in Nigeria, the developmental impact of which was negligible. I argue that this ignores the fact that Angola, as a post-conflict state, requires the rebuilding of public goods such as infrastructure in which private capital is reluctant to invest. Indeed, Shaxson (quoted in Weimar, 2009:11) later notes that Angola government's 'top-down' approach to development in terms of state-led infrastructure projects may indeed be an easier way for the Angolan government to develop the country.

However, the issue of access to knowledge as a means to limiting power came up several times during my interviews in Luanda. One Angolan academic suggested that public information was intentionally garbled so that the authorities could retain almost total control: 'The government does not prohibit, but it inhibits.' She suggested that this was slowing down the process of rebuilding society, pointing out that 'Infrastructure is not just about buildings.'⁵⁰⁵

5.9 Conclusions

The China Exim Bank loan mechanism has given rise to Chinese construction companies' prominence in the Angolan market despite having only entered the market in Angola in 2002. While it is largely the SOEs that have benefitted from this, smaller Chinese companies have followed in order to facilitate links to a supply chain in China, rather than developing linkages with local suppliers. In the case of Angola, many argue that this is not necessarily

⁵⁰⁴ Interview, Western construction equipment importer, Luanda, 15 July 2010

⁵⁰⁵ Interview, Academic, Luanda, 14 July 2010

different to the *modus operandi* of any other nationality; it is more the scale of the undertaking that distinguishes it (Michel and Beuret, 2009:214).

It is clear from earlier examples that only the largest Chinese companies can afford to engage in systematic training programmes to the extent that it will earn them useful political capital. This was corroborated by a Chinese businessman involved in facilitating Chinese-Angolan partnerships.⁵⁰⁶ No such comparable effort is afforded by smaller Chinese companies which claim not to have the resources to provide such training on a large scale.⁵⁰⁷ One Macau-based company director stated that as his firm had newly entered the market, and were trying to establish themselves, their budget did not allow for training. He regarded employee training as 'high risk' as the employees might not stay with the company, or would perhaps demand a higher salary in return for remaining with the company once training was completed. This is a very real concern given the paucity of skilled local labour and the tendency for companies to 'poach' from one another.⁵⁰⁸

This is not to say that private firms engage in no training at all. It is reportedly increasingly possible to find local semi-skilled labourers such as brick-layers and masons on Chinese sites now. Having been based in the Angolan market for more than five years, one Chinese employer reported seeing the labour situation improving, particularly as she has built up relationships with local employees that she liked and trusts.⁵⁰⁹ This is consistent with the observations of William Wang a Chinese IT engineer based in Angola:

'Back in 2008, maybe you would only see Chinese workers in Chinese companies, but that has changed a lot in the last two years. I know a Chinese construction boss in Luanda who hires 70 Chinese workers and 500 or 600 locals. It's not uncommon. I don't think the Angolans feel we are taking jobs. We have created employment also. In the past, I think there were problems because even the brightest Angolans had no real expertise. The war meant they didn't have much chance to develop. An IT engineer was qualified if he could switch on a computer and type. That's not the case

⁵⁰⁶ Interview, Administrator, Chinese construction company, Luanda, 19 August 2010

⁵⁰⁷ Interview, China Africa Business Council, Beijing, 8 December 2010

⁵⁰⁸ Interview, logistics company, Luanda, 13 May 2010

⁵⁰⁹ Interview, vice-president, private Chinese company, Luanda, 7 July 2010

anymore. Universities are training Angolans and they are increasingly skilled. Perhaps Chinese companies doing business here incentivized that?' (quoted in *The Daily Maverick*, 2010)

This indicates not only that the labour situation in Angola is improving incrementally, but that the longer a company stays in the market, the more willing it is to make the investment of employee training. Furthermore, the fact that private Chinese companies are realising not just the financial viability but the necessity of localisation, suggests that the process will be sustained in the long-term.

Of interest is the fact that the growing cost of overseas Chinese labour is playing an increasing role in Chinese firms' decisions to localise (Chen et al, 2007:10). Chinese managers are increasingly reluctant to work in Africa for long periods, demanding a higher salary if they do.⁵¹⁰ Using African workers and training them to take these positions will reduce their costs (although currently salaries are at times lower than African equivalents). Although initially Chinese expatriate labour's higher productivity rendered it more economically viable to employ Chinese nationals despite the added costs involved, as African workers increase knowledge on the job, Tang (2010a:364) suggests a break-even point occurs where employing local labour is financially preferable. Indeed, he found that the average ratio of Chinese to local labourer employed reduced by half after five years (Tang, 2010a: 365). This is an encouraging sign, particularly as Chinese companies have only been seriously engaged in Angola for less than 10 years.

The Angolan government has in theory put in place a robust set of local content laws, yet rarely oversees their effective implementation. It is also apparent that there is a lack of interaction between Chinese companies and local policy formulation. One government researcher suggested that 'the African countries need to ... create a better environment for employment'⁵¹¹; another that there have been 'half efforts', but not much effort on this front and that there needed to be co-operation from the African side to make the deal more

⁵¹⁰ According to a Chinese businessman, 'Most [Chinese workers] really do not like Angola. They can't stand the conditions... and the life is hard. They are here because what they really want to do is take their money back home.' (Interview, manager, Chinese importing business, Luanda, 15 July 2010)

⁵¹¹ Interview, CAITEC, MOFCOM, 5 December 2009

realistic.⁵¹² From the Angolan government's side however, the political will necessary to enforce policies related to local content and skills transfer is not yet adequate. One Western observer commented that for Chinese companies to ever seriously consider developing local supply chains linkages, '... the motivation needs to come strongly from the African country and, in the short-term there needs to be a strong economic case to be put to the Chinese side, in terms of efficiency and cost effectiveness.'⁵¹³

Several respondents within Angola however reported that the Angolan government's stance towards local content provisions was tightening. Indeed one newspaper quoted the cost of bringing over a Chinese worker, including travel and welfare payments as US\$ 20,000 (*Daily Maverick*, 2010). This has in the last two years apparently encouraged Chinese companies to employ more local workers. It is believed this trend will continue. Tang (2010a:354) also finds a distinct resistance on the part of the Angolan government to issue visas for workers in 'low-tech sectors'. Another respondent suggested that Angolan legislators were getting 'cleverer', closing the loopholes used by companies to avoid local content stipulations. 'The Angolans are trying to do the right thing'.⁵¹⁴ The Angolan Ambassador to China announced recently that the Angolan government was seeking to expand co-operation with China to focus specifically on human resource training (*Macauhub*, 2010a). The Angolan government has reportedly taken the decision to adopt a 'partially protectionist economic policy' in recognition of the disadvantages Angolan firms face in competition with foreign companies (*Macauhub*, 2010a). However, not only is it unclear how this will be implemented, the likelihood of it benefitting only the politically connected Angolan firms is high.

While it could be argued that the government is seeking to rebuild the country in the quickest and most cost effective way (i.e. through Chinese contractors), it is clear that some sectors of the population are being alienated by the approach, as not enough is being done to include them in the process, thus foregoing the long-term benefits of nation-building. Indeed, the result is state-building through consolidation of the MPLA's political and

⁵¹² Interview, university professor of Beijing, 4 January 2010

⁵¹³ Interview, World Bank Institute Beijing, 14 October 2009

⁵¹⁴ Interview, Western oil firm, Luanda, 12 July 2010

economic hegemony in the country. In fact it the provision of public goods are being effectively being 'outsourced' and privatised, whereas it should be the role of the state in this context to nurture the growth of local development and nascent indigenous industries, particularly during national reconstruction.

A Chinese academic admitted that whereas Angolan high-level officials have 'a very good impression of China', the local people seem to have some problems.⁵¹⁵ This relates not only to what it is being built, but how it is being built and who builds it.

Aware of this, a Chinese researcher⁵¹⁶ suggested that the current system of loans to the Angolan government was not sustainable. He said: 'It is a lot of money, and where there is money involved, there is corruption ... There needs to be more projects in terms of what the 'local people want', not just the elite.' He clarified that there had been numerous prestige projects, but not very many poverty reduction projects: 'These projects have increased people's standard of living, but it is not enough, the people may get angry. They need agricultural, sanitation development.' He did concede that since 2002 there had been improvements and that the Angolan government has been very active and productive, but he was concerned that 'African countries really need to develop ownership and good governance practices.'

Another respondent put it more pithily: 'It appears that whereas the Angolan government has been astute in negotiating the terms of the agreements signed with China Exim Bank and the Chinese Ministry of Commerce, this has not translated to effective implementation.' A further respondent commented: 'In terms of "the people", 'it is not so "win-win" for Angola, but there are some who get a nice piece of the cake from this "invasion" of Chinese. They [the Angolan government] are very good at negotiation, but in the field, they get

⁵¹⁵ Interview, Chinese think tank, Beijing, 16 October 2010

⁵¹⁶ Interview, Chinese think tank, Beijing, 16 October 2009

screwed. They don't have the people to check on the quality, the quantity, the "after-sale" of the transaction'.⁵¹⁷

There are also issues with the quality of Chinese workmanship. One Angolan banker suggested that following negotiations, the Angolan government was surprised, not having gotten as 'good a deal' as initially expected. Chinese construction companies have historically focussed on the lower-value, labour intensive part of the construction value chain, lacking the consulting expertise for higher value services (Liu & Wu, 2008:24). There is already evidence of buildings constructed only a few years ago that are already showing signs of structural damage. However, as acknowledged by Marques de Morais (2011a:70)' They [Angolans] are somewhat forgiving of the fact that the structures the Chinese build tend to fall down or fall apart, acknowledging that some responsibility for these failings goes to their own country's institutionalized culture of corruption, incompetence, and disregard for public safety.'

A respondent involved in the construction industry expressed concern, stating that the Angolan government was not thinking in the long-term, but it focussed more on the following elections⁵¹⁸. He suggested if the projects 'start falling to pieces', conditions in Angola would be aggravated and the government would have to spend a lot of money redoing things. 'After the construction, in the medium term, if they are not careful, it is going to cost them twice what they paid for.'⁵¹⁹ An activist suggested that the Angolan political elite who have access to the Chinese credit line actively encouraged the lack of the projects' durability as their short-lived nature allows a continual stream of contracts that need to be put to tender. This increases their opportunities for rent extraction during the process of tender awarding.⁵²⁰ While a clear gain for those in power, this squanders

⁵¹⁷ Interview, Western machinery importer, Luanda, 15 July 2010

⁵¹⁸ According to article 143/2 of the Angolan Constitution, the current parliament members and President (who is now appointed by the parliament rather than elected directly) will be in power for a five-year term until 2013.

⁵¹⁹ Interview, Western machinery importer, Luanda, 15 July 2010

⁵²⁰ Interview, Angolan activist, Luanda, 2 February 2011

Angola's resources and arguably removes the long-term benefits of such large-scale public infrastructure investments that the Angolan people should hope to receive.

A Western respondent suggested that the Angolans are 'not naïve, they are shrewd, but this does not mean they are good leaders or managers.'⁵²¹ This reflects the idea that while a good deal for Angola is struck at the negotiating table; many of these benefits are lost in the implementation.

Clearly, there is a mismatch between professed policy goals and practical implementation illustrating that while the Angolan government is using the China Exim Bank loan-financed projects to fortify their discourse of national reconstruction, the lack of follow-through on policies suggests a distinct lack of political will to engender broad-based economic empowerment. I argue that this is in fact by design, and will discuss this in more depth in the following chapter.

⁵²¹ Interview, Western construction equipment importer, Luanda, 15 July 2010. The same sentiments were expressed by a Chinese manager of a private Chinese importing business (interview, Luanda, 15 July 2010).

CHAPTER SIX: Restoring Angolan Agency

In chapter 1, I argued that Angola is a weak state internally because the economic and political power of the elites is dependent on external relations that allow them to cling to a fragile domestic legitimacy. Such internal fragility, linked as it is extraversion, has important implications for foreign relations. In this chapter, I demonstrate that the management of relations with China have been governed by the current regime so as to mitigate the risks inherent in continued political power.

One of the weaknesses of Migdal's (1988) discussion of the nature of the state, as noted by Bradshaw, 1990:1062) is his lack of treatment of the power relations between state actors and external forces. In an international context, Handel (1981:68) uses the criteria of geographical size, material wealth, human resources and organisational capacities (the ability to influence international organisations) to assess the strength of a state. However, as Zartman (1997) notes, power is a difficult concept to define and quantify; relating it to the possession of resources alone ignores the power inherent in the 'skill and will' to use these resources. Zartman (1997) prefers to define power or strength in the following way: 'A stronger party is one who can add (or subtract) more value to the other's outcome.' This places more emphasis on the effects of power and its source. Similarly, Underdal (1991:111) conceptualises relative power determining how much one party must yield for a concession from the other; a kind of 'exchange rate' for distributing gains. Thus, power is not necessarily measured in the ability to provide payoffs, but rather the need to do so to move the negotiations forward (Zartman, 1991: 69).

Jackson and Rosenberg (1982:7) claim that the three factors that determine an African country's level of control, or agency, are 'domestic authority, the apparatus of power and economic circumstances.' From an economic perspective, at the time that Angola began negotiations with China in 2003, the country had been devastated from civil war. The successful negotiation of a financing deal was relatively much more important for the Angolan regime's survival than for their Chinese counterparts. Furthermore, alternative

sources of financing from IMF were contingent on conditions that threatened the regime's continued existence. An assessment of China and Angola's relative positions would therefore assume that China's power was greater than Angola's in this transaction, rendering Angola to be the 'weaker' state. This phenomenon of a presumed weaker state exacting disproportional benefit in negotiations with a stronger power has been remarked upon in international negotiation literature (Hirschman, 1981; Zartman, 1999b; Habeeb, 1988; Schneider, 2011). Several theoretical devices have been put forward to explain this.

Pertinent to relations between China and Angola, is Hirschman's (1978:47) concept of 'disparity of attention'. In 2003, when China and Angola first started negotiating a China Exim Bank credit line, the government's fiscal survival, short of large-scale reforms which would have affected Angola's political elites, was predicated on acquiring external financing. As a result, the Angolan negotiating team would have 'devote[d] its attention with single-minded concentration to this uncomfortable situation' (Hirschman, 1978:47); whereas in theory, their Chinese counterparts would not have been operating with the same urgency, Angola at the time less than even a bit player in China's commercial relations. This bears out on China's previous behaviour towards Angola. As Jackson (1995:389) contends, during the Cold War, China more often adopted a 'world view', seeing Angola's conflict as a generic liberation struggle, rather than a 'regional view', taking into account the specificities of the Angolan context, to their detriment. Furthermore, Chinese academics and policy analysts' have often treated 'Africa' as a unit, as disaggregated countries are considered too small, given terms of trade to deal examine individually. This is by no means unique to China, particularly during the period of the Cold War, but it does allow for considerable underestimation of African counterparts, as has been the case with Angola, as we shall see.

Habeeb (1988) examines the bargaining power of weaker states in more detail. He suggests that rather than the aggregate power (the sum of all each state's resources) being the definitive factor in the outcome of negotiations, the context and structure of the negotiations itself is central. For Habeeb (1999:19) the 'issue power balance', an actor's capabilities and position in relation to the other actor, as well as the ability to harness these

resources 'behavioural power' can be more decisive. Fundamentally, dynamic changes in the 'issue power balance' of a mutual concern and how the actors manoeuvre this equilibrium closer to their own goals have an influence on negotiations. Habeeb's (1988) analysis places importance the alternatives to these negotiations, the commitment of the actors and the extent of their control of the negotiations as the three determinant variables of 'issue power' manipulation. Focussed primarily on bilateral rather than multilateral negotiations, his analysis is particularly appropriate in the context of China- Angola relations. Betzold (2010) extends this argument further, suggesting that weaker states can 'borrow' power from external power sources, the negotiation context, the third parties, the negotiation process or even the stronger target.

A key issue here is the strategic nature of oil. Whereas Angola was undoubtedly in a weak position to at the start of negotiations, thus has changed over time. Angola has manipulated China's growing desperation to find sustainable sources of petroleum to feed its galloping economy. In 2003, the Chinese leadership was facing a pronounced energy crisis⁵²², as a coal-dominated energy supply failed to meet demand and oil demand increased 9 percent and a further 17 percent the following year (Bergsten et al, 2008:151). Hu Jintao became President that year and made the internationalisation and diversification of oil supplies a priority (Chen, 2008:94). Substantial increases in Angolan petroleum exports to China have rendered Angola one of China's largest sources of oil imports, with the result that China is considerably more dependent on Angola for petroleum than it was 10 years previously (See chapter 4).

Hirschman (1978:46) in his critique of dependency clarifies 'gains from trade'. It was his intention to highlight how a small country can become dependent on its exports to a larger country (the importance of the foreign exchange relative to the size of the economy). However, due to China's dependence on oil and the extent to which Angola has become an

⁵²² According to Bo (2010:60) the severe national power shortages that China experienced between 2003 - 2006 were the result of Chinese domestic oil production declining 20 years previously and an inability of the Chinese central bureaucracy to mobilise fast enough in order to address the impending crisis of demand due to artificially low fuel prices.

important supplier Hirschman's concept becomes inverted to the extent that China's dependency on Angola is heightened significantly.

The manner in which the Angolan government has positioned itself vis-à-vis China illustrates the Angolan government's active role in manipulating the 'disparity of attention' phenomenon in order to strengthen its position, thus 'borrowing power' (Betzold, 2010:2) from China's own dependence on oil. This is a typical instance where the Angolan government has used behavioural power to alter the 'issue power' equilibrium (Habeeb, 1988:19) in crafting and adapting its engagement strategy with China. As Handel (1981:50) notes, the misreading of power is the root of politics. An assumed passivity or underestimation of Angola on the part of China has allowed the smaller country to manipulate the relatively more powerful country's strength. Unlike many other African countries, the Angolan political elite have carved out considerable policy space through the country's management of its relationship with China. While this does not necessarily translate into developmental benefits, it shows an element of African agency that is often overlooked in analyses of China-Africa relations. This chapter seeks to explore the manifestation of this agency on the part of the Angolan government.

While Chinese actors have made every effort to retain control of the China Exim Bank loan facility, Angolan elite have shown an extraordinary ability to shape it to their benefit and effectively are in far greater control of the mechanism than their Chinese counterparts. Furthermore, increased financing opportunities have raised the potential number of alternatives open to the Angolan government. Consistent with Habeeb's (1988) theory prioritising alternatives, control and commitment, this has resulted in a shift in power from China to Angola over time. As I will argue here, the facility has been used to strengthen the incumbents' hold on political power, effectively adapting their strategy of extraversion to take into account shifting political geographies. The Angolan political elite, primarily the Presidency, has seized the opportunities presented by engagement with China to strengthen and reinforce mechanisms through which it retains power. These mechanisms are those used by weak states engaging in 'survival politics' (Migdal, 1988:214).

A distinction must be raised here between Clapham's thesis (2008:366) that African elites will come to manipulate Chinese for their own political agendas and Handel's (1981:44) assertion that weaker states will manipulate the great powers for their own ends. Whereas Handel (1981:45) assumes that the weak state's agenda will be in the collective national interest, Clapham (2008:366) is referring to the individual agendas of the political elite themselves. Similarly, while Ravallion (2010) argues that some countries lack the capacity to efficiently redistribute a country's wealth, he makes the fundamental assumption that the government at least possesses the political will to do so.⁵²³ As Macdonald and Woolcock (2007:66) argue, national interests are defined by governments which serve their most powerful interests. In this case the MPLA government is self-serving.

This chapter discusses the role of the Angolan political elite in shaping the process and outcome of the China Exim Bank credit lines in the Angolan context. After identifying the Angolan political elite, I will outline the specific instances in which their agency manifests in the China Exim Bank loan negotiations. These are further placed in the context of the Angolan government's own ambitions in an international, regional and domestic context.

6.1 Angola's Political Elite

The Afro-Portuguese, which continue to be the backbone of the MPLA, have a history of political dominance in Angola, as outlined by Chabal (2007:5) and Heywood (2000). As previously noted, Bayart's 'extraversion', is a continuation of the Luandan urban elites' historical *modus operandi* since pre-colonial times, where access to foreign trading routes and connections afforded them privileged positions in Angola-based Portuguese society (Newitt, 2007:47). Educated and relatively privileged compared to the *indígenas*, it was colonial Portugal's systematic thwarting of their economic and political aspirations that

⁵²³ Khan (1998:38) argues that: 'The economic (as opposed to the moral) problem is not corruption *per se* but the political structures which generate growth-retarding corruption.' Indeed, as pointed out by Sogge (2009:8): 'Collusion between foreign and national elites has made Angola a net exporter of capital for decades.'

made the fight for independence so attractive. The MPLA founding fathers, under the influence of Marxism-Leninism saw themselves as a kind of 'vanguard party' representing the Angolan masses. However, ultimately the MPLA assumed control of the colonial bureaucracy rather than fundamentally transforming it. The structure of the colonial state has remained largely intact by design, retaining the economy's international dependency. A substantial disconnect has emerged and merely widened between the MPLA elite and the proletariat they have claimed to represent. This is a well-worn pattern in communist and communist-influenced states as recognised by Putnam (1976:209) in his comparative study of elites.

Such differences were successfully employed by the MPLA's political opponents during the party's early years to prevent the MPLA's appeal expanding from their urban strong hold in Luanda, as discussed above. However, by 1976, the MPLA was in a dominant position by virtue of force and control of the Luanda, the capital.

The two most important loci of power in Angola are the military, in the form of a select group of generals⁵²⁴ and a small number of 'extended and interrelated creole families' (*Oxford Analytica*, 2011:2). This conforms to the classic case of a political elite as described by Putnam (1976:22) as a small, autonomous (in that they are not accountable to those at the 'bottom' of the pyramid of power) interlinked and privileged group with a shared commitment to the political status quo. Their support has been vital for the President's continued political control, both in terms of retaining a monopoly of force (through control of the army) and economic rents (ensuring that all business is linked to his patronage). Putnam (1976:158) describes this as the modern patron acting as a broker for his clients and the wider political system and was as true during war as during peace, constituting a form of

⁵²⁴ Several generals hold, or have held high positions in the government, such as General Kopelipa; General Francisco Higenio Lopes Carneiro (Former Minister of Public Works from 2002 until 2008) and Fernando Garcia Miala (Former Intelligence Chief). Although none of these three hold these positions any longer, they are reportedly some of the richest men in Angola with extensive business interests. (*Africa Confidential*, 2011:6).

what Reno (2000:221) terms the distribution of patronage to ‘strongmen’.⁵²⁵ This mutual dependence leads Marques de Morais (2010b) to question as to whether the President is the patron or the hostage of ‘his generals’.

The mechanisms of political control have been gradually consolidated around the position of the Presidency beginning with President Agostinho Neto, as discussed in Chapter 1. This process was continued under President Dos Santos with incremental amendments to the political processes which have only served to defer legitimacy on a system of centralised power that has been in force for decades (Hodges, 2004:168; Pearce, 2005:xviii). Originally considered a non-threatening compromise candidate, Dos Santos embodies the Pareto ‘fox’ characterisation of elites, manipulating and playing rival factions of against each other, and disassociating himself from failure, allowing a subordinate to take the fall, despite the fact that he is the ultimate authority (Putnam, 1976:167; Clapham, 1985:73).

President Dos Santos has managed to enshrine such a concentration of political power in legislation. The 2010 Constitution allows him to remain in power without direct election, following the landslide MPLA victory in parliamentary elections. Dos Santos also had the courts nullify his presidential rule from 1979 to 2008, on the grounds that it was ‘unconstitutional’, given that he was in fact not directly elected as was the Angola’s constitutional requirement at the time.⁵²⁶ This effectively turns the clock back, allowing dos Santos to remain in power for the maximum term specified in the constitution, as his previous years in power no longer count, leading to what Marques de Morais (2010d) terms ‘a constitutional freedom of responsibility’. This subversion of Angolan law nevertheless indicates a need for the head of state to prove his legitimacy for rule, suggesting a counter-intuitive vulnerability in his position. The monopolistic nature of the state by default indicates a personal form of ‘survival politics’ (Clapham.1996a:5).

⁵²⁵ Cilliers (2000:5) and De Beer and Gamba (2000), in line with Chabal and Daloz’s (1999) concept of the ‘instrumentalization of disorder’ argue that prolonging the war in Angola was in fact a calculated agenda to reap more benefits than peace would allow as the lack of accountability in war is not possible during peace time. However, Malaquias (2000:95) points out that describing Angola as purely a ‘resource war’ is accurate but overly reductionist.

⁵²⁶ Interview, activist, Luanda, 2 February 2011

Without the consolidation of such absolute power, the greatest threats to Dos Santos' political power would have come from within the party itself. Roque (2011:6) notes the existence of four 'factions' within the MPLA, centred around General Manuel Helder Vieira Dias Junior (Kopelipa), Carlos Feijó, his two Ministers in the Presidency, Fernando da Piedade Dias dos Santos (Nando), vice President and the President's cousin, and Silva Mateus, the last remnant of the Nito faction. Dos Santos' political survival is contingent on maintaining a power balance between these factions and access to sufficient resources to ensure their loyalty (Clapham, 1996a:274).

As Woolcock notes (2007:30) governments maximise their utility by serving the most powerful interests in negotiation, in patrimonial state, this translates to the military and other powerful political factions. Bayart (1993) describes the political imperative for the leader of an African country to service a wide-spread patronage network in order to consolidate and maintain his position of power.⁵²⁷ Thus legitimacy stems from control of rents for distribution⁵²⁸ (Chabal and Daloz, 1999:15) and ensures a shared commitment of clients to the system (Putnam, 1976:116). Essentially, Dos Santos has typically allowed public services to be used as privileged access to goods for the elite⁵²⁹ (Ostheimer, 2000:120). As Hibou (1999:72) notes, this extends to more than just the cessation of public enterprises to private actors. It can include the acquisition, the creation or the conquest of markets by various means by persons linked to those in power but operating in a personal capacity as has extended to the mechanisms managing the Chinese credit lines, as will be shown below.

⁵²⁷ This has included President dos Santos' own family, which is extremely wealthy due to the business empire that they have established (Gumede, 2006; Macaueh, 2008).

⁵²⁸ Cilliers (2000:5) and De Beer and Gamba (2000), in line with Chabal and Daloz's (1999) concept of the 'instrumentalization of disorder' argue that prolonging the war in Angola was in fact a calculated agenda to reap more benefits than peace would allow as the lack of accountability in war is not possible during peace time. However, Malaquias (2000:95) points out that describing Angola as purely a 'resource war' is accurate but overly reductionist.

⁵²⁹ Shaxson (2007:52) relates how during the war, only politically connected Angolans had access to purchasing US currency at the official rate and then selling it on the black market (20 times the official rate in early 1994).

Marques de Morais (2010a, 2010b, 2010c); has conducted a series of investigations detailing how state assets through the ostensibly legal process of privatisation are sold to high-ranking government officials in their private capacity. Similarly government officials have been allowed to subcontract public tenders to their own companies, thus using their official position to benefit commercially. (Key among these beneficiaries are high-ranking generals in order to retain their loyalty in a highly militarised society and to prevent dos Santos' removal by coup.) This is not only contrary to several long standing laws in Angola, but is expressly forbidden in the Law of Public Probity passed in November 2009. Nevertheless, as pointed out by Marques de Morais (2009, 2010c), some of the most blatant instances of this kind of corruption have occurred simultaneously or immediately following the passing of this law. He argues that this institutionalised form of corruption is justified as 'They [the power holders] plunder, but also allow others to plunder their share.' Marques de Morais (2010b).

As a result of these patronage networks, political and economic power is concentrated into the hands of a select few. Economic opportunity is a function of political access and the elites thus fundamentally rely on Dos Santos, as he is the source of this wealth and power. And their fortunes are bound to his, just as he relies on them for support to remain in power, rendering a classic example of the neo-patrimonial state⁵³⁰. Dos Santos' most intimate cabal of advisors is known colloquially as '*Futungistas*' after one of the President's palaces, *Futungo de Belas* (Shaxson, 2007:51; Sogge, 2009:14). The most important figures are those that control the interrelated sectors of oil, banking, and public works. The two figures profiled below are representative of the two groups dos Santos holds close to his chest, the technocrats, and the generals.

Manuel Vicente, CEO of the Angolan state oil company Sonangol since 1999, is a powerful by virtue of his position as head of the parastatal through which the majority of government revenues are generated. He has increasingly been instrumental in furthering Angola's

⁵³⁰ A full analysis of the nature of the neo-patrimonial oil-state is beyond the scope of this work. For in-depth analysis see Soares de Oliveira (2007b); Shaxson (2007) and Hodges (2004).

economic diplomacy, especially through Sonangol's international expansion (*Economist*, 2011). Most notable was his meeting with Chinese Vice-president Xi Jinping, the probably future Chinese head of state in April 2011. This takes on new significance given that Vicente was at the time mooted as Dos Santos' successor (*Reuters*, 2011b). Notably, Vicente while Vicente has international credibility as a technocrat, he has no significant domestic political support base, thus posing no immediate challenge to Dos Santos while he remains in power (Roque, 2011:4). However, in December 2011, apparently after Dos Santos indicated his 'availability' to run in the 2012 elections, Vicente was re-appointed as CEO of Sonangol for three years, despite having announced his intention to step down from the post at the end of 2011 (Mendes and McClelland, 2011).⁵³¹ Vicente has a wide network of business interests and attracted controversy when in 2008 he transferred a 1 percent share of Sonangol's holding company to himself and restructured several Sonangol subsidiaries in his favour (Marques de Morais, 2010c). While in direct contravention to Angolan legislation, this was only reversed after public outcry. Vicente however retained his position as head of Sonangol.

General Manuel Helder Vieira Dias Junior (Kopelipa) is the minister of State and head of the Military House (*Casa Militar*) in the Presidency and was until mid-2010 also head of the National Office for Reconstruction (*Gabinete de Reconstrução Nacional*), known by its Portuguese acronym GRN. Tasked with the state defence and security, Kopelipa also has extensive business interests in various sectors of the Angolan economy, often in partnership with Vicente and General Leopoldino Fragoso do Nascimento "Dino", the head of communications in the presidency.⁵³² Marques de Morais (2010d) calls these three figures the 'triumvirate that dominates Angola's political economy'. Of interest is the fact that while Dos Santos is acknowledged as the supreme patron of these figures and the source of their political and economic clout, Dos Santos himself has not gone into business with them. Instead, his wife and daughters, particularly the elder Isabel dos Santos hold considerable business interests (Seabra & Gorjão, 2011:10). As Campbell (2011), notes somewhat bitterly

⁵³¹ This is a classic case of the 'fox' elite character refusing to anoint a successor in order to retain the upper hand in balancing factions as described by Clapham (1985:76).

⁵³² For details on their commercial holdings see Marques de Morais (2009, 2010d) and Roque (2011).

‘... now the generals and the family around the President have bought into the neoliberal idea that the creation of millionaires is the best way for the society to be transformed.’

This arrangement of powerful figures around dos Santos has given rise to a ‘shadow state’ (Reno, 2000:49), or rhizome state (Bayart, 1993:35) the political influence of which supersedes the checks and balances that the legislature, and government bureaucracy are supposed to offer. Roque (2011:3) characterises the components of this parallel state as the *Casa Civil* (Civilian House) headed by Carlos Feijó, *Casa Militar* (Military House), headed by General Kopelipa, Sonangol, headed by Manuel Vicente and the network of intelligence services all of which report directly to President dos Santos. In order to retain loyalty, the patronage network is also extended down the hierarchy by Kopelipa and Dino’s to their own subordinates ensuring the security of the political pyramid.⁵³³

Concurrently, as described in chapter one, dos Santos has allowed the official government structures to decay. This is consistent with Van De Walle’s (2001:135) assertion that elites prefer a low degree of state capacity as it is less constraining, essentially ‘instrumentalising disorder’ for their own ends (Chabal and Daloz, 1999: 103). Angola is a prime example of this. Pinto de Andrade (2007:14) draws attention to the disastrous economic policies enacted throughout the 1980’s and 1990’s, whose effects were worsened by the state’s reliance on the fluctuating value of petroleum exports and the constant fiscal strain of supporting a protracted civil war. During the period 1987-2004, the central government promulgated no less than 11 different over-arching economic plans, lasting between a fortnight and a few years. Furthermore, between 1990 and 2003, President dos Santos appointed and subsequently dismissed 10 Ministers of Finance and 6 Governors of the Reserve Bank (Pinto De Andrade, 2007:17). This rendered it plainly impossible to maintain even a semblance of policy continuity, much less allow any political figure to build up a domestic support base through their own competing patronage system. Mills (2006:128)

⁵³³ Marques de Morais (2010d) describes in detail the transferal of shares in a company owned by Kopelipa, Dino and Vicente to two officers subordinate to Kopelipa and finally distributed among officers of the Presidential guard.

notes that this level of dysfunctionality has been ‘to a degree self-serving’; pointing out that the Angolan government actually has a high level of functional capacity, should it be moved to use it. This is explored below.

6.2 ‘Angolanisation’ of the China Exim Bank loan

Angola is arguably one of the Sub-Saharan African countries most jealous of its sovereignty. The Angolan executive is careful not to let any one foreign trade partner dominate the domestic political or economic arena. The manner of Angola’s loan negotiation with China conforms very much to the template of an international business negotiation as described by Duponte (1991:331); it is a complementary arrangement comprising a supplier of a resource, a buyer with some sort of payment, and negotiated terms and conditions.

It is evident from the manner in which the Angolan negotiations with China Exim Bank have departed from the generic blue print described in chapter 3 that considerable agency has been manifested on the part of the Angolan government. One respondent claimed: ‘They [Angolans] don’t look at [the Chinese presence] as sweet talk, or a salvation mission; they think that “for what we give them, we will get more than they realise, more than they thought we could or would get out of the transaction.”’⁵³⁴ Given the centralised position of President in the Angolan government, he could operate with relative autonomy and high personal discretion (Kahn, 1991:149). As noted by Clapham (1985:125) ‘The leader is not simply a symbol of national unity...he is also the person who makes the deals, deals which are concerned with his own position as well as with “national” foreign policy.’ The agency of the Presidency manifests in several key areas with regards to negotiations with China Exim Bank and the way in which Angola’s leverage was used to influence the nature of the agreement reached⁵³⁵.

⁵³⁴ Interview, Western construction equipment importer, Luanda, 15 July 2010. The same sentiments were expressed by the Chinese manager of a private Chinese importing business (interview, Luanda, 15 July 2010).

⁵³⁵ Both Sri Lanka and Ecuador, arguably relatively smaller, weaker states than Angola complained bitterly about the terms China Exim Bank was demanding when these countries were negotiating for financing (AFP, 2009b; LBO, 2010).

The Angolan government's pro-active stance vis-à-vis the Chinese government is visible in certain key parameters: the pricing of the oil shipment used to repay the loans, the local content component included in the agreement (both discussed in chapter 4) and the Angolan government's local role in the management of the credit lines. Officially, the Angolan co-ordinator of the China Exim Bank credit line is the Angolan Ministry of Finance, with which both the Chinese Ministry of Commerce and China Exim Bank have signed agreements.⁵³⁶ However, this remains the case on paper only, as in practice significant modifications have been made to the management structure on the Angolan side. As Underdal (1991:100) notes, the outcome of an agreement is must be taken to include not only the output of the agreement itself, also but the impact and implications of the agreement.

6.2.1 The Rise and Fall of the GRN

Despite efforts by China Exim Bank officials to isolate the loan structure from corruption, the financing from Beijing has not remained immune. In late 2004, Finance Minister José Pedro de Morais was summoned to Beijing to answer to allegations of misappropriation of China Exim Bank funding (Ferreira, 2008:297). In an ostensible attempt to reform reporting structures, the *Gabinete de Apoio Técnico* (GAT), was established in September 2004 at the Ministry of Finance, which reported to an 'Inter-Sector Monitoring Commission' led by the Minister of Finance at the time, José Pedro de Morais, the Minister of Public Works, Higenio Carneiro, the BNA Governor, Amadeu Maurício, the Secretary to the Council of Ministers António van Dúnem, and the CEO of Sonangol Manuel Vicente (ERA, 2009:82). State Secretary António Van Dúnem was later declared the guilty party in the corruption scandals and dismissed.⁵³⁷ In October 2004, ostensibly due to further problems of corruption, in consultation with the Chinese government, President dos Santos and Prime Minister

⁵³⁶ An official from the Angolan Ministry of Foreign Affairs was quick to point out that bilateral relations were conducted by the Angolan Ministry of Foreign Affairs, whereas the more technical issues were worked out by the Ministry of Finance. (Interview, Luanda, 29 July 2010). It appears that as in the case of the Chinese ministries, the Angolan Ministry of Finance is more important in these negotiations than the Ministry of Foreign Affairs.

⁵³⁷ According to ERA (2009:82), van Dúnem was dismissed because his prominent position linked the Cabinet and the President too closely to the corruption scandal. According to Servante (2005) van Dúnem was forced to resign due to Chinese government pressure.

Fernando Piedade Dias dos Santos established the National Reconstruction Office (known by its Portuguese acronym GRN), headed by General Kopelipa.⁵³⁸ Several Chinese respondents I spoke to had great respect for Kopelipa and his knowledge of China.⁵³⁹ Significantly, a China Exim Bank director who went to Angola to inspect the projects under way called Kopelipa ‘the number 2 in the country’⁵⁴⁰, despite this not being the official governmental chain of command.

GRN was an instrument of the executive, as are the various other *gabinetes* created by the executive and was essentially as mechanism through which the President could centralise power and achieve direct access to the credit lines through his *Futungistas*. One respondent commented:

‘The correct assumption is the President is trying to have more control. He is the one calling the shots. He is very much trying to be a US administration, but an African version – in which decisions are made at the top so he understands fully what is going on as the leader of the country, this plays to his strategy...’⁵⁴¹

This seemingly all-encompassing powers of the GRN scuttled any attempts at accountability, as this organ reported directly to the Presidency, under one of his closest associates. Given GRN was headed by the highest military authority in the land; access was difficult as information regarding the GRN fell under the jurisdiction of state security organs. An Angolan activist believed that most of the Chinese funds went to the GRN to finance the

⁵³⁸ The visit of the President of China Exim Bank at the time, Yang Zilin in September 2004 was reportedly in order to resolve issues of embezzlement related to the China Exim Bank credit line (ERA,2009:82)

⁵³⁹ Interview, senior official, Chinese embassy, Luanda, 10 May 2010; interview, manager, Chinese private importing business, Luanda, 26 July 2010. The latter respondent mentioned that Kopelipa had been to China several times and had visited Yiwu, a well-known wholesale market in Eastern China. He suggested that the general’s knowledge about China would ensure that he remained close to the Presidency.

⁵⁴⁰ Interview, department deputy general manager, China Exim Bank, Beijing, 9 December 2009. According to him, Kopelipa went to China in the 1970’s, met Mao Zedong and Zhou Enlai, so there has been high-level interaction since the 1960’s and 1970’s.

⁵⁴¹ Interview, Angolan think tank, Luanda, 13 May 2010

‘mega-projects’.⁵⁴² The activist went on to point out that even though the Chinese have a considerable presence in Angola, ‘no one knows the extent of the loans.’ Despite the fact that the Angolan Ministry of Finance publishes detailed information on the projects financed by the Chinese credit line on its website,⁵⁴³ very few Angolan activists give credence to these numbers.⁵⁴⁴ Doubt as to the published loan figures was echoed in the business community.⁵⁴⁵ While this lack of transparency may have suited the President initially, (despite the GRN’s original mandate to improve transparency), it was not a sustainable arrangement. Not only did it yield too much power to already powerful figures, which may have later threatened the President’s position, but it linked the Presidency too closely to the accusation of corruption that followed the GRN.

In mid-2010, the GRN’s power was reportedly removed. Marques de Morais (2011a: 73) suggests that General Kopelipa investigated for the way that the previous credit lines had been managed. State-owned newspaper *Jornal de Angola* (2010a) reported in May 2010 that President Dos Santos had appointed Antonio Texeira Flor, a former Vice Minister of Urbanism and Housing, as director-general of the GRN, with Manuel José Cardoso do Amaral van Dúnem and Edgar de Carvalho da Costa Santos named as assistant directors of technical administration and finances respectively. This restructuring may indeed have been due to accusations of mismanagement of funds, or in order to reduce the power of General Kopelipa who had previously had unfettered access to Chinese funds as former head of the GRN.⁵⁴⁶ An Angolan activist remarked that GRN was to all intents and purposes ‘finished’ as

⁵⁴² Interview, NGO, Luanda, 18 August 2010

⁵⁴³ See www.minfin.gv.ao and Appendix 3

⁵⁴⁴ Interview, NGO, Luanda, 18 August 2010

⁵⁴⁵ Interview, Western construction equipment importer, Luanda, 15 Luanda, 2010

⁵⁴⁶ One respondent mentioned that: ‘The legacy is questionable for some; some want the decision to scrap it.’ (Interview, Angolan think tank, Luanda, 13 May 2010). Possibly related is the fact that a former high-ranking general, Fernando Garcia Miala reportedly threatened to identify senior Angolan government officials profiting from diverted Chinese credit line funds (HRW, 2010). This was allegedly part of a power struggle between the two generals (*African-Asia Confidential*, 2007). Miala was sentenced to four years’ imprisonment for ‘insubordination’. Of interest is the fact that in the month immediately after Miala’s sentencing on 20 September 2007, the Ministry of Finance issued a press release for the purpose of ‘clarifying’ the Chinese credit lines (Angolan Ministry of Finance, 2007b). This is the only time the Angolan government has released an official government statement in this regard. Furthermore, Miala only served 2 years of his sentence, and was released on 9 October 2009 following a Presidential pardon in April of that year (HRW, 2010).

the GRN's former mandate was being handed to Sonangol.⁵⁴⁷ Indeed, *Jornal de Angola* (2010b) quoted the President confirming as much, with most responsibilities being transferred to the newly formed Sonangol Imobiliária⁵⁴⁸ (Sonangol Real Estate), and 'other entities'.

Even though the GRN has been dismantled, the transfer of its powers to Sonangol is hardly an improvement on transparency and accountability.⁵⁴⁹ The parastatal has long had a reputation as an 'island of competence' (Soares de Oliveira, 2007a:595) amid Angola's inefficient bureaucracies, but is also almost a parallel treasury, with little accountability other than to the President (Hodges, 2004; Soares de Oliveira, 2007a, 2007b; Shaxson, 2007:51). The oil company, despite having been in existence since 1976, published its first externally audited accounts in mid-2010 only because it was part of the IMF stand-by agreement requirements.⁵⁵⁰ Global Witness (2011:5) has found a US\$ 8.55 billion difference in the reported figures for oil revenue between Sonangol and the Ministries of Finance and Petroleum; the accounts of the ministries also appear not to match.

Furthermore, the responsibility has merely been transferred from one member of the 'triumvirate' to another, in this case from Kopelipa to Vicente, Sonangol's CEO. Tellingly, Sonangol Imobiliária sub-contracted the marketing and sale of a large-scale housing project built under the credit line, Nova Centralidade de Kilamba Kiayi, to Delta Imobiliária - Sociedade de Promoção, Gestão e Mediação S.A. Created in December 2007, this private real estate company is owned by Manuel Vicente, General Kopelipa and General Dino,

⁵⁴⁷ Interview, activist, Luanda, 2 February 2011

⁵⁴⁸ Sonangol Imobiliária, according to a report by *Novo Journal* (2010) was created as a subsidiary of Sonangol designed to amalgamate the responsibilities of the Cashew Co-operative (Cooperativa Cajueira) and the Engineering Directorate (DENG), previously responsible for construction undertaken by Sonangol. The director of DENG, Orlando Veloso was mooted to assume directorship of Sonangol Imobiliária. *Jornal de Angola* (2010c) confirmed that by November 2010 Veloso was the President of the Administrative Council of Sonangol Imobiliária. The Company reportedly owns a 20 percent share in Mota-Engil Angola (Vines, et al, 2011:4). According to the Angolan Ministry of Petroleum (2010:77) the company manages civil construction projects undertaken by Sonangol and in 2009, managed US\$ 208 million of investment, twice the amount initially expected for that year.

⁵⁴⁹ For an in-depth discussion of the level of transparency and reliability of Sonangol's accounts, see Global Witness (2011).

⁵⁵⁰ See IMF (2009)

fronted by several of their subordinate officers (Marques de Morais, 2011c). This is clearly a conflict of interest, given the positions of the individuals involved. Furthermore, the Kilamba Kiaxi project, had been originally unveiled by the President as part of the MPLA campaign promise to build a million houses in the following four years. The President announced in August 2010 that the state-subsidised housing units would be sold to Angolan families for the maximum price of US\$ 60,000. However, Delta marketed these units at US\$ 125,000 – US\$ 200,000, two to three times the promised price and well beyond the means of the families for which they were ostensibly intended (Marques de Morais, 2011c). This indicates that despite the rhetoric employed by MPLA and the President regarding national reconstruction, these projects primarily serve as a vehicle for wealth generation for the politically connected.

6.2.2 Parallel Structures of Chinese Financing in CIF

Of significance is the presence of another private Chinese financing structure in Angola that competes directly with that of China Exim Bank. From 2005, credit lines from China International Fund Ltd (CIF), a Hong Kong-based company were placed under the auspices of GRN.

On the surface of it, CIF is a private institution through which private Chinese clients can channel investments into Africa and beyond. Deeper investigation presents a more intriguing picture. CIF is one of a complex web of 60 companies with the business address of 88 Queensway in Hong Kong, leading a group of US-China Economic and Security Review Commission Congress researchers to dub them, the '88 Queensway group' in a report (Levkowitz et al,2009).

A Hong-Kong-based businessman, Xu Jinghua, known by a variety of other aliases⁵⁵¹ is the driving force behind CIF (Vines *et al*, 2009:69). Xu Jinghua reportedly attended a Soviet academy in Baku in the 1960's where he met a young Eduardo dos Santos (*Economist*, 2011), and worked for the Chinese intelligence department as the secret service⁵⁵² contact facilitating arms provision to the MPLA on behalf of the Chinese government (Lu,2007). This intermediary role provided Xu with high-level contacts that he exploited for commercial gain following the end of Angola's civil war (Long, 2010). Xu has reportedly boasted that his 'slice of the Angola construction pie' was worth more than US\$ 30 billion (Zhou 2007). He reportedly has access to an Angolan diplomatic passport, which he uses in his frequent travels on a luxury jet to his African client governments, among them Zimbabwe, Guinea and Madagascar. (*The Times*, 2011; Morrissey *et al*, 2011).

Xu has two associates, Veronica Fung (冯婉筠 Feng Wanyun) variously reported as a possible family member, wife and girlfriend (*Economist*, 2011; *The Times*, 2011; Morrissey *et al*, 2011) and Lo Fong Hung (罗方红). Lo, the daughter of a Chinese general and formerly a translator to Deng Xiaoping is chairperson of CIF (Campos and Vines, 2007; Vines *et al*, 2009, Ferreira, 2008).

Although Xu's own name is rarely seen on documentation pertaining to the '88 Queensway Group' of companies, both women are each named as directors of a large collection of the interrelated companies (*Economist*, 2011; Vines *et al*, 2009:64), among them New Bright International, the company with an indirect controlling share CIF, of which Lo and Fung own 30 percent and 70 percent respectively. New Bright International owns 70 percent of Beiya International Development Company, formed in 2003 and later renamed Dayuan International Development Corporation.⁵⁵³ Dayuan owns 99 percent of CIF.

⁵⁵¹ Xu Jinghua (徐京华), has been referred to as Sam King, Mr Sam, Sam Pa, Ghiu Ka Leung and Samo Hui (*The Times*, 2011; Levkowitz *et al*, 2009:6; Vines *et al*, 2009:69)

⁵⁵² Electronic correspondence, US-based researcher who has done field research in Angola, 18 June 2008

⁵⁵³ Beiya Industrial Group, a railway construction company based in Harbin, in northern China owns the remaining 30 percent of Dayuan International Development Corporation (Murray, 2011).

The CIF loans managed by GRN, were estimated to be approximately US\$ 9.8 billion within a year of the office's establishment.⁵⁵⁴ However, the controversy surrounding these loans prompted the Angolan Ministry of Finance (2007) to issue its first ever official press release regarding the various Chinese credit lines. The Ministry of Finance (2007b) clarified that CIF, described as a 'private institution' had been created for the following purpose:

- 1) Creating facilities or credit lines to finance projects within the framework of the National Reconstruction Office;
- 2) Obtaining new funds on more competitive terms;
- 3) Promoting national and international venture capital investment in Angola.

The same press release reported that CIF had only made available financing amounting to the lesser amount of US\$ 2.9 billion. These funds were earmarked for carrying out various construction projects, such as the building of a new international airport in Luanda⁵⁵⁵, roads and railway rehabilitation as well as drainage in Luanda city. Due to difficulties in securing financing, the Angolan government instructed the Angolan Ministry of Finance to secure domestic funding through the sale of treasury bonds to the value of US\$ 3.5 billion (Angolan Ministry of Finance, 2007b). Prior to this bail-out by the Angolan government, CIF had had to stop all payments for 8 months in 2007. The Angolan government, with an eye on elections in 2008, had been forced to intervene to ensure that promises of infrastructure were kept, regardless of the cost (*Economist*, 2011).

CIF's lack of delivery as regards its infrastructure commitments is a common theme among several other African countries in which it is involved, such as Zimbabwe, Guinea and Madagascar. Furthermore, according to Hong Kong court records Xu Jinghua has been sued more than 15 times on charges including bankruptcy, unpaid debts and tax delinquency (Murray,2011).

⁵⁵⁴ Interview, foreign-invested bank in Luanda, 7 June 2006

⁵⁵⁵ Interestingly, although several reports have commented on the new flagship airport having been abandoned, in November, 2011 a local newspaper *Novo Journal* reported that the airport, expected to be completed in late 2012, have been awarded to CIF to manage for 25 years (Mendes, 2011b).

Increasingly known for its opacity, CIF has generated considerable international controversy following the announcement of less than transparent loan agreements in Latin America and other African countries to fund infrastructure which does not materialise (*The Economist*, 2011; Morrissey et al, 2011; Murray et al, 2011; *Africa-Asia Confidential*, 2009a). It was also related to a highly publicised case of insider trading on the Shanghai stock market. In March 2007, previously little-known Hangxiao Steel, a Zhejiang-based Chinese company announced it had won US\$ 4.4 billion in contracts from CIF to sell construction material and services for a public housing project in Angola. Shortly afterwards the China Securities and Regulation Commission (CSRC) undertook to investigate the company, which was listed on the Shanghai stock exchange. Hangxiao's share price had risen by the maximum of 10 percent for 10 consecutive days until 16 March; the deal had been announced on 13 March (Kurtenbach, 2007). In April CSRC fined the company and 5 employees, including the chairman and president a collective RMB 1.1 million (US\$ 143,000) for insider trading. The company soon ran into difficulty with the contract. By August 2007, the company had received law suits from 22 investors claiming RMB 2.7 million (US\$ 360,000) (*China Daily*, 2007).

The Chinese government, particularly the Ministry of Foreign Affairs, has distanced itself from CIF, and all the Chinese respondents I spoke to were adamant that CIF had nothing to do with the Chinese government and was a private entity.⁵⁵⁶ In a Wikileaks cable Chinese Ambassador Zhang Bolun confided to Ambassador Dan Mozena that CIF had 'weak management and poor leadership in Angola, despite its close links to the Angolan presidency'.⁵⁵⁷ A MOFCOM report has also accused CIF of high-jacking Chinese economic policy by introducing potential foreign clients to phony diplomatic representatives of Hi Jintao and bribing foreign officials (*Caixin*, 2011).

Several Chinese respondents and Chinese sources have commented on the important and yet harmful (to Chinese government interests) role that CIF is playing in Angola (Long, 2010).

⁵⁵⁶ Interview, Chinese think tank, Beijing, 16 October 2009; Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009; interview, manager, Chinese import company, Luanda, 15 July 2010.

⁵⁵⁷ <http://213.251.145.96/cable/2009/01/09LUANDA51.html>

Chinese sub-contractors are left in difficult positions if projects are halted and Chinese workers, stranded in Angola with no pay, have reportedly demonstrated outside the Chinese embassy in Luanda (*Caixin*,2011). According to Marques de Morais (2011a:71) a Chinese official is reported to have said of them: “CIF is a company that has no construction record or credentials...Largely they are brokers who get contracts from the Angolan government and sell them to other Chinese companies for huge profits.” However, this describes the role of any main contractor in the construction industry and is hardly sinister in and of itself. Of more concern is the fact that the projects under CIF jurisdiction are not carried out satisfactorily and their execution is not transparent.

The idea that CIF has no link to the Chinese government is becoming more and more difficult to countenance (Vines et al, 2009:51; Levkowitz et al, 2009:33). Reportedly, two of CIF’s general managers are former diplomats.⁵⁵⁸ Ju Lizhao, the current CIF director in Angola, at one time worked at the Chinese Embassies in Angola and Brazil. According to Levkowitz et al(2009:52) Ju is a former senior colonel at the PLA General Staff Department’s Foreign Affairs Division, the military office that is responsible for military exchanges in China. This would seem to indicate that he might have been military attaché to the Embassies at which he was stationed. He became associated with CIF about four years after his retirement from the PLA. Ju Lizhao is now listed as the director of China Sonangol (Shanghai) Petroleum Co. Ltd.⁵⁵⁹ A Mr Gu who was general manager in 2008 once worked in the office of Zhao Ziyang (former Chinese Premier from 1980-1987 and CCP General Secretary 1987-1989) and later was a major in Henan province, China. In addition, state-owned Bank of China has lent money to CIF and its affiliates secured by oil contracts (Murray, 2011). This is inconsistent with a Chinese respondent who explained that the Chinese government had mandated all the state-owned companies not to help CIF in undertaking their projects. According to him, the Chinese government through its state-owned banks would reportedly like to assume ownership of the projects CIF currently manages.⁵⁶⁰ This has happened in some cases, which may mean that they have assumed CIF’s debt as well.

⁵⁵⁸ Electronic correspondence, US-based researcher, 18 June 2008

⁵⁵⁹ Information from Business Development manager, oil company, Luanda, 4 May 2010

⁵⁶⁰ Interview, manager, private Chinese importing business, 15 July 2010

For example, CITIC Construction, a large Chinese state-owned company, has assumed the management of the Kilamba Kiaxi project which had previously been billed as a CIF project.⁵⁶¹ However that Lo Fong Hung, chairperson of CIF is married to Wang Xiangfei, non-executive director of the CITIC group and well as a director of other CIF subsidiaries (Levkowitz,2009:5; Morrissey et al, 2011). As a result, this handover does not signify a removal of CIF influence and closely mirrors the Angolan shift of responsibility for the Chinese companies from General Kopelipa to Manuel Vicente.

It is clear that CIF must have high-level access to the Angolan government and operates under the consent of the Angolan President. Interestingly, one Chinese respondent commented that agreements predicated on personal contacts between individuals is not sustainable as an institutionalised agreement, as the positions of the contacts may change, drawing the parallel between several deals negotiated in Nigeria under President Olusegun Obasanjo and scrapped under the subsequent Yar' Adua administration.⁵⁶²

In Angola's case, however the powerful connections have persisted for some time. Aside from President Dos Santos, Manuel Vicente, CEO of Sonangol is naturally an important figure in CIF's relations with the Angolan state. Like Lo and Fung, Vicente is listed as the director of several companies in the 88 Queensway syndicate (Vines et al, 2011:64). The following politically connected individuals have also facilitated CIF access in Angola:

Hélder Bataglia claimed in an interview to have single-handedly 'initiate relations with the Chinese' (Botelho,2010), although this is likely to be an exaggeration. He is Chairman of Espírito Santo Commerce (Escom), an affiliate of the Portuguese Bank Espírito Santo Financial Group (*Africa Intelligence*, 2009). Escom holds a 40 percent share in a joint-venture (China Beiya Escom International) formed in 2004 with Beiya International (now renamed

⁵⁶¹ The author visited the construction site of this project. The project is valued at US\$ 3.5 billion and encompasses 20,002 residential apartments, 246 commercial units, 24 kindergartens, 9 primary schools, 8 secondary schools, 2 electrical substations over 8.8 km², according to CITIC Construction company information. This may very well be the project CIF initially awarded to Hangxiao Steel.

⁵⁶² Interview, Chinese think tank, Beijing, 16 October 2009. For more details regarding the Nigerian negotiations, see (Vines et al, 2009).

Dayuan), one of the so-called Queensway 88 Group of companies, which owns 60 percent (Botelho,2010). In January 2011, Sonangol bought a 67 percent stake in Escom from Espírito Santo. Bataglia, who previously owned 33 percent of the Escom sold a 23 percent share, retaining 10 percent. He is to be kept on as the Escom's CEO (*Macauhub*, 2011b).

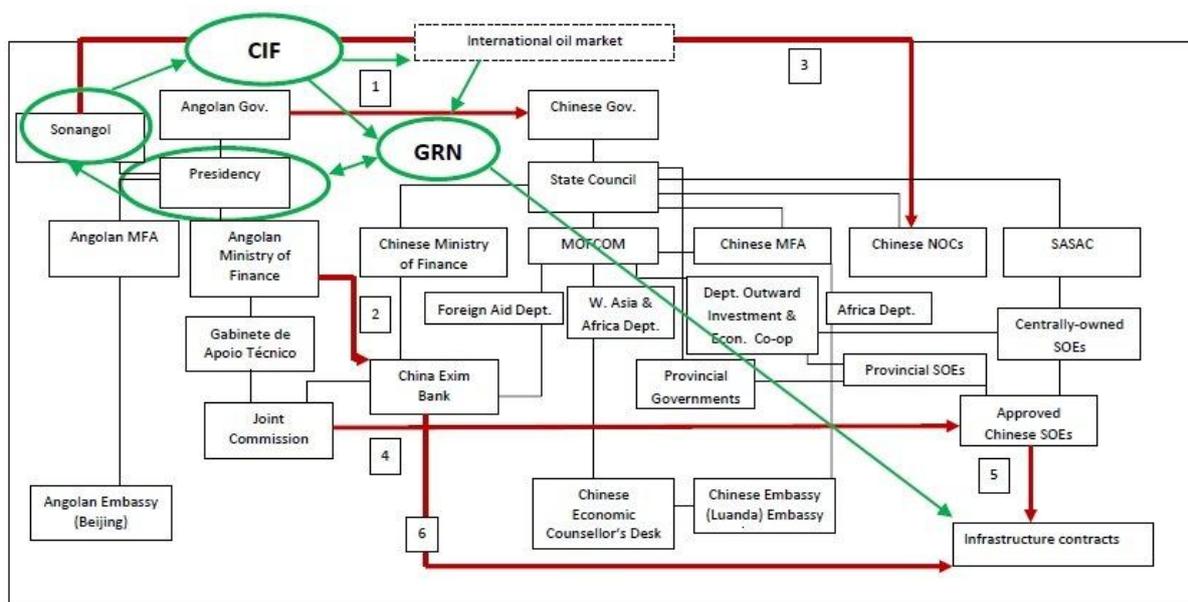
Pierre Falcone, an Algerian-born French national was extensively involving in arms brokering for the MPLA during the civil war (Global Witness, 2002). He acts as an advisor to China Sonangol International Holdings (CSIH), a CIF affiliate, through his private equity company, Pierson Asia, which reportedly advises Chinese companies investing in Angola Levkowitz, McLellan Ross and Warner (2009: 34). His clients include state-owned Chinese companies such as CITIC and Norinco (Levkowitz, McLellan Ross and Warner, 2009: 52). He is also a close confidant of Angolan President José Eduardo dos Santos (*Africa-Asia Confidential* (2009c:1) It is reported that he now lives in China⁵⁶³ .

Lev Leviev, an Israeli-national with extensive diamond concerns in Angola personally owns 0.13 percent of China Sonangol Resource Enterprises, a CSIH listed in on the Hong Kong stock exchange. His company Africa-Israeli Investments Ltd owns 5.88 percent of the company (Oster and Mitnick,2009). However, Levkowitz, McLellan Ross and Warner (2009: 29) report that Leviev along with two of his companies Africa Israel Financial Assets and Memorand Management (1998) Ltd bought 10 percent of Artfield Group Ltd on 23 August 2008. Artfield was later renamed China Sonangol Resources Enterprises on 4 June 2009 Levkowitz, McLellan Ross and Warner (2009: 30)in In about 2008, CSIH reportedly began negotiations to purchase real estate in Manhattan, New York owned by Leviev worth approximately US\$ 710 million (Levkowitz, McLellan, Ross and Warner,2009:ii) While this deal was apparently not concluded, CSIH did buy the former JP Morgan building at 23 Wall Street for US\$ 150 million according to Richard Marin, chief executive of Africa Israel International-USA (AFI USA) through which Leviev manages some of his holdings (Oster and Mitnick,2009). In May 2011, it was reported that Leviev sold his 18 percent stake of Angola's largest Diamond mine Catoca to China Sonangol for US\$ 400million (EIs,2011)

⁵⁶³ Interview, Chinese think tank, Beijing, 16 October 2009.

What is clear is that the reporting lines, described in the official lines of communication with regard to the Chinese financing in Angola, have been blurred and subverted considerably (see figure 6.1). Leading to what Bayart (1999:96) has called a ‘parallel government, without the official government ceasing to exist.’

Figure 6.1 Angolan parallel management structures



Source: author's own research

6.2.3 The Oil Intermediary

CIF's role in the China Exim Bank mechanism takes on considerable significance in terms of the oil sales to China used as repayment for the credit lines. The oil is transferred by China Angola Oil Stock Holding; a subsidiary of Dayuan International Holding, the same parent company of CIF (Alden and Alves, 2009:13). This company also has links to China Sonangol (Vines et al, 2009: 50). China Sonangol is jointly owned by Sonangol (30 percent) and New Bright International Development Ltd (70 percent) and has effectively become the broker for Angolan oil sales to China (Murray, 2011).

The company's creation was originally to serve as a special purpose vehicle in order to facilitate a loan to Sonangol in 2005. Sonangol's previous debt commitments prevented the

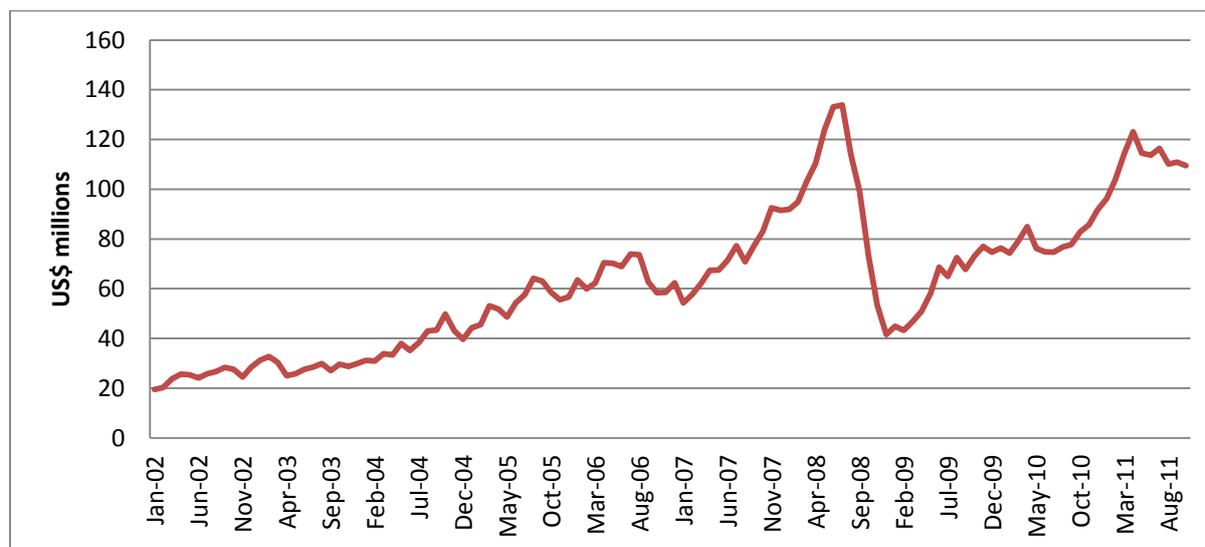
company from taking on additional loans. In September 2005 Calyon Bank, the banking institution used by Sinopec, arranged a syndicated US\$ 3 billion 7-year loan through China Sonangol, an intermediary company, as the borrower (Katsouris,2009; Trade and Forfaiting,2006). The oil was secured against a long-term off-take agreement between Unipec, a Chinese off-taker linked to Sinopec, and China Sonangol, with the Chinese market as destination.⁵⁶⁴

This situation is not condoned by the Chinese government, which would rather receive the oil directly.⁵⁶⁵ As explained by one respondent, CIF profits considerably from its role as intermediary and some of the profits go towards the financing of CIF's projects in Angola.⁵⁶⁶ Indeed, he further intimated that the Angolan President himself was profiting through the intermediary firm. He suggested that this corruption was reducing developmental benefits that Angola could attain through oil co-operation with the Chinese state directly. Corroborating this, Vines et al (2011:4) quote reports suggesting that President Dos Santos's son, José Filomeno 'Zenu' dos Santos, is China Sonangol's official representative. According to the *Economist* (2011), China Sonangol buys the oil at a price per barrel fixed in 2005 and sells the oil on to the Chinese state at current spot market prices, accruing the difference as profit. While this 'fixed' price is unknown, it is likely to have been based on lower than market prices, and seven years later, the market price of oil has easily doubled (see Figure 6.2), indicating significant profits for the oil intermediary.

⁵⁶⁴ Syndicated lending partners included Banco BPI; BNPP; Deutsche; DZ Bank; Fortis; HSH Nordbank; KBC Bank; Natexis; Nedbank; RBS; Société Générale; Standard Bank; Sumitomo; UFJ; WestLB. See https://www.westlbmarkets.net/cms/sitecontent/westlb/westlb_de/en/ul/bs/wlba/wlbaf/angolan_oil.standard.gid-N2FkNDZmMzU4OWFmYTlyMWM3N2Q2N2Q0YmU1NmI0OGU.html

⁵⁶⁵ Interview, manager, private Chinese importing business, Luanda, 15 July 2010

⁵⁶⁶ Interview, manager, private Chinese importing business, Luanda, 15 July 2010

Figure 6.2: Fluctuating Price of Brent Crude Oil, US\$ millions (2002 – 2011)

Source: Index Mundi⁵⁶⁷

6.2.4 Elite Subversion of the China Exim Bank credit line

The importance of the Public Investment Programme (PIP), the set of projects financed by China Exim Bank, is evident in that it is so centrally controlled. Presidential decree 31/10 governing the Public Investment Program (Angolan Government, 2010a) effectively places the President in absolute control of the process.⁵⁶⁸ For instance, according to section II, article 20/7; direct approval must be granted by the President for any projects exceeding Kw 1 billion (approximately US\$ 10.7 million). Recall that the minimum project that will be financed by China Exim Bank is US\$ 10 million.

National reconstruction has been advanced rhetorically as an urgent priority by the Angolan government, not only as a short-term election campaign promise, but also in order to bolster long-term regime legitimacy. However, the mechanism through which this reconstruction is pursued focuses only on the projects themselves as constitutive of the physical rebuilding of the country's infrastructure. This is the part of the process that the

⁵⁶⁷ <http://www.indexmundi.com/commodities/?commodity=crude-oil-brent&months=300> [14 December 2011]

⁵⁶⁸ According to article 172 of Angola's constitution, the National Assembly is supposed to approve all provisional presidential decrees before they are entered into law. Given that the MPLA in the 2008 elections won 87 percent of the house, this effectively means that all presidential decrees will automatically be passed.

Presidency can directly control⁵⁶⁹ and thus dictate the distribution of rents derived from their construction. The management of Chinese funds have been passed from GRN to a subsidiary of Sonangol⁵⁷⁰. While this process gives the appearance of reform, it in essence ensures the President's continued control without interrupting necessary elite access to the patronage it generates.

Drawing on Clapham (2008:366) and Soares de Oliveira (2007a:595) the consolidation of the management of the Chinese credit lines, is clearly a continuance of Sonangol '... as the centrepiece in the management of Angola's "successful failed state", highlighting the extent to which a nominal failed state can go on surviving and indeed thriving amidst widespread human destitution, provided that basic tools for elite empowerment exist to ensure the viability of incumbents.'

The Angolan government, while portraying the Chinese credit line as crucial for 'national reconstruction' has not focussed on rebuilding of 'soft' infrastructure, such as the concurrent institution- and capacity-building through local participation. While the official reason is that such processes slow projects' completion schedules, it is evident that political elites have a vested interest in retaining a monopoly over existing economic activity and preventing the formation of Migdal's (1988:211) alternative 'power centres'. This averts the rise of independent entrepreneurs operating outside of the central patronage networks and ensures regime stability (Bayart, 1993:91).⁵⁷¹ To use Migdal's concept of balancing act between political stability and economic growth, it is clear that (short-term) political stability prevails. The contradictory policy environment described in chapter five ensures that only the politically connected may benefit from the reconstruction process, thus

⁵⁶⁹ Soares de Oliveira describes (2007b:121) the 'privatisation' of oil states whereby essential services and public goods are effectively outsourced to NGOs or private firms' CSR programmes. In the case of national reconstruction, a lack of indigenous human resources and industrial inputs have, it could be argued, necessitated the Angolan state 'outsourcing' the national reconstruction projects' financing and implementation to Chinese companies.

⁵⁷⁰ Sonangol is also instrumental in the China Exim Bank loans as facilitator of payments in oil to China (see chapter 4.)

⁵⁷¹ Soares de Oliveira (2007a:91) details how Sonangol's expansion into non-oil sectors and services has 'crowded out other entrepreneurs as Sonangol not only commands greater resources, but also demands that international firms form joint ventures with its own subsidiaries, thus making market entry and/or technological transfer opportunities for other fledgling Angolan businesses hard to access.

reinforcing the political and economic status quo maintained by patronage.⁵⁷² In this way, the political elite have adapted the patronage system to serve in peace time, or instrumentalized the post-war environment, as suggested by De Beer and Gamba (2000). This is described by Soares de Oliveira (2007a:148) as having ‘adapted its grip to a peace-time gear.’

President dos Santos is adept at balancing the institutions tasked with managing national reconstruction. In the case of the Chinese financing, it is clear that the establishment of the GRN under a close presidential associate was designed to balance the growing clout of the Ministry of Finance under José Pedro de Morais which managed the China Exim Bank loans. As discussed in Chapters 4 and 5, the parallel structures have made it difficult to co-ordinate the process, reducing the efficacy of both as centres of power as they act as counterweights to one another, as described by Migdal (1988:211).

The President is also adept at reshuffling key positions in order to prevent the institutionalisation of figures in places of power. Migdal (1988:214) identifies this as a crucial strategy that intentionally weakens bodies within the state so that they pose no threat to the executive. Access to the Chinese credit lines, although nominally managed by the Ministry of Finance, is closely monitored by the President. The President has been quick to reshuffle the line of command if any political figure is suspected of gaining too much influence by their proximity to the credit lines, ensuring that he alone is the sole source of political continuity. Indeed, he has gone a step further and re-arranged the institutional structures as well. The power to be able to enact such bureaucratic changes rests with the President’s powers of appointment, enshrined in the 2010 Constitution, which extend to all high-level positions in government as well as the judiciary⁵⁷³ (Orre, 2010:13). President dos Santos also exercises these powers to identify a scapegoat for political issues⁵⁷⁴ while

⁵⁷² This is an example of elites using the market as a policy instrument in order to accrue policy-generated rents (Staniland, 1985:59). As Bayart (1993:266) notes, ‘networks founded on inequality perpetuate inequality.’

⁵⁷³ Although presidential decrees can be overruled by parliament, in the unlikely event of this occurring, the President can veto parliamentary laws (Orre, 2010:13)

⁵⁷⁴ An example is the dismissal of Housing Minister Diekumpuna Sita José in April 2009, as political pressure mounted over an MPLA campaign promise to provide 1 million houses for the poor.

simultaneously distancing the President from the issue in question, despite the fact that most national policies require executive approval.⁵⁷⁵

6.3 Further Debunking the ‘Angola Model’

Despite not being the only Chinese financier of Angola, let alone the only provider of oil-backed loans, China Exim Bank’s credit lines have received the most media scrutiny, particularly due to claims that China Exim Bank’s loans were extended to Angola in order firstly, to secure access oil equity and secondly, to secure China political favour and preferential status as Angola’s trade and investment partner. In fact, the Angolan government has successfully manipulated circumstances to evade conceding to China such preferential status.

6.3.1 Angola’s policy of finance diversification

Although Angola may have accelerated relations with China; this is not necessarily at a cost to other economic partners. As Tang (2010b:60) points out, Portuguese and South Korean firms retain their market dominance in the construction industry, ‘fully demonstrating the Angolan side’s ability to choose their commercial interests according to interest-based co-operation’⁵⁷⁶. Angolan foreign ministry officials repeatedly emphasised that Angola was ‘open to all’ – indicating a desire to diversify foreign economic relations:

‘The other countries are just jealous. We went to Europe to ask them to help us develop, but they had all these conditions. We did not accept these conditions. So they are jealous. China does not have these conditions; they respect us. They are

⁵⁷⁵ Elite advisors are often ‘recycled’. Several prominent figures have fallen from grace only to be re-instated or promoted in later years. Examples are current Minister of State (Civilian House) Carlos Feijó, disgraced several years previously, and General Miala, imprisoned for insubordination, but pardoned several years later.

⁵⁷⁶ ‘这充分体现了安方自主选择能力和以商业利益为本进行合作的原则.’ (Tang, 2010b:60) [author’s own translation]

also much cheaper. But we are open to all; we have a policy to have good and open relations with our neighbours. We have co-operation.⁵⁷⁷

An Angolan official was quick to insist: 'China is here to make a good example of the kinds of relations that countries like Angola need. For us, in Angola, the industrialised countries will always be welcome; we have very close ties with them, with more than 500 years of colonisation with Portugal.⁵⁷⁸ Indeed, others have described this as an 'à la carte' approach (Weimar, 2009:2). One respondent suggested that following the experience of too close an alignment with the Soviet bloc during the Cold War, Angola is consciously diversifying its international relations in order never to be in such a position again:

'China has its own needs, perhaps sometimes they coincide with ours ... There are different "friendships" or interests. We are not the stupid ones; we want good relations with everybody... until 1992, The Soviets were our best friends and as the PRC were their great enemies, we could not be friends. This changed after the Cold War; China was not the partner it is today. It did not have the same interests, such as raw materials. Things changed for them and things changed for us. These are relations between states, made with certain interests in mind, not relations between friends.'⁵⁷⁹

Several other credit lines arranged along similar structures to that of China have been extended by other countries. Spain in 2007 alone provided US\$ 600 million in construction aid (Angop, 2007). Furthermore Canada's Export Development Bank signed an agreement with Angola's Banco de Poupança e Crédito for US\$ 1 billion in 2009 to finance government infrastructure projects and US\$ 16 million for private enterprise projects. Brazil's Banco Nacional de Desenvolvimento Económico e Social (BNDES) disbursed US\$1.5 billion to fund the purchase of Brazilian construction equipment in Angola in the first five months of the 2009 and further offered US\$250 million to fund projects in Angola. Angola has recently attracted the interest of other financiers, most notably the World Bank, which will extend loans of US\$ 1 billion from 2009 – 2013 to assist with the African country's economic diversification. Credit lines from European countries, while forthcoming, are not comparable

⁵⁷⁷ Interview, Angolan Ministry of Foreign Affairs, Luanda, 3 May 2010

⁵⁷⁸ Interview, Angolan Ministry of Foreign Affairs, Luanda, 29 July 2010

⁵⁷⁹ Interview, Angolan research institute, Luanda, 27 April 2009

in size to those of China. In the first half of 2009 Germany extended US\$1.7 billion to Angola, in early 2009, Portugal US\$ 500 million (Macauhub,2009), US Exim Bank has offered US\$ 120 million and Britain has offer US\$ 70 million in credit in comparison (see chapter four, Figure 4.4).

These credit extensions may have been initiated as other institutions became emboldened by the confidence their Chinese counterparts were showing in Angola. It is more likely however, that these governments fear that their own companies are losing out to Chinese companies that, it is perceived, are given an unfair advantage through state support. Their fears are largely unwarranted. China is not the only country to extend credit lines to the Angolan government. Brazil and Portugal have for years extended oil-backed credit lines to facilitate the import of their companies' products and services, particularly in the construction sector (Burke and Corkin, 2006: 16). These credit lines are all primarily geared towards facilitating infrastructure construction, a stated priority of the Angolan Government. Consequently, barring the size of the loans, there is little difference between the Chinese credit lines and those of other countries. All the credit lines are contingent on their use to purchase products and services from their own companies respectively. Thus far from allowing China preferential treatment as a trading or investment partner, Chinese financing seems to have encouraged other countries to extend credit lines in order to allow their own companies and products to compete on a similar footing. This has been strongly promoted by Luanda. As a result, the emergence of multiple alternative sources of financing has as described by Habeeb (1988:19) has shifted the power balance distinctly in Angola's favour as China no longer holds the advantage of being Angola's primary source of financing. Indeed, the loss of this position has spurred increasing amounts of financing from Beijing in order to regain such an advantage, particularly over CIF.

6.3.2 More Chinese State Financing

The Chinese Ambassador confirmed in March 2011 that Chinese institutions had facilitated financing totalling US\$ 14.5 billion (de Comarmond, 2011). Separate channels of funding

come from two other state-owned Chinese banks. China Development Bank⁵⁸⁰ (CDB) has shown interest in investing in Angola's agriculture potential, pledging US\$ 1.5 billion in this sector (Alves, 2010a:13; Gazel, 2010)⁵⁸¹. Further to this, Industrial and Commercial Bank of China (ICBC)⁵⁸² announced intentions of providing US\$ 2.5 billion in financing to Angola (Angop, 2009b).

Several respondents have suggested that these financial institutions had been encouraged to enter Angola by the Chinese government in order to assist with the financing of projects that had originally been billed as CIF projects.⁵⁸³ One interpretation was that it was in order to make up for the embarrassing financial difficulties CIF had faced in 2007, inferring a connection between CIF and the Chinese state. However, this could also merely be Chinese state-owned institutions seizing the opportunity presented by the failure of rival CIF to consolidate a position in Angola. In addition, the entrance of three separate Chinese state-owned banks further diversifies the risk of lending to Angola.

6.3.3 An Angolan chimera: China's access to oil equity

The implication of previous reports on China's infrastructure financing is that its provision also secures Chinese companies access to exploitable resources (Foster *et al*, 2008a). This certainly appeared to be the case in Angola initially. Chinese interests first entered this sector in 2004 when China Petroleum and Chemical Corporation, (Sinopec) formed a joint venture with Angolan Sonangol. This vehicle, Sinopec-Sonangol International (SSI), with

⁵⁸⁰ Previously a fully-fledged policy-bank, CDB is in the process of commercialising, although this may have been shelved indefinitely due to the 2008 financial crisis.

⁵⁸¹ A reported US\$ 1 billion was initially earmarked for investment in this sector, and CDB Governor Chen Yuan has stated that this amount may be extended if necessary (AFP, 2009a). It later was.

⁵⁸² ICBC is China's largest commercial bank and currently the largest bank in the world by asset value. ICBC also has a strategic partnership with Standard Bank, Africa's largest Bank. Standard Bank has had a representative office in Angola since 2006 and achieved a commercial banking licence in 2009.

⁵⁸³ For a list of the projects that CIF claims to be undertaking in Angola, see <http://www.chinainternationalfund.com/projects1.asp> [24 March 2011]. Following the financing difficulties experienced by CIF, the Chinese government reportedly stepped in to assist the Angolan government with these projects, in order to curry further political favour (Interview, manager, private Chinese importer, Luanda, 15 July 2010). Indeed, the vice President of ICBC was present at an audience with the Angolan President to report on the progress of a housing project Kilamba Kiayi, formerly to be built by CIF, but now the responsibility of Chinese SOE CITIC. (Angop, 2011a) This infers that ICBC is involved in the project's financing.

Sinopec as 55 percent shareholder in the joint-venture⁵⁸⁴, bought a 50 percent stake of Block 18 for the reported sum of US\$ 725 million (*Financial Express*, 2006). Sinopec's entry into Angola's oil blocks was marred by controversy, as it appeared that Shell, the former owner of the 50 percent stake had several months previously signed a purchase agreement with Indian oil company ONGC Videsh. This deal was however refused approval by the national state-owned oil company Sonangol, also the industry's concessionaire, as Sonangol had not been previously consulted. The stake was instead awarded to SSI (Vines et al, 2009: 17). In late 2004/2005, SSI acquired Block 3/80, owned previously by Total, after Sonangol did not renew the French company's contract (Ferreira, 2008:307).⁵⁸⁵ Sinopec's entry into Angola also coincided with the announcement of China Exim Bank's US\$ 2 billion loan facility to the Angolan government to finance infrastructure reconstruction.

Particularly as this was the first entry of a Chinese national oil company into what was considered a strategic African country, China Exim Bank is believed to have indirectly supported Sinopec's oil acquisition through the provision of a loan facility (Downs, 2007:53). Furthermore, as observed by Lee and Shalmon (2008: 120) although there is no explicit link to China Exim Bank's loan to Angola and the awarding of oil blocks to Sinopec, '... there is a strong suggestion that they are linked. The coincidence is too great.'

Although China Exim Bank's loans to Angola are speculated to have assisted Sinopec's bids for Angolan oil blocks, this has not continued to be the case. Indeed, Chinese national oil companies are very junior partners in the Angolan oil industry.

It initially appeared that Sinopec had made rapid inroads into Angola's oil industry. Through its shareholding in SSI, Sinopec acquired equity in several other Angola oil blocks, with SSI

⁵⁸⁴ There is some controversy as to the ownership of the remaining 45 percent shareholding in SSI. Although it was initially widely reported on its formation that Sinopec held 75 percent and Sonangol 25 percent, this appears to have changed. Vines et al (2009:42) report the shareholding as Sinopec (55 percent), Beiya (now Dayuan) International Development Ltd; (31.5 percent) and China Sonangol (13.5 percent). *Wall Street Journal* (2011) reports that China Sonangol owns the entire remaining 45 percent shareholding.

⁵⁸⁵ This is thought to be in order to 'punish' French interests in Angola after French courts opened an investigation regarding the sale of arms to the Angolan government during the civil war, dubbed 'Angola-gate'. It was later agreed between Sonangol and Sinopec that China Sonangol would explore this bloc.

attaining 27.5 percent, 40 percent and 20 percent in the off-shore blocks 17, 18 and 15 respectively. The signature bonuses of US\$ 1.1 billion of the concessions in block 17 & 18 were the highest ever offered in the history of Angola's oil industry (Burke, et al, 2007:37). Sinopec had also been in negotiations with the Angolan Government to develop a 200,000 barrels-per-day oil refinery, Sonaref, at Lobito.

Despite a promising start, Sinopec has now largely retreated. The refinery deal was called off in March 2007, reportedly due to a lack of consensus as to the intended destination of the refined product, although it is unclear which side imposed the deal-breaker. It emerged in late 2008 that US engineering firm KBR had been awarded the contract for construction on the refinery, then estimated to have a cost of US\$ 8 billion. In October 2008, Sinopec and China National Overseas Oil Company (CNOOC) negotiated with Marathon the purchase of a 20 percent stake in Bloc 32 for US\$ 1.8 billion (Winning & Faucon, 2008). By October 2009, Angolan national oil company Sonangol, as an existing equity holder, had exercised its right of first refusal, blocking the Chinese purchase by announcing its own intention to buy it.⁵⁸⁶ The sale was finalised in February 2010. It was subsequently awarded to China Sonangol (see figure 6.3 below).

⁵⁸⁶ The stake was later reportedly awarded by Sonangol to China Sonangol (Interview, Western oil Company, Luanda, 4 May 2010)

Figure 6.3 Chinese companies' shareholding in Angola (2010)

Shareholder	Year Acquired	Oil Block	Stake (%)	Other shareholders	Operator
SSI	2004	Block 18	50		BP (50%)
China Sonangol	2005 ⁵⁸⁷	Block 3/05 Block 3/05A	25	AJOCO (20%); ENI (12%); Somoil (10%); INA (4%); Naftagas (4%)	Sonangol (25%)
SSI	2006	Block 15/06	20	Sonangol (15%); Total (15%); Statoil (5%); Petrobras (5%); Falcon Oil (5%)	ENI (35%)
SSI	2006	Block 17/06	27.5	Sonangol (30%); Falcon Oil (5%); ACREP (5%); Partex (2.5%)	Total (30%)
SSI	2006	Block 18/06	40	Sonangol (20%); Falcon Oil (5%); Geminas (5%)	Petrobras (30%)
China Sonangol	2010	Block 31	5	Esso (25%); Sonangol (29%); Statoil (13.33%); Marathon (10%)	BP (26.67%)
China Sonangol	2010	Block 32	20	Sonangol (20%); Esso (15%); Marathon (10%); Galp (5%)	Total (30%)

Source: *Sonangol Concessionary Map*⁵⁸⁸, Vines et al (2009:44); Amanat (2011);

Despite speculations of a link between China Exim Bank's inaugural loan and Sinopec's first successful bid for equity in block 18 through SSI, there is little evidence to support continued preferential treatment at the bidding table for Chinese state-owned oil companies due to extensive Chinese loans. Indeed, Chinese companies do not possess the technology to exploit Angola's deep and ultra-deep blocks in the Gulf of Guinea, and as such have been side-lined since 2006. (Downs, 2007:46-47).

⁵⁸⁷ Confusingly, although the Sonangol concession map portrays China Sonangol as the owner of the 25 percent stake, Vines et al (2009:44) maintain that while the stake was intended for China Sonangol, it was handed over to SSI in 2007. This change does not seem to have been reflected in the concession map, if it indeed occurred.

⁵⁸⁸ See Sonangol website:

<http://www.sonangol.co.ao/wps/wcm/connect/1fabe00048cf7ee586d697467ef0967d/GAD-MC-1007004-L.pdf?MOD=AJPERES&CACHEID=1fabe00048cf7ee586d697467ef0967d> [28 April 2011]

Of note is the fact that China Sonangol has been increasingly more successful than Sinopec through SSI in acquiring oil blocks. Sonangol, the oil industry concessionaire, owns a far greater percentage of China Sonangol than SSI. Sonangol has access to 4.05 percent of SSI through its 30 percent shareholding of China Sonangol, which in turn is a 13.5 percent shareholder of SSI⁵⁸⁹. However, Sonangol owns 30 percent of China Sonangol with the result that the concessionaire stands to benefit much more from China Sonangol's rather than SSI's increased oil equity. It is also an indicative of the connections between the *Futungistas* and CIF's top management.

A Chinese researcher⁵⁹⁰ admitted that buying equity in Angola was 'not so easy'. He suggested that the Angolan government was 'more pragmatic than the Chinese government' about more partners and different footholds, suggesting that the Chinese government expected better returns for their loans to Luanda. He suggested that China's initial entry into Angola was expedient purely due to the timely exploitation of circumstance. Indeed, as pointed out by Aguilar and Goldstein (2009:1557), Angola is an expert at isolating its oil industry from political influence, having achieved this through the Cold War. Consequently, contrary to Beijing's initial thinking, China Exim Bank financing has not facilitated access to oil equity.

Once again, this indicates a shift in power from Luanda to Beijing. During the initial negotiations in 2003, the Angolan government's weaker position would have persuaded it to agree to Chinese acquisition of oil blocks, despite the Chinese state companies' lack of experience. However, a strengthened situation due to a higher oil price and an increased number of financiers several years later has ceded the Angolan government more control. Luanda no longer needs to commit to awarding oil blocks to Chinese state companies. In

⁵⁸⁹ Even if China Sonangol's stake in SSI is 45 percent as reported by Wall Street Journal (2011); this would give Sonangol an indirect 13.5% in SSI, less than half of its shareholding in China Sonangol if the latter owns oil equity directly.

⁵⁹⁰ Interview, Chinese think tank, Beijing, 16 October 2009

fact, the very eagerness of the Chinese state to acquire oil equity works in Angola's favour, allowing Luanda to 'borrow power' (Betzold, 2010) from China's own position.

Figure 6.4 Angola oil exports by Chinese Company (2005-2009)

Company	2005		2006		2007		2008		2009	
	Barrels '000	USD '000								
China Sonangol			1,970	128,022	2,955	210,643	985	115,537	1,969	143,519
SSI					3,924	339,664	25,581	2,430,181	25,851	1,607,896

Source: Angolan Ministry of Petroleum⁵⁹¹ (2010:26)

Figure 6.4 shows the oil equity exported by companies with Chinese shareholders. The oil equity attributed to the Chinese partners is the percentage of the total corresponding to their stake in the company. As noted previously, Sinopec owns 55 percent of SSI, with the remaining shareholding owned by private Chinese interests.⁵⁹² Total Sinopec oil equity through SSI is: 11% of Block 15(06), 15.125% of Block 17(06), 22% of Block 18(06), 13.75% of Blocks 3(05) and 3(05A), and 27.5% of Block 18 (Vines et al, 2009: 43).

While a secure supply of oil might be forthcoming to the Chinese state, any aspirations the Chinese Government may have had of smoothing the entry of its national oil companies into Angola's oil fields have been thwarted. Exim Bank has so far had far more success in facilitating the entry of Chinese construction companies into the Angolan market.

Interestingly, while there is a grand debate in the State Council, supported by the Chinese oil company lobby, of the importance of oil equity (Chen,2008:90), this may not necessarily be the best option for China, if the government is seeking a secure supply. According to Downs (2007:47-48) and Bo (2010:142), control of the energy sector in China is highly fragmented and unco-ordinated and the national oil companies (NOCs) represent a powerful lobby.⁵⁹³ Chinese oil companies may very well resell their equity oil on the international market rather than bring it back to China due to the transport costs involved

⁵⁹¹ Interestingly, ostensibly due to both of these companies being joint ventures between Chinese interests and Sonangol as a joint-venture and subsidiary in the case of SSI and China Sonangol respectively, they are classified as 'national companies' Angolan Ministry of Petroleum (2010). Sonangol began paying tax in 2006 and SSI in 2007 (Angolan Ministry of Petroleum, 2010: 47).

⁵⁹² See footnote 55.

⁵⁹³ Chinese NOCs have even been accused of 'hi-jacking' Chinese foreign policy (ICG,2008:17)

(Chen, 2008:95). Furthermore, petrol's price is fixed at lower than market rates in China, causing it to be largely a loss-making exercise (Bo, 2010:24). Through the Angolan loan agreement however, a secure supply of oil has been acquired for as long as the China Exim Bank loan needs to be repaid. It appears that much of this does find its way to China, given Angola's position as a leading oil supplier to China, and this may well be precisely because China NOCs do not have control over this oil as it is not oil equity, but governed by a supply agreement. Therefore, it is unlikely that they would have the option to resell it on the international market.

6.3.4. Not a preferred Creditor

Higher oil prices and increased production saw Angola reach double digit growth between 2004 and 2008; GDP grew tenfold between 1997 and 2008 (Croese, 2011:10). As a result, non-concessional lending poured into the country (see chapter 4, figure 4.3). The country began developing at a rapid rate, importing capacity where non-tradables could not keep up with demand.⁵⁹⁴ The economic crisis caused the oil price to plunge and consequently, government revenues, two thirds of which come from oil receipts (Global Witness, 2011:4) suffered a corresponding decrease, resulting in the Angolan government falling into arrears.

The Angolan government eventually confirmed that it had received invoices in arrears amounting to US\$ 9 billion from foreign construction companies (Almeida, 2010). The Portuguese government extended US\$ 700 million in credit in order to facilitate the Angolan government's payment of its debt to Portuguese companies (Angop, 2010). A respondent commented that it was unusual for credits to be used in this way, but the necessity was great, as well as a perceived need to compete with China.⁵⁹⁵ The Angolan government has said it would repay Portuguese companies with bonds; prioritising small and medium firms (Reuters, 2010).

⁵⁹⁴ Interview, economist, multinational financial institution, Luanda, 23 July 2010

⁵⁹⁵ Interview, senior Western diplomat, Luanda, 3 May 2010

The Chinese companies did not receive special treatment in relation to other contractors. According to one Chinese respondent, the Angolan government refused to sign off on invoices that would have released the monies for contract payment.⁵⁹⁶ During the economic crisis in 2008, thousands of Chinese workers were sent home as the projects were stalled due to lack of funds.⁵⁹⁷ The Chinese Ministry of Commerce estimates that the Chinese expatriate worker population was reduced from over 50,000 to 47,000 (MOFCOM,2010a:39); but the Chinese Ambassador to Angola confidentially estimated some 25,000⁵⁹⁸ Chinese workers were sent home. Furthermore, the last report from the Angolan Ministry of Finance regarding China Exim Bank financed projects was published in June 2008 (see Appendix 3) and no further information has since been forthcoming, suggesting a stall in progress.

6.4 Extraversion in the context of China Exim Bank loans

It is clear from the discussions in the last few chapters that the process of national reconstruction facilitated by China Exim Bank's credit lines is in principle a positive process for both countries, espousing the concept of 'win-win'. However, in practice, the implementation has shown that not all parties are equal winners; in fact some are not benefitting from the process at all. Consequently, it is visible that gains on the part of Angolan government do not necessarily represent gains on behalf of the Angolan population. The Angolan elite in general and the Presidency in particular have accrued significant benefits several ways. On a very practical level, the Chinese credit line represents a new source of economic rents, centrally controlled by the Presidency in order to preserve political dominance as the gatekeeper to such wealth. The President and his closest associates have managed to instrumentalize the credit lines for a wider set of objectives and subverted the China Exim Bank loan process in order to consolidate and retain both economic and political power. Interestingly, the entrance of CIF shows that this subversion of official channels of financing has also occurred on the Chinese side, to the benefit of a

⁵⁹⁶ Interview, manager, private Chinese importing business, 15 July 2010

⁵⁹⁷ Interview, senior diplomat, Chinese embassy Luanda, 10 May 2010

⁵⁹⁸ The US Ambassador to Angola, Dan Mozena, reported on 27 January 2009 in a confidential diplomatic cable leaked by Wikileaks that the Chinese Ambassador Zhang Bolun had mentioned this figure. (See: <http://angola-luanda-pitigrili.com/archives/8740> [15 January 2011])

select group of Angolan actors and their Chinese business partners involved in the 'Queensway 88 Group', to the marked disadvantage of the official Chinese government actors.

6.4.1 Balancing International Relations

Accepting loans from China was politically expedient for the Angolan political elite for several reasons. Firstly, Angola had been experiencing difficulties securing other sources of capital on conditions acceptable to the dos Santos regime. Particularly since 2005, on the back stronger oil prices and Angola's debt normalisation, Luanda has been approved an increasing number of credit lines from a number of countries as noted above. Aside from the material assistance that China's Exim Bank loans have provided, the provision of funds seems to have acted in part as a kind of financial catalyst for other flows of financing.⁵⁹⁹

An agreement was also put in place for the Angolan Government to service its Paris Club debt. The bulk of the US\$ 2.3 billion had been paid by December 2007, and plans were made to service the US\$ 1.8 billion in interest accrued during the civil war (Kiala, 2010:324). It was also hoped that debt regularization will further allow the government to access credit from a more diversified portfolio of lender countries, rather than leaning too heavily on China. Thus, while circumstances provided a number of financing alternatives to Luanda, the Angolan government has actively been pursuing an agenda to increase the opportunities.

Such developments led to a considerable thawing of relations between Angola and the international financial institutions. Recall that in 2002, negotiations with the IMF had collapsed over the loans' conditionalities, leading Angola to turn to China for financing. It appears that the World Bank has pursued a different approach in order to avoid marginalisation by other emerging financiers. The Bank has also been mollified by the

⁵⁹⁹ Interview, senior diplomat, Angolan embassy, Beijing, 28 October 2009

Angolan Government's policy of debt normalization in an attempt to move away from using oil as collateral for commercial loans. As discussed, the IMF has also made provisions for a standby loan of US\$ 1.4 billion for Angola (see chapter 4). Indeed, far from alienating financial institutions such as IMF and the World Bank as some have claimed (Soares de Oliveira, 2007b:295), one could argue that Angola has actively courted them, in order to balance China's influence in the country. Improvements have also been made in terms of transparency and access to information, partly in line with the conditions of the IMF standby loan and thus symbolising Angola's ostensible efforts to reform and improve 'good governance'.

The Angolan government is however adept at making incremental changes that do not fundamentally alter the structure of the economy. Instead, these 'easy' reforms act as a release valve for potential dissension and obfuscate the actual lack of reform occurring (Van de Walle, 2001:37); what Migdal (1988:242) calls 'tokenism'. Indeed, as Global Witness notes (2011), increased information does not always lead to increased transparency. Even in the conditions of the IMF loan certain key conditions were waived. Messiant (2008:275) argues that the IMF provided the Angolan government with the tools to ignore its own prescriptions with impunity. She views the international community as complicit in the MPLA's abuse of political power (Messiant, 2008: 389). Soares de Oliveira (2007b:297) points out that the IMF cannot afford to disengage with the Gulf of Guinea states, as this will marginalise its role globally. Such concessions continue. Recall the clause inserted into the 2009 stand-by agreement allowing Angola to continue to access non-concessional financing (see chapter 4). Reno (2000:222) comments that some researchers from the international financial institutions value internal political stability above overly zealous attempts to dismantle patronage networks, indicating a train of thought that Angola should not be pushed too hard to reform. As a result, the incremental changes that the Angolan government does institute are warmly welcomed for what they are at face value, and the difficult questions surrounding structural reform are put aside.

Angola, therefore, despite international concerns, particularly in the context of strengthening China-Angola relations, will strongly resist becoming or being perceived as a client state of any other country and will continue to engage with all international actors. Indeed, Martins (2010:1) describes Angola as having a 'multi-vector' foreign policy, managing '... to keep a balance of interests regarding foreign intervention in its domestic markets'. Angolan is also distinct from most oil states as encouraging Western business rather than fostering anti-Western sentiment.⁶⁰⁰

6.4.2 State Infrastructure Provision and the 2008 National Elections

Chinese funding has also allowed the Angolan government to initiate a series of prestige projects, which may have a tenuous link to development, but have been important in galvanizing the regime's image domestically and internationally.⁶⁰¹ The majority of the stadiums custom-built for the African Basketball championships held in August 2007 (Afrobasket) as well as the African Cup of Nations (COCAN) held in January 2010 were constructed by Chinese companies. Despite severe delays in the undertaking and numerous other difficulties, the stadiums were completed just in time for these events. In theory at least, aside from elite gains, the Angolan population is receiving the infrastructure so desperately needed, much faster than might otherwise be the case. One Angolan respondent commented that Angola would not have been able to achieve this in such a short space of time if it were not for the Chinese.⁶⁰² As one Western machinery importer noted cynically: '... all the Angolans are interested in is: "...how soon can it be done, and what is the price?"'⁶⁰³.

⁶⁰⁰ Of course, as pointed out by both Sogge (2009:8) and Soares de Oliveira (2007b:52) the nature of Angola's extroverted economy necessitates that Angolan political elites collaborate with Western business interests in order to maintain access to the oil wealth that fuels their patronage networks.

⁶⁰¹ An Angola respondent commented: 'The regime is arrogant; they need to be legitimate, to be recognised. There was frustration with the national community in the post-war phase...' (Interview, university academic, Luanda, 14 July 2010).

⁶⁰² Interview, Sonangol, Luanda, 2 August 2010.

⁶⁰³ Interview, Western construction equipment importer, Luanda, 15 Luanda 2010

Some of the infrastructure projects have had genuine developmental benefits for Angolan citizens. With an eye on the inevitability of national elections, which took place in 2008, the ruling party saw the political dividends of public investment in infrastructure. An Angolan researcher commented that there were many 'hidden motives'.⁶⁰⁴ Many of the works were presented as MPLA achievements, rather than government achievements, once again blurring the distinction between the party and the state. This calculated merging of ruling party and state institutions allowed the MPLA to benefit from the successful delivery of such public works. These were particularly important in rural areas where infrastructure was not only sorely needed, but MPLA image required bolstering.

The MPLA, Pawson (2008) argues, has used its political dominance to subvert the electoral process of September 2008 in order to gain international sanction for the consolidation of the ruling party's hold on power. This resonates with Messiant's (2007:106) description of MPLA manipulation of the previous elections in 1992 in what she terms the 'consolidation of hegemonic power'. The 2008 elections, during which MPLA secured 87 percent of parliamentary seats, provided much needed legitimacy to MPLA rule, not only for international observers, who declared the ballot 'free and fair' (Orre, 2010:8) but for their domestic constituencies. Furthermore, the landslide parliamentary victory whereby the MPLA achieved 87 percent of the seats facilitated a new constitution which further consolidated incumbent power, albeit it in legitimate procedure.⁶⁰⁵ This indicates the importance of the legitimacy conferred by the 2008 elections.

6.5 A Chinese case for 'win-win'

The Chinese government receives several benefits from China Exim Bank's co-operation with them. Most prominently, as discussed above, while not successful in securing oil equity, China has a long-term supply contract in place to ensure loan repayments. This is doubly beneficial, given that the crude is shipped back to China, whereas oil equity off-take

⁶⁰⁴ Interview, university researcher, Luanda, 28 August 2010.

⁶⁰⁵ For an in-depth discussion of this, see Orre (2010).

might be sold on the international market as it is (as explained above) more profitable for the Chinese firms to do so.⁶⁰⁶

In addition, as per its 'going global' mandate, the China-Exim Bank-funded infrastructure contracts have provided a successful market entry strategy for the larger state-owned Chinese companies with little previous experience in the Angolan market. This is, I argue, a much greater success story than the initially anticipated access to oil equity. Given their high level of risk aversion discussed in chapter four, it is unlikely state-owned Chinese companies would have accessed this market without the security provided by China Exim Bank. It is specifically state-owned companies that have benefitted directly from this mechanism. It seems that even if SOEs are not directly owned by the central government, and may have their own agendas (as in the case of provincially owned SOEs) they are still more likely than private firms to access state support (Raine, 2009: 195).

Furthermore, although dwarfed by Angolan oil imports, Chinese exports to Angola have increased substantially under the tied procurement agreements of the loan, as have the number of jobs for Chinese labourers as discussed above. Although these numbers are insignificant when compared to China's global figures, Angola forms part of a broader positive trend of increased exports and overseas contracting.

Whereas the rationale behind lending substantial funds to Angola may have originally been to facilitate the entry of Chinese national oil companies into Angola, China Exim Bank, and other actors in Beijing, have had to re-adjust their strategy according to a changing context. Should they have been predicated on acquiring oil at source through equity, China Exim Bank and other Chinese policy-making bodies involved may be reassessing the motives for entering Angola. Chinese oil companies have not received preferential treatment at the bidding rounds for oil blocks and are indeed junior players in Angola's oil industry (figure 6.3).

⁶⁰⁶ The government-capped price of oil prevents Sinopec from passing on the rising costs of petroleum to its domestic Chinese customers. In March 2010 Sinopec paid US\$ 2.5 billion for Angolan assets owned by its parent company in a bid to reduce dependence on refined oil sales in China (*China Economic Review*, 2011).

On China's part, the China Exim Bank process was designed to minimise corruption (and thus financial risk on return) in host countries through bids taking place in China and Chinese companies being paid directly by China Exim Bank.⁶⁰⁷ However, it is evident that this has not prevented powerful Chinese SOEs and private Chinese companies from forming alliances with Angolan political interests.

However, it continues to be in the Chinese state's interest to remain aware of the consequences of its actions in another sovereign state. From a purely realist perspective this is less due to a normative 'responsibility to develop Africa' as is implied by much of the literature, but because China's own international image is damaged if it can be presented through the rhetoric of others as propping up unsavoury regimes.⁶⁰⁸ It is important to point out that while this thesis argues that China's engagement with Angola has been a factor in the regime's continued existence, it does not subscribe to the body of literature that asserts that China is actively propping up 'rogue regimes'. To do so is to once again deny agency on the part of the Angolan actors. I conversely argue that Angolan elites have actively developed and structured relations in order to consolidate their position. Nevertheless the same elites are astute in employing rhetorical language to their own advantage (Chabal and Daloz, 1999:117).⁶⁰⁹

⁶⁰⁷ There also is no evidence of China free-riding off Western debt alleviation (Asche & Schüller, 2008:41). Indeed, most Western debt relief programmes are for the poorest countries that are perceived to lack the capacity to repay their debts. China's lending profile is very different, precisely because China Exim Bank lends only to those countries with a proven ability to repay their loans.

⁶⁰⁸ The hypocrisy inherent in such rhetorical pronouncements, made often by Western actors is noted. As observed one Western respondent: There are so many grey areas in China and Africa. 'And Europe has shown them the way. They are not necessarily doing a better job; they are just not wasting time by repeating the same acrobatic relationship' (Interview, Western construction equipment importer, Luanda, 15 July 2010).

⁶⁰⁹ The Angolan government specifically employed a well-oiled public relations campaign throughout the civil war, successfully demonising Savimbi for the international community and continually managing to convince an exhausted and marginalised domestic population that the war was 'almost won' for more than a decade (Messiant, 2008:259). The argument is not that Savimbi was unjustifiably vilified, but that he was successfully painted as the villain while the MPLA's own transgressions were left unchecked during the civil war. She thus characterises Angolan society as suffering from MPLA repression, rather than Savimbi's tyranny (Messiant, 2008:244).

6.6 Conclusions

Angola's relationship with China has matured from a heady embrace of mutual convenience to a reassessment of each other's strategic significance as partners. Indeed, relations with China seem to have formed part of a successful strategy employed to bolster regime stability domestically and boost the Angolan government standing internationally.

That the relationship hinges largely on oil, despite its importance, does not bode well for its sustainability. Although, as I argue here, construction contracts facilitated by China Exim Bank are a much bigger success story than securing oil equity, Angola's market is too small to be considered a coup in the context of China's go-out strategy. Rather it is required in order to balance the widening trade deficit China is running with Angola.

A Chinese researcher⁶¹⁰ commented that the Chinese Ministry of Commerce had been overwhelmed by the rapid development of China's commercial relations with Africa, resulting in the department falling behind 'the actual situation'. He added that at the Angolan Embassy, the personnel numbers were as they were in the 1990's, inferring that that dramatic increase in commercial relations with this country rushed them off their feet, particularly given the bureaucratic procedures involved. This suggests a reduction in agency in the Chinese Embassy – perhaps inferring that the important decisions are taken in Beijing – more likely by China Exim Bank. It also once again recalls Hirschman's (1978) 'disparity of attention' argument in that the embassy of an Africa country that has gradually become pivotal in China's energy security has been neglected. A Chinese respondent commented that relations were not as good as widely assumed. In his opinion, dos Santos has not come to China that many times, despite the considerable assistance that China has given Angola, in the form of infrastructure.⁶¹¹

⁶¹⁰ Interview, Chinese think tank, Beijing, 16 October 2009

⁶¹¹ Interview, editor in Chief, *Xinhua*, Beijing, 6 December 2009

For Angola, China remains an important trading partner, whose demand for Angolan crude and ready credit lines has taken on increasing significance following the oil price fluctuations in the wake of the financial crisis. Angola, as a key oil supplier to China is of similar consequence as a trading partner. Angola is balancing the need to retain China Exim Bank as a financing partner with denying the less experienced Chinese national oil companies access to exploration blocks that they cannot operate. Should they have been predicated on acquiring oil at source through equity, China Exim Bank and other Chinese policy-making bodies involved in may be reassessing the motives for entering Angola.

With regards to the Angolan government's domestic role in the economy, it is clear that the MPLA government has rhetorically upheld national reconstruction as a priority since the end of the civil war. This is designed to consolidate President Dos Santos' role as the 'peace-maker', having vanquished UNITA to bring an end to the country's protracted armed conflict in 2002. It is also targeted at bolstering the Angolan government's internal legitimacy, particularly in the run-up to legislative elections which were finally held in 2008. However, despite claiming to promote national reconstruction 'for the people', Angola's population has been kept largely separated from the process. Marques de Morais views the Chinese credit line as a new avenue for elite enrichment under the guise of national reconstruction. He (2001a:73) argues:

'Such economic arrangements have insulated the Dos Santos regime from the will of the Angolan people, who remain economically and politically irrelevant. China's new prominence is part of an effort by the ruling elite to keep them that way by excluding society at large from the task of national reconstruction.'

The lack of broad-based participation in the China Exim Bank process means that the implementation of the construction projects is not rendering as much benefit to local industries as it could. The regime is approaching national reconstruction rather as a patrimonial provision of services by a paternalistic government in order to reinforce the government as the source of all public goods. National reconstruction is thus portrayed as

the delivery of a turn-key product rather than an interactive process required to re-establish a connection between the rulers and the ruled. Furthermore, it is increasingly a paid for service, outsourced to foreigners with no provision for Angolans to maintain or even organically expand on what external contractors provide. Marques de Morais (2011a:71) argues that:

‘It [the Chinese role] has enabled a string of political measures aimed at perpetuating the power of the president’s inner circle, while setting back internal dialogue on national reconstruction even within the ruling party itself. The Chinese presence has also spawned a mass fantasy about national goals that bears no resemblance to what can really be accomplished—the sheer weight of which, along with threats of repression, often silences critics of the Dos Santos regime.’

In rebuttal, Chinese commentators have pointed out that the onus is not on China to develop Africa; rather this is the responsibility of African governments themselves.⁶¹² Given the ease with which the Futungo has incorporated Chinese funding into the consolidation of domestic political power, it is unlikely that Angola’s development or lack thereof is a result of genuine lack of capacity. It is far more due to a lack of political will and institutions weakened by design. Moreover, I argue that the lack of support for broader-based local participation in the national reconstruction process is a conscious strategy to prevent the creation of economic growth independent of the patronage linkages of the political elite. This is to deter political challenges to the ruling party’s control from an alternative economic base of power which could contest the regime’s internal legitimacy.

Mustapha (2002) argues that Bayart’s conceptualisation of extraversion, which I have used throughout this thesis, is reductionist and deprives the ‘the people’ of political agency, reducing them to a ‘passive mass’. For many years, this did not pose an epistemological problem. The internal party purge and wide-spread bloodshed that occurred in 1977 following the Nito Alves coup was used by President Agostinho Neto to oust rivals and

⁶¹² Victor Yu, Managing Director, Standard Resources (China) Ltd, presentation at American Chamber of Commerce Event ‘*China Outbound: Investing in Africa and Latin America*, Shanghai, 16 September 2009

consolidate power (Hodges, 2004:46). It is still in living memory, and, coupled with the fatigue of several decades of war, is one of the reasons why there had not until 2011 been any concerted popular uprisings against dos Santos.

However, since early 2011 MPLA, and more importantly the President's attempts to monopolise Angolan political life started to backfire. Constitutionally all parties failing to achieve 1.5 percent of the vote in the 2008 legislative elections became defunct. MPLA's strongest electoral opposition is UNITA, but with just 16 parliament seats and a dependence on state funding, it poses no serious challenge. As the only political game in town, for some time, the President and his government are directly responsible for the country's political economy. As discussed in chapter one the president sought in his 2010 State of the Nation address to dismiss tensions arising from sustained income disparities between Angola's small political elite and the rest of the population as well as widespread corruption.

The passage of time has nevertheless given rise to a generation of jobless and disaffected youth with no memory of the civil war or Soviet-style purges. Inspired by the so-called 'Arab Spring' that toppled dictators like Hosni Mubarak and Muammar Gaddafi in in 2011, political protests have begun to break out sporadically in Luanda capital (although by no means on the same scale as those in Egypt and Libya). Between since March and December 2011 and a total of six anti-government rallies calling for Dos Santos' resignation were organised through social media (Laxmidas, 2011).

Such unrest is unprecedented and significant in the context of Angola, given the previous iron grip of the MPLA and the population's exhaustion after more than 30 years of conflict. In his State of the Nation address in October 2011, President Dos Santos was much more conciliatory, admitting to a need for 'dialogue' with the youth (Dos Santos, 2011b). 'Pro-government' rallies organised in retaliation have received waning popular support.⁶¹³ Such developments, unthinkable only a few years ago underline the MPLA's constant

⁶¹³ Personal correspondence, Angolan activist, 18 October 2011.

vulnerability to weak internal legitimacy. This indicates that despite a perceived strong domestic position, the MPLA government and President dos Santos in particular will be forced to engage in 'survival politics' and tactics of extraversion in order to retain political power.

CHAPTER SEVEN: Conclusions

Several themes emerged from this body of research. In this chapter I will outline these, as well as assess the significance of findings that may contribute to future research.

7.1 Emerging themes

It is clear from discussions in chapter two that rhetoric is constitutive of China's relations with Africa. This is particularly evident when set in the global context of China attempting to balance its own foreign policy aspirations with Western fears that China's rise is irrevocably disrupting the international architecture. China has good reason to cultivate and maintain allies in developing countries, especially in the face of such suspicion from the industrialised nations. Consequently, Beijing has attempted to alleviate such tensions by projecting itself as a 'responsible stakeholder' as conceptualised by the West, particularly with regards to development assistance, while developing 'win-win' partnerships in solidarity with the global South.

The tension inherent in a dual role as both a provider of developmental assistance and an 'equal partner' with developing countries is not viewed by Chinese respondents as a contradiction. Indeed it was striking how many Chinese businessmen described the Chinese role in Angola couched in developmental rhetoric.⁶¹⁴ Generally this was emphasised more by representatives of SOEs, but not exclusively. While the commercial opportunities in Angola were recognised, many insisted they were there to raise the standards of living of the Angolan people and help Angola rebuild itself. One respondent even said:

'Coming to Angola has many benefits, but we have also come across many difficulties: the government is very corrupt, the police give a lot of hassles, there are low levels of work ethic and the roads are not good. The living conditions here are

⁶¹⁴ Interview, manager, private Chinese importing business, Luanda, 15 July 2010; interview, chief executive officer of a Chinese import-export company, Luanda, 10 August 2010; interview, secretary of the general Party branch, administrative deputy general manager Beijing Construction Engineering Group, Luanda, 10 August 2010

very low, but this is a developing country, in order to serve others we must 'eat bitterness.'⁶¹⁵

The broader Chinese foreign policy rhetoric touts China's engagement with Angola as a successful form of South-South co-operation, and a concrete example of China's relationship with African countries bringing tangible development-oriented results to a country previously ravaged by a Cold War-fuelled civil conflict and subsequently ignored by the international community. This speaks once more to Jackson's (1995) characterisation of China's 'world view' rather than a 'regional view.' China's growth trajectory is not conveyed as a model⁶¹⁶ in the sense of providing a blueprint for development, quite the contrary. Beijing offers an alternative to engaging solely with Western countries, and advocates formulating a development path according to a country's own specific context (Obiorah, 2008:4).

However, it is clear that equality between China and Africa, difficult enough to substantiate in public rhetoric is not always upheld in personal views. In an illuminating metaphor, a senior official from China Exim Bank, in describing the triangular relationship between China, Africa and Western countries drew a parallel with a child giving a toy that he was tired of to his younger brother. 'After you have given it to your younger brother, it is not your right to tell the younger brother how to play with it.'⁶¹⁷ Without reading too deeply into the metaphor, it gives a piercing insight into the way China's relations with Africa are viewed and how passivity is attributed to Africa as a continent by this respondent, despite formal rhetoric of 'equal partnership'. At the very least China's rhetoric about its role in Africa smacks of *noblesse oblige*, implying a superior attitude to African countries. Furthermore, China's engagement with African countries is predicated on the need to alleviate its own pressing domestic problems; energy security, securing new export markets and poverty

⁶¹⁵ Interview, chief executive officer of a Chinese import-export company, Luanda, 10 August 2010

⁶¹⁶ Of interest however is that some countries see China as providing a kind of 'model' for their engagement with Angola. Japan, on whose original foreign aid methods China's own development financing is based, has announced a development assistance package for Angola similar to China's approach, albeit in smaller volumes. (Angop, 2011b)

⁶¹⁷ Interview, China Exim Bank, Beijing, 15 January 2010

alleviation are far more important drivers of China's foreign policy than South-South solidarity (Cargill, 2010:37).

From a more institutional standpoint, as regards Chinese foreign policy, Li Ruogu, President of China Exim Bank has repeatedly emphasised what he sees as the unrequited success of Chinese firms in Africa, both commercially and as having produced results where Western assistance agents have failed. He sees China Exim bank for example as much more efficient than the Bretton Woods Institutions (BWI), particularly in the case of African countries:

'Take DRC, unfortunately it is the only way to get development – use resources for development capital. China is dedicated to helping African countries. We are in 50 countries in Africa and 130 countries globally... Angola has been helped by China with over 100 projects. It has proceeded well. Over the past three years 50-60 projects have been completed. Both [countries] benefit from this and continue to do so.'⁶¹⁸

Increased Chinese engagement on the African continent, while sparking reactions from the international community, has further led to confrontations regarding civil society within the continent and foreign non-state actors. Many international business groups have accused Chinese companies of low labour and environmental standards in their protests against market entry of Chinese companies. These allegations are often dismissed by the African host governments as 'sour grapes'. Furthermore, numerous examples of substandard environmental practices by Western companies have seriously diminished the credibility of Western-supported lobby groups for important issues of this nature, regardless of their saliency. Li Ruogu is dismissive of so-called Western standards, arguing that they are inappropriate for developing countries:

⁶¹⁸ Li Ruogu, President of China Exim Bank, Presentation at the Tsinghua University School of Public Policy and Management Lecture Series, Beijing, 11 January 2010

‘You need one or two generations to sacrifice; don’t believe the human rights advocates, they are simply put in the wrong time. They are forcing these things which are results of growth, not pre-conditions.’⁶¹⁹

This has led commentators such as Richardson (2010) to suggest that China’s engagement with Africa: ‘... has gone beyond simply a relationship based on trade to a boom in investment that is challenging the classic development paradigms established by Western IFIs such as the IMF and World Bank’. Circumstances differ in this regard from country to country in Africa. In the case of Angola, such claims are overstated. IMF’s continued engagement with Angola has been encouraged by Luanda, not least to balance China’s influence.

Chapter three outlined China’s relations with Africa within the context of foreign policy more generally, paying particular attention to the development of the China Exim Bank loan structure to developing country governments. Far from the ‘grand strategy’ concept espoused by Pehnelt & Abel (2007:9), Chinese strategic foreign policy, as discussed by Bo (2010:81), is developed incrementally, largely on a trial and error basis and often as a dialogue between principles and agents i.e. the various government bureaucracies and state-owned enterprises themselves.

Although Chinese foreign policy overtures to African countries have increased, this must be taken in the context of a more global outreach generally. As Cargill notes (2010:32) ‘There is huge interest in China’s African involvement, probably disproportionately large outside China compared to within it’. Nevertheless, Chinese diplomatic and commercial activity on the continent has increased dramatically from a very low base; despite Africa not being a foreign policy priority relative to other concerns.

⁶¹⁹ Li Ruogu, President of China Exim Bank, Presentation at the Tsinghua University School of Public Policy and Management Lecture Series, Beijing, 11 January 2010

An important reason for this, naturally, is China's need for natural resources, particularly petroleum⁶²⁰, in which Angola, in terms of securing a long-term supply, has been instrumental. However, new foreign markets are just as important as a release valve for the excess domestic capacity present in nearly all China's productive sectors. A Western respondent observed: 'Africa is a necessary terrain, to practice "going out". The Chinese couldn't do it in Europe, they would be "crucified"; they can't in the US - it's all funds, loans and stock. In Latin America it would never have worked. In this "virgin" continent it allows them to do what they needed, the only one is Africa.'⁶²¹

Africa is thus an important stepping stone in Chinese companies' internationalisation, providing crucial lessons in a less challenging environment than would be provided by other markets.

When put in historical context, it appears that China and Angola's hasty partnership dating from 2004 was a strategic action to address both state's pressing needs at the time. China was experiencing a crippling energy crisis; this period also coincided with the 'going global' policy having been officially endorsed by the top Chinese leadership.⁶²² The Angolan government's oil wealth, which was experiencing financing difficulties just at that time, may have seemed to present a perfect solution. From the perspective of Beijing, several years on the question has been raised as to whether such relations are sustainable as they currently stand.⁶²³ Far from serving as a kind of 'model' for other resource rich countries' relations with China, it has been suggested that the strategic partnership forged between Luanda and Beijing was done so at an opportune moment of equal need, for financing and oil resources

⁶²⁰ Bo (2010:65) notes that from 1992 – 2009, 63 out of 208 investment projects took place in Africa, denoting the region's importance in terms of China's oil-related foreign policy.

⁶²¹ Interview, Western construction equipment importer, Luanda, 15 July 2010

⁶²² As discussed by Bo (2010:41) Chinese NOCs had been engaging in overseas operations for more than a decade before the central leadership realised its importance to the economy and promoted it as a general trend for other sectors to follow.

⁶²³ Interview, Chinese think tank, Beijing, 16 October 2009

respectively.⁶²⁴ This speaks to Angola seizing a 'window of time' (Habeeb, 1988:34) which presented a unique opportunity.

Furthermore, the Chinese Ministry of Foreign Affairs in view of previous involvement in Angola's history, may have felt it politically expedient to conclude a deal, overruling any reservations that that Exim Bank may have harboured.⁶²⁵ The outcome of the arrangement, has, contrary to the expectations of some, not rendered Chinese oil companies greater access to Angola oil blocks, although supply of oil as collateral has been secured. Despite China providing Angola with substantial financing, this has not facilitated Chinese NOC entry into the oil industry. Chinese companies will continue to bid for oil blocks in Angola, but their progress has been slow. As regards the 'going global' policy, China Exim Bank has so far had far more success in facilitating the entry of Chinese construction companies into the Angolan market. China Exim Bank has been largely successful in opening the door for a number of Chinese private and state-owned construction enterprises with guaranteed project contracts and procurement shipments totalling several billion dollars. Chinese construction projects under the China Exim Bank credit line are continuing, with US\$ 2.5 billion in projects reportedly having been executed as of June 2008 and phase III of the national reconstruction programme underway (GAT, 2008b:2). Chinese companies have more than US\$ 22 billion worth of new contracts signed as of mid-2009 in Angola alone (see Chapter 5, figure 5.1). Consequently, engagement in Angola could be considered a remarkable success as regards the China Exim Banks' mandate to promote Chinese goods and services. Larger state-owned Chinese companies have entered Angola largely on the back of the China Exim Bank credit line, as these state financing structures mitigated the risk that would otherwise have prevented these Chinese firms from entering the little known Angolan market.

Significantly, the oil repayments provide China with secure long-term supply of oil. Angolan exports to China have increased considerably since the China Exim Bank credit line

⁶²⁴ Interview, Chinese research institute, Beijing, 9 September 2009

⁶²⁵ Interview, Ministry of Foreign Affairs, Beijing, 29 October 2009

agreement (see chapter 4, figure 4.6). This seems to point to the fact that the oil is indeed shipped to China, rather than resold on the international market. That the oil must be sold directly to the Chinese state (rather than to a Chinese NOC) is particularly important for China to build up its strategic reserves. As Bo (2010:93) notes, Chinese NOC's oil equity is often not sent back to China, but sold on the international market at a higher price than can be achieved in China, where the price of oil is controlled. The arrangement between China and Angola thus bypasses the Chinese NOC, alleviating this strategic concern.

Turning to the implementation of the projects discussed in chapter five; while there are arguably benefits from the physical infrastructure provided as a result of the Chinese contracts, the monitoring of the project execution is questionable. Furthermore, Chinese companies' interaction with Angolans on a commercial level is very weak, limiting opportunities for broader economic stimulation through the reconstruction process itself. This is due to a number of factors; the nature of the Chinese government loans which are specifically a mechanism to ensure that a large proportion of the procurement comes from China (thus reducing China's trade deficit with Angola) and attempted risk mitigation due to Chinese companies' lack of local market knowledge.

In many cases the Chinese companies' competitive advantage lies in their ability to deliver projects faster and cheaper than their competitors, encouraging quick builds to maximum cost and time efficiency. This leaves little room for local content development. Loans from foreign governments, linked to purchasing their national companies' goods and services, especially such as those from China, further reduces the ability of local firms to enter the value chain. A dire lack of training and capacity in a working population that has just emerged from more than three decades of civil war worsens the situation. However, this situation is exacerbated by Angola's weak institutional framework, lack of political will on the Angolan government's part, vested interests preventing local content policy implementation and lack of capacity in the local market.

As outlined in chapter six, the Angolan elite have leveraged its growing relationship with China on several levels: the international, the national and the regional. In the past few

years Luanda has acquired access to various lines of credit from a variety of different partners. This points to the Angolan government's successful strategy of diversification of finance sources, compared to its situation immediately following the end of the civil war. The Angolan government, always fiercely protective of its sovereignty, eschewed an IMF structural adjustment package in 2003 for China's less interventionist financing. Considered a 'quick-fix' at the time, Luanda continues to be wary of allowing Chinese interests to hold too much sway in the economy. The standby loan agreement drawn up six years later in 2009 between the IMF and Angola points not only to a rapprochement between the African country and the BWI, but is also a determined effort to balance China's perceived influence in the economy. It sends a clear message that Angola is willing to engage with other potential partners. Nevertheless, Chinese financing has been important. It is viewed in some quarters⁶²⁶ as having acted as a kind of catalyst in attracting financing from other countries.

Regionally, Angola is playing a more active and influential role in forums such as the African Union (AU) and the Southern African Development Community (SADC) (Weimar, 2009:4). Despite Sogge's (2009:10) dismissal of Angola's interest in regional bodies such as SADC, he does point to Angola's resurgence of interest in the Nigeria-initiated Gulf of Guinea commission, now headquartered in Luanda. Dos Santos, as the region's longest serving head of state, and leader of the second largest economy after South Africa, is accorded new respect (Mangena, 2011). Furthermore, Angola became the President of OPEC in 2009, two years after becoming its newest member in January 2007.

On the domestic front, in the early years following the end of the civil war, China Exim Bank's loans provided the means to begin national reconstruction. Aside from its practical necessity following the destruction of the civil war, the MPLA government has utilised Chinese financial assistance to kick-start a state-building process through which the government, controlled by the ruling party, could consolidate political and economic power. It also lent credence to the narrative of national reconstruction employed by the government. This was essential from the perspective of political survival and proved

⁶²⁶ Interview, senior official, Angolan Embassy, Beijing, 28 October 2009

successful, given the MPLA's landslide victory in the legislative elections of 2008. This is what Hodges (2004: 169) calls 'manufactured legitimacy'. The ruling parties' continued control of the credit lines ensured a monopolisation of both the process and the economic rents it implies. Despite a rash of policies and public overtures concerning economic diversification and local participation, the economy's fundamental structural contradictions have not been addressed. Anti-government protests although only in their infancy, are appearing in unprecedented fashion. This underlines the weakness of the Angolan state discussed in detail in chapters one and six. This thesis has demonstrated the political adaptability of the Angolan regime to navigate its internal and external weaknesses with remarkable 'behavioural power' (Habeeb, 1988:34). However, the political turn of events indicates that the Angolan government will have to further innovate or risk losing its grip on power.

7.2 Evaluating the 'strategic partnership'

In evaluating the nature of the so-called 'strategic partnership' between Angola and China, what emerges is a picture far more complex than previous analyses suggest.

Given that Angola has been China's top African trading partner since 2007, there is a marked disparity in the level of China-Angola trade and the corresponding level of China-Angola investment, relative to other resource-rich African countries. With US\$ 195.5 million, Angola ranked 11th in terms of its Chinese FDI stock in 2009, albeit that Chinese FDI stock in the top 10 African countries were more than double that of Angola's. In 2009, Chinese FDI accounted for 1.12 percent of Angola's total FDI stock (MOFCOM, 2010b; UNCTAD, 2010). This seems to infer that while Angola is considered an important source of oil, particularly within the West African region, Chinese companies do not regard Angola as a strategic location for investment, beyond acquisitions in the oil industry. This may change given the recent interest of additional Chinese banks such as ICBC and CDB. However as it stands, according to Vines et al (2009:47) the Angolans themselves suggest that Chinese interests in the Democratic Republic of Congo will eclipse those in Angola. Furthermore, various Chinese

think-tanks have voiced the opinion that South Africa is in fact considered to be a more strategic African partner.⁶²⁷

This may be explained by several factors. Firstly, Angola's investment climate is severely lacking (see chapter 4, figure 4.5). The African country is ranked by the World Bank's 2011 'Doing Business report' as 163 out of 181⁶²⁸. According to this report, although ranked 59th for 'protecting investors', Angola has a ranking of 164 for starting a business and 181 for 'enforcing a contract'. There is little wonder therefore that most Chinese construction companies' entry into Angola's market has been through a tightly managed high-level bilateral agreement between the Angolan government and China Exim Bank or CIF. Furthermore, Angola, due to its relative lack of infrastructure and integration into the Southern African region, a legacy of decades of civil war, is not a strategic location of export-oriented manufacture, nor is it a particularly attractive market, with a population of approximately 18 million, almost 80 percent of which are considered to be impoverished. Chinese companies benefit predominantly from the Angolan government's oil-fuelled public investment programme facilitated by China Exim Bank. Investment outside of this credit line is not substantial as yet.

Where Chinese companies are interested in investing is in the oil sector. The Angolan government, which for decades has directed the Angolan oil industry through its parastatal company Sonangol, has been less open to Chinese investment in the oil industry than originally expected. As noted in chapter 6, several blocks that various Chinese national oil companies had shown a keen interest in purchasing, were denied them. This may well be for pragmatic reasons; Chinese companies have yet to develop the technology required to exploit deep and ultra-deep water oil resources, indeed, they have been looking to learn such techniques in partnership with Western oil majors in Angola. Nevertheless, it sends a strong political message to Beijing, and points to shrewd management of the oil industry on

⁶²⁷ Interview, Chinese research institute, Shanghai, 17 September 2009; Chinese research institute, Beijing, 16 October 2009

⁶²⁸ See: <http://www.doingbusiness.org/data/exploreeconomies/angola/> [23 March 2011]

the part of the Angolan government, whose management of increasing Chinese interest in the oil sector has been much more deft than Nigeria's (Vines, et al,2009).

7.3 Contribution to Research

This work has contributed to literature that emphasises African agency as a key tenet in analysing Africa's international relations. Critically it has linked the conceptualisation of Angola as a weak state domestically to its behaviour as a perceived weak state in the international system. Angola's internal and external weaknesses are linked firstly by Bayart's concept of extraversion, but also as mutually interacting circumstances as described by Putnam's (1988) 'two level game.' This recognises the ability of African actors in carving policy spaces despite the lack of a 'level playing field' in international fora. It also however, signifies responsibility for the development trajectory of African countries. Rather than attributing their current contexts to path dependencies, it must be recognised that the actions of the leadership are at least as important, and as a result, they must accept most of the responsibility for the outcome of such actions (Soares de Oliveira, 2007b:124).

Conceptually, this work also underlines the constitutive nature of rhetoric in shaping perspectives surrounding China and African countries' relations with each other and necessarily with the West. Both China and, in this specific case, Angola, are leveraging their mutual bilateral relations in order to elevate their standing internationally, and thus their relations vis-à-vis Western countries, the nominal architects of the current global political system. As such, political rhetoric is of utmost importance and cannot be isolated from a discussion of China-Africa relations, given that both parties use rhetoric as a tool to achieve certain concrete goals, as discussed. Thus, in taking the use of the rhetoric seriously, the use of Chinese-language literature and Angolan sources has been important in developing a valid discussion.

From an empirical standpoint, the mechanisms of the China Exim Bank loan in general and to Angola in particular have been illuminated. This serves to quash several preconceptions.

Firstly, contrary to conventional wisdom, there is indeed in existence publicly available documentation from both Chinese and Angolan sources, about the general loan structure and the projects it finances respectively, albeit not in the English language.⁶²⁹ A more valid concern is the level of reliability of this information.

However, even with these concerns, it is evident that an ‘Angola Model’ does not exist apart from the superficial description of a financing mechanism that is secured with a barter arrangement. As noted in previous chapters, China has neither secured a preferential oil price (unlike other commercially arranged loans) nor has it secured preferential market access to oil equity on a long-term basis. Chinese companies do have secure market access to construction contracts, but this is not different from the companies of other countries that have also extended export buyer’s credits to Angola, such as Brazil and Portugal. The difference in China’s case is of course the size of the financing amounts. This notwithstanding, Angola’s political elite has proven adept in managing relations with China, and the Chinese government cannot not lay claim to untoward political influence in Angola. They remain as posited by Campbell & Chaulia (2009:44) ‘unequal equals’.

Consequently, from the analysis in this chapter, we can see that ‘win-win’ is largely accorded to political elites in both countries, and business interests that form part of their patronage networks. One key distinction however, is that whereas the Chinese political leadership have arguably succeeded in large-scale poverty reduction⁶³⁰ in addition to the success of state institutions and companies, in the Angolan case, at least for now, the accumulation of state power is done at the expense of the Angolan people.

⁶²⁹ The China Exim Bank website does contain an English language explanation of Chinese government concessional loans, but it is much less detailed than the Chinese version. Compare http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398_1.html [English version] with http://www.eximbank.gov.cn/yewuarticle/yewu/youhuidk/200811/7639_1.html [Chinese version]

⁶³⁰ According to Kiala (2009:314) China has lifted 400 million people out of poverty since the 1980’s.

Appendix 1: Chinese companies in Angola (May 2010)

Rank	Name	Investment Type	Sector	Locally Registered	Head Office
1	Sinohydro	Contract	Civil Engineering	In process	Beijing
2	China National Construction and Agricultural Machinery Corporation (CAMCO)	Contract, Trade	Mechanics	In process	Beijing
3	Sinomach	Contract	Civil Engineering	No	Beijing
4	China North Industries Group Corporation (NORINCO)	Contract	Technology Industry Investment	Yes	Beijing
5	ZTE	Trade, Contract	Communications Engineering	Yes	Shenzhen
6	Sinopec	Resource Exploration	Oil Exploration	In process	Beijing
7	CITIC Construction	Contract	Contract Engineering	In process	Beijing
8	China Jiangsu International	Contract	Investment, Trade	Yes	Nanjing
9	CGCOC Group	Contract	Engineering, Trade	Yes	Beijing
10	Chongqing Guangsha	Contract	Contract Engineering	Yes	Chongqing
11	Golden Nest International	Contract, Manufacturing	Engineering, Manufacturing	Yes	Xi'an
12	Highsee Iron and Steel Group Company Ltd	Contract, Manufacturing	Contract Engineering	In process	Dandong
13	Nanjing Zhongtai	Contract	Contract Engineering	Yes	Nanjing
14	Angola Huafeng	Contract, Property Developers	Engineering, Trade	Yes	Qingtian, Zhejiang province
15	Fujian Sanming	Processing	Manufacturing	Yes	Sanming, Fujian

	Auto Industry				province
16	Zhejiang Zhongsheng	Trade Developers	Building Materials Freight	Yes	Hanzhou
17	Guangde International Company Ltd	Construction, Trade	Construction, Trade	Yes	Beijing
18	Anan International Holdings Ltd	Contract	Contract Engineering	Yes	Hefei
19	Huaxi-Haishan International Group	Contract, Trade	Contract Engineering	Yes	Nantong, Sichuan
20	Guangxi Water Resources and Electric Power Group Co. Ltd,	Construction	Contract Engineering	Yes	Nanning
21	Guanxi Tiezhou Fish Industries	Manufacturing, Trade	Fishing, Processing, Sales	Yes	Dalian
22	Tianhe Chemicals	Transport/Freight	Customer Goods Freight	Yes	Liaoning
23	China Road and Bridge Corporation	Engineering Company	Contract Engineering	Yes	Beijing
24	Huawei Technologies	Communications	Contract Engineering, Sales	Yes	Beijing
25	Pan-China Construction	Construction	Contract Engineering	No	Shenzhen
26	China Railway 20 th Bureau	Construction	Contract Engineering	Yes	Xi'an
27	China Railway 4 th Bureau	Construction	Contract Engineering	Yes	Beijing
28	Transtech Engineering Company	Construction	Contract Engineering	Yes	Chengdu
29	China Harbour Engineering	Construction	Contract Engineering	Yes	Beijing

	Company Ltd.				
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Source: 商务部对外投资合作国别指南: 安哥拉 (2010)
[MOFCOM Country Guide to Foreign Investment and Co-operation: Angola (2010)]

Goldstein (2007) lists other construction market players as:

- China National Overseas Engineering Corporation (COVEC),
- China National Machinery Industry Complete Engineering Corporation (Complant),
- Shanghai Urban Construction Group,
- Hunan Engineering Group Corporation,
- Qingdao Construction Group Corporation

The Angolan Consulate in Macau lists in addition as 'large Chinese companies with projects in Angola':

- China State Ship-building Corporation (CSSC),
- Sinosteel Corporation,
- Top Builders International Angola Lda⁶³¹,
- Wuhan Iron and Steel, China International Machinery Building International,
- China International Fund, Geocapital.⁶³²

Afrodad (2008:35) lists the following as well:

- Agir Huang-Mecanical & Electrical Company, Ltd
- Lucky Man Angola Development, Ltd
- Preseana Tian He-Indústria, Comércio Geral, Importação and Exportação
- S.A.S.L.- Sociedade Angolan de Siderurgia
- Yewhing (Angola)-Comércio and Indústria, Ltd
- Ancon Construtora, Ltd
- Baroque- Construction and Empreendimentos, Ltd
- China State Construction Engineering Corporation
- Gaki-Soc. De Empreendimentos, Ltd
- Gotica Construction, Ltd
- Immobile Activities, Rentals and Service Delivery Companies
- BGP-Geophysical, Ltd
- China Yideli (Angola) Co. Ltd
- Chinangol, Ltd
- Soniamar, Ltd
- Trusvest-Comércio Geral, Importação and Exportação, Ltd
- Yanming Angola, SA

⁶³¹ Based in the Special Administrative Region of Macau

⁶³² Report issued by the Angolan Consulate in Macau: 'Angola' (2010)

Appendix 2: Official Bilateral Co-operation

High-level visits between China and Angola:

Chinese dignitaries' visits to Angola⁶³³

May 1983	Gong Dafei, Vice Minister of Foreign Affairs
August 1989	Qian Qichen, Minister of Foreign Affairs
August 1995	Zhu Rongji, Vice Premier of the State Council
April 1996	Li Zhaoxing, Vice Minister of Foreign Affairs
September 1997	Ji Peiding, Assistant Minister of Foreign Affairs
January 2001	Tang Jiaxuan, Minister of Foreign Affairs
October 2001	Li Tieying, Politbureau member, CCP Central Committee
April 2002	Wang Wenyan, Vice President, Chinese People's Political Consultative Committee
July 2002	Yang Wenchang, Vice Minister of Foreign Affairs
September 2004	Yang Zilin, President of China Exim Bank ⁶³⁴
March 2004	Zeng Peiyan, Vice Premier of the State Council
February 2005	Zeng Peiyan, Vice Premier of the State Council ⁶³⁵
July 2005	Lu Xinhua, Vice Minister of Foreign Affairs

⁶³³ Source: Angolan Embassy in China (2008:17); Chinese Ministry of Foreign Affairs: <http://www.mfa.gov.cn/eng/wjzb/zjzg/fzs/gilb/2914> [28 February 2011]; Macauhub: <http://www.macauhub.com.mo/en/2011/03/17/china%E2%80%99s-deputy-prime-minister-wang-qishan-starts-african-tour-in-angola-thursday> [17 March 2011]; Chinese Economic Counsellor's office: <http://ao2.mofcom.gov.cn/aarticle/bilateralcooperation/inbrief/200411/20041100003882.html> [5 May 2011]; Angop: <http://allafrica.com/stories/200804171177.html> [5 May 2011]; Angop: http://www.portalangop.co.ao/motix/pt_pt/noticias/politica/2010/6/27/Eximbak-China-anuncia-novo-emprestimo-para-Angola,a12bf85d-b9c2-4a37-b08b-41dd035c8a37.html [5 May 2011]

⁶³⁴ He met with the Angolan Ministers of Petroleum and Finance, the CEO of Sonangol and the governor of the National Bank of Angola (Ferreira, 2009:297).

⁶³⁵ Vice Premier Zeng was accompanied by Wang Yang, Departmental Secretary of the State Council; Deputy Minister of Trade Wei Jianguo; Zhang Guobao, Minister in the National Development Commission; Cai Xiyou, Vice-President of Sinopec and a number of ranking officials from the Defence and Foreign ministries. They met with Defense Minister Kundy Payama, Deputy Prime Minister Aguinaldo Jaime, Finance Minister José Pedro Morais, GRN Chairman General Helder Vieira, Sonangol CEO Manuel Vicente, among others (ERA, 2009:38).

November 2005	Jiang Yaoping, Vice Minister of Information
June 2006	Wen Jiabao, Premier of the State Council
September 2007	Li Ruogu, President of China Exim Bank
April 2008	Gao Jian, Deputy President China Development Bank, head of China-Africa Development Fund
January 2009	Chen Deming, Minister of Commerce
March 2009	Jiang Zengwei, Vice Minister of Commerce
March 2009	Chen Yuan, President of China Development Bank
October 2009	Yan Kaisheng, President of Industrial and Commercial Bank of China
July 2010	Li Ruogu, President of China Exim Bank
November 2010	Xi Jinping, Vice President
March 2011	Wang Qishan, Vice Premier of the State Council
May 2011	Wu Bangguo, Chairman of the Standing Committee of the National People's Congress

High-level visits between China and Angola:

Angolan Dignitaries' visits to China⁶³⁶

October 1988	Jose Eduardo dos Santos, President
November 1993	Fernando José de França Dias Van Dunem, Speaker of the National Assembly
March 1994	De Mora, Minister of Foreign affairs
September 1998	Lopo do Nascimento, MPLA Secretary General
October 1998	Jose Eduardo dos Santos, President
May 2000	Kundy Payama, Defence Minister
May 2000	João Lourenço, MPLA Secretary General
May 2001	Roberto de Almeida, Speaker of the National Assembly
March 2004	Manuel Vicente, CEO of Sonangol
May 2004	Fernando da Piedade dos Santos, Prime Minister
May 2004	João Bernardo de Miranda, Minister of Foreign Affairs
September 2004	Jose Pedro de Morais, Angolan Minister of Finance
June 2005	General Agostinho Nelumba Sanjar, Commander of the Angolan Armed Forces
September 2006	Joaquim Icuma Muafuma, Minister of Commerce
September 2006	Irene Neto, Vice Minister of Foreign Affairs
November 2006	Fernando Piedade Dias dos Santos, Prime Minister
October 2007	Antonio Burity da Silva, Minister of Education
August 2008	Jose Eduardo dos Santos, President
December 2008	Jose Eduardo dos Santos, President
April 2011	Manuel Vicente, CEO, Sonangol

⁶³⁶ Source: Angolan Embassy in China, (2008:17); Ferreira (2009:297); Campos and Vines (2007:4); Chinese Economic Counsellor's office:

<http://ao2.mofcom.gov.cn/aarticle/bilateralcooperation/inbrief/200411/20041100003882.html> [5 May 2011]

Bilateral agreements signed between China and Angola⁶³⁷

22 December 1988	Cultural Accord
8 September 1990	Cultural and Educational Cooperation and Execution Programme; Protocol on Conditions of Chinese specialists to Angola
August 1991	Credit Accord of RMB 50 million
October 1997	A Framework Agreement on Preferential Credit provided by the Chinese government to the Angolan government
October 1998	(During President dos Santos' state visit to China) Donation of RMB 5 million General Accord for bilateral economic and technical co-operation worth RMB 30 million Cooperation Protocol between the Angolan Chamber of Commerce and Industry and the China Council for the Promotion of International Trade Cooperation Protocol between the China and Angolan Ministries of Foreign Affairs
February 2005	(During Vice-Premier Zeng Peiyan's state visit to Angola) Energy, mining and infrastructure agreements; The re-establishment of a bilateral cooperation commission; Technical cooperation that included a new loan from the Chinese Government to Angola, of US\$ 6.3 million; Cooperation between the ministries of Oil, Geology and Mining of Angola and China National Commission on Development and Reform; Long-term supply agreement between Sonangol and Sinopec; MOU linked to a joint study on the oil exploration of Angola's Block 3/05 (formerly Block 3/80), between Sonangol and Sinopec;

⁶³⁷ Source: Angolan Embassy in China (2008:17); ERA (2009:38)

MOU on the joint exploration of new Angola's proposed oil refinery, Sonaref; and

A new telephone network cooperation contract between Chinese ZTE Corporation International and the Angolan firm Mundostartel, estimated at US\$69 million;

Angola-China Joint Economic and Trade Commission Meetings⁶³⁸ (est.October 1988)

December 1999

May 2001

March 2007

March 2009

⁶³⁸ Source: Ferreira, (2009:297), Alves (2010:5)

APPENDIX 3⁶³⁹:

Projects financed by the China Exim Bank Credit Line

First US\$1 billion tranche of US\$ 2 billion loan signed on 2 March 2004

Phase ⁶⁴⁰I: (as of 31 December 2007)

Sector	Project	Contractor	Contract Value (US\$)	Contract Signed	Contract Start Date	Projected Handover date	Initial Payment (US\$)	Financed (US\$)	No, of Angolan workers	No, of Chinese workers
Transport	Support to bus transport ⁶⁴¹ (250 vehicles)		13,840,468.00	09/08/04	27/12/04					
Education ⁶⁴²	Construction of 2 agriculture schools in Huambo and Bié	Sinohydro	45,562,685.12	4/03/05	19/10/05	20/08/05	4,556,268.51	41,006,416.61	98	41
	Construction of agricultural school in Malange	CMEC	19,950,351.06 ⁶⁴³ 16,950,351.06	10/03/05	09/03/06	20/03/07	1,695,035.11	15,255,315.95		
	Construction and equipping of 3	CMEC	17,959,601.79	10/03/05	20/03/06	30/04/07 ⁶⁴⁴ ;	1,795,960.17	16,163,641.55	15 ⁶⁴⁵	39

⁶³⁹ All information presented in these tables is from GAT reports (2007a; 2007b; 2008a; 2008b) and their appendices. Translation is author's own

⁶⁴⁰ All projects were assigned a due diligence consultant. These were variously PROFISCON; SOAPRO; Consulprojecto, AMBIO, TILCA, TECNO4, FZ Trading, Internel, Gamek, ANHERC, Dar-Al- Handasah (Angola); Gestão de Consultoria e Investimento, Africonsult, FASE, SIPCA and Interserviços.

⁶⁴¹ Of the 250 vehicles, they were assigned as follows: 'former combatants' (189); 'for distribution (non-conformity of documentation)' (23); 'delivered to the Military House' (25); 'reserved' (10); 'special cases' (3). (GAT, 2007b:8). The three reserved vehicles were sent to local government projects. A provincial breakdown of the vehicles sent to former combatants is also provided (GAT, 2007b:9)

⁶⁴² According to the report issued by GAT (2007b:6), US\$ 147.309.415.00 were set aside for 'complementary projects' in order for the projects to 'confer a larger impact'

⁶⁴³ The values for this project are different in the report (GAT, 2007:3) and the appendix I citing the financial position of the projects under execution as of 20 July 2007 in the same report. The appendix cites the smaller amount.

⁶⁴⁴ Where there is more than one date, each component of the contract had a separate start and handover date.

	secondary schools in Luanda, 1 in Benguela					30/04/07; 12/07/07; 25/07/07				
	Construction and equipping of 4 technical schools in Luanda, 4 in Benguela	CMEC	58,938,709.20	10/03/05	20/03/06	22/05/07; 22/05/07; 20/05/07; 20/05/07; 20/05/07; 12/04/07	5,893,870.92	53,044,838.28		
	Construction of 2 secondary schools in Malange	Sinohydro	7,978,297.20	10/03/05	20/03/06	18/09/07	797,829.72	7,180,467.48	71	33
	Construction of a technical institute and a secondary school in Huila	Sinohydro	14,313,018.63	10/03/05	17/04/06	11/10/07	1,431,301.86	12,881,716.77	150	47
	Construction and equipping of two agricultural schools in Kwanza-Sul and Kwanza Norte	CAMCO	45,825,306.72	09/03/05	15/06/06	15/09/07	4,582,530.67	41,242,776.05	230	158
	Construction of technical institute in Sumbe	CAMCO	9,630,700.98	15/06/06	15/06/06	31/07/07	963,070.10	8,667,630.88	112	58
Health ⁶⁴⁶	Rehabilitation and equipping of Malange Hospital	Sinohydro	29,185,499.00	09/05/05	09/06/06	09/12/07	2,918,549.90	26,266,949.10	49	33
	Rehabilitation and equipping of	Sinohydro	40,521,731.00	09/05/05	03/06/06	03/09/07	4,052,173.10	36,469,557.90	57	30

⁶⁴⁵ The number of Angolan and Chinese workers listed applies only to the school in Luanda.

⁶⁴⁶ Complementary projects such as doctors' quarters, morgues purchasing; oxygen factories, solar power systems, ambulances and bore hole construction were allocated US\$ 159.413.272,36 from the June 2007 US\$ 500 million credit line (GAT,2007a:9).

	Benguela Regional Hospital									
	Construction and equipping of 3 health centres in Malange ⁶⁴⁷	Sinohydro	12,010,431.00	09/05/05	10/08/06; 01/08/06;	10/08/07; 01/11/07	1,201,043.10	10,809,387.90	77	57
	Construction and equipping of regional hospital in Namibe	Sinohydro	9,263,864.00	24/10/05	01/11/06	10/01/08	926,386.40	8,337,477.60	40	35
	Construction and equipping of regional hospital in Lubango	Sinohydro	48,060,432.43	24/10/05	10/07/06	10/01/08	4,806,043.24	43,254,389.19	127	68
	Rehabilitation and equipping of Huambo central hospital and provision of 86 ambulances	Sinohydro	36,520,308.99 ⁶⁴⁸	24/10/05	01/08/06; vehicle delivery 21/04/07	01/02/08	3,652,030.90	32,868,278.09	57	30
	Construction and equipping of health centre in Huambo	Sinohydro	4,003,477.00	24/10/05	01/08/06	01/08/07	400,347.70	3,603,129.30	30	25
	Construction and equipping of 2 municipal hospitals in Kwanza Norte and Kwanza Sul	CAMCO	18,527,728.00	29/10/05	17/11/06; 01/11/06	17/02/08; 01/02/08	1,852,772.80	16,674,955.20	25	20
	Construction and	CAMCO	8,006,954.00	29/10/05	25/10/06;	25/09/07;	800,695.40	7,206,258.60	62	47

⁶⁴⁷ One of the health centres in Caculama was later transformed into a Regional Hospital on application by the provincial government. The additional costs of US\$ 10.875.000.00 were supplied from the US\$ 500 million auxiliary China Exim Bank credit facility approved in July 2007 (GAT,2007a:7).

⁶⁴⁸ According to GAT (2008:5), the stand alone cost of the hospital is US\$ 32.134.308.99. The cost of the ambulances is US\$ 4,386.000.00 (GAT,2007b:4)

	equipping of 2 health centres in Kwanza Norte and Kwanza Sul				10/10/06	10/10/07				
Agriculture	Phase I: Irrigation of Luena, Caxito, Gandjelas e Waco-Kungo	Sinohydro	95,306.000.00	02/03/05	28/07/05	31/08/07	9,530,600.00	85,775,400.00	307	72
	Purchase of agriculture equipment for MECANEGRO	CMEC	32,079,124.00	11/03/05	29/09/05		3,207,912,40	28,871,211.60		
	Purchase of agricultural equipment, machines and tools		22,368,090.00	11/08/04	29/09/05		2,236,809.00	20,131,281.00		
Energy and Water ⁶⁴⁹	Rehabilitation and Expansion of Luanda electrical grid phase II	CMIC	44,509,315.02	05/07/04	05/06/05	30/09/07	4,450,931,50	40,058,383.52		
	Reconstruction of LT 60 Kv and substation at Quifangondo, Mabubas	CMIC	14,594,171.56	09/03/05	06/12/05	15/03/07	1,459,417.16	13,134,754.40		
	Construction of 3 rd LT 220 Kv for Cambambe-Luanda	CMEC	38,367,701.00	09/03/05	08/11/05	09/2007	3,836,770.10	34,530,930.90	60	120
	Construction of substations and LT	CMEC	29,516,582.00	09/03/05	09/11/05	09/2007	2,951,658.20	26,564,923.80	60	136

⁶⁴⁹ Complementary projects in the energy and water sector were allocated US\$ 76.450.000.00 (GAT,2007a:6) from the June 2007 US\$ 500 million China Exim Bank auxiliary credit line extension

	220 Kv in Luanda-Sul, Cazenga									
	Construction of LT 220 Kv Capanda-Lucala-Ndalatando	CMEC	28,248,625.00	10/03/05	08/11/05	31/07/07	2,824,862,50	25,423,762,50		
	Partial rehabilitation of the water supply system in Luanda	CMEC	44,695,419.00	12/03/05	18/11/05	10/2007	4,469,541.90	40,225,877.10	150	153
	Rehabilitation of the water supply system in Huambo	CMEC	22,374,027.00	09/03/05	08/11/05	10/2007	2,237,402,70	20,136,624.30	65	42
	Rehabilitation of the water supply system in Caxito, Catete, Uíge	CEIEC	21,539,269.00	09/03/05	08/11/05	10/2007	2,153,926.90	19,385,342.10		
Social Communication	Construction and equipping of TPA ⁶⁵⁰ production centre in Camama	CEIEC	66,905,200.00	03/2005	18/11/05	07/12/07	6,690,520.00	60,214,680.00	120	280
Public Works	Rehabilitation of the highway Quifangondo-Caxito- Uíge- Negage ⁶⁵¹	CRBC	211,684,100.65	28/02/05	13/12/05	30/06/08	21,168,410.07	190,515,690.59	1336	367
TOTAL			1,109,287,188,28				110,928,718,83	998,358,469,45	3,298	1,891
% of Total							10%	90%	63.6%	36.4%

⁶⁵⁰ Angolan state-owned television station

⁶⁵¹ From the auxiliary credit line, US\$ 56.336.500.00 (GAT,2207a:16) was approved to resurface the roads in the cities Caxito, Uíge and Negage

Projects financed by the China Exim Bank Credit Line (second tranche of US\$ 1 billion)

Second US\$1 billion tranche of US\$ 2 billion loan signed on 2 March 2004

Phase II⁶⁵²: (as of 30 June 2008)

Sector	Project	Contractor	Contract Value (US\$)	Contract Signed	Contract Start Date	Projected Handover date	Initial Payment (US\$)	Financed (US\$)	No, of Angolan workers	No, of Chinese workers
Health	Construction and equipping of 3 municipal hospitals in Huambo, Huila, Benguela; 2 health centres in Benguela; 2 health centres in Huila	Sinohydro	43,805,500.00	09/05/05	17/01/07	15/10/08 hospitals; 05/09/08 centres	4,390,550.00	39,424,950.00	89 ⁶⁵³	73 ⁶⁵⁴
Education	Construction and equipment of 2 secondary schools in Huambo, 2	Sinohydro	69,096,735.60	27/07/06	17/07/07	17/09/08	6,909,673.56	62,187,062.04	189 ⁶⁵⁵	147 ⁶⁵⁶

⁶⁵² All projects were assigned a due diligence consultant. These were variously FZ Trading, PROFISCON, TILCA, AFRICASE, Dar-Al- Handasah (Angola); MARHELL, Interserviços, JTEC (Japan);

Gestão de Consultoria e Investimento, Africonsult, FASE, SIPCA and Interserviços

⁶⁵³ Numbers are incomplete as they only include workers for the hospitals in Benguela and Huambo.

⁶⁵⁴ Numbers are incomplete as they only include workers for the hospitals in Benguela and Huambo.

⁶⁵⁵ Numbers incomplete as this only includes workers for the technical institute in Bié, the administration centres in Bié, Cuando Cubango and Cunene.

⁶⁵⁶ Numbers incomplete as this only includes workers for the technical institute in Bié, the administration centres in Bié and Cunene.

	secondary schools in Huila, 2 technical institutes in Huambo, Huila and Bié, 4 centres of administration and management in Huambo, Bié, Cunene, Cuando Cubango									
	Construction and equipping of 4 technical institute in Luanda, Bengo, Cabinda and Namibe, 5 administrative and management institutes in Luanda (2), Benguela , Zaire (1) and Namibe (1); 2 each in Luanda Benguela and Namibe	Sinomach	93,232,440.78	27/07/06	17/07/07	TBC	9,323,244.08	83,909,196.70	863 ⁶⁵⁷	738 ⁶⁵⁸
	Construction and equipping of 3 technical institutes in Luanda Sul, Lunda Norte and	Sinohydro	67,313,137.80	27/07/06	15/08/07	TBC	6,731,313,78	60,581,824.02	453	205

⁶⁵⁷ These are partial figures as the number of workers for the Luanda technical institute and the secondary school in Namibe were not supplied.

⁶⁵⁸ These are partial figures as the number of workers for the Luanda technical institute and the secondary school in Namibe were not supplied

	Uíge, 1 agricultural institute in Uíge,2 administration and management institutes in Uíge and Moxico and 1 secondary school in Uíge									
Public Works	Completion of University Campus	China Jiangsu Int,	48,420,000.00	07/10/05	18/06/07	18/12/08	4,842,000.00	43,578,000.00	120	200
	Completion of the Justice Palace (High Court)	China Jiangsu Int,	41,070,000.00	07/10/05	18/06/07	18/12/08	4,107,000.00	36,963,000.00		
Fishing	Provision of 25 30m boats and 100 4,15 m canoes ⁶⁵⁹	CMEC	98,119,525.00	01/2006	20/06/06	11/07/09	9,811,952.50	88,307,572.50		
	Provision of 5 46,9m patrol boats, 10 46,9m shrimping boats and 2000 canoes	CMEC	97,847,205.00	01/2006	20/06/06	11/07/09	9,784,720.50	88,062,484.50		
	Provision of 10 33,56m line fishing vessels, 1 49m speedboat 49m, 1 89,96m naval launch base, 5 29,7m fibreglass patrol vessels in fiberglass , 1 34m tugboat 34m	CMEC	70,880,779.00	01/2006	20/06/06	11/07/09	7,088,077.90	63,792,501.10		

⁶⁵⁹ GAT (2008b:19) reports that 830 of the 1000 canoes were delivered without a motor.

Agriculture	Phase II of irrigation for Caxito, Gandgelas, Luena and Waco-Kungo	Sinohydro	54.006,958.00	21/04/07	18/09/07	18/03/09	5,400,695.80	48,606,262.20		
Post and Telecoms ⁶⁶⁰	Construction of new generation network for Bengo, Bié, Kwanza Norte, Kwanza Sul, Luanda, Malange and Moxico	CMEC	74,331,285.00	13/02/06	24/10/06	08/04/09	7,433,128,50	66,898,156.50		
	Construction of a new generation network for Benguela, Kwanza Norte, Cunene, Huambo, Uíge, and Zaire	CMEC	67,954,756.00	13/02/06	21/10/06	08/03/09	6,795,475,60	61,195,280.40		
	Construction of a new generation network for Bié, Huambo, Huila, and Luanda, including optic fibre cabling, IP, VSAT, intelligent network	CMEC	75,275,357.00	13/02/06	24/10/06	08/02/09	7,527,535,70	67,747,821.30		
	Construction of new generation		58,745,791.00	13/02/06	24/10/06	08/02/09	5,874,579,10	52,871,211.90		

⁶⁶⁰ Of interest is the fact that the project contracts list several provinces twice. It is unclear as to whether this is because various types of network are being provided each province

	network for Bié, Huambo, Huila, and Luanda									
Energy and Water ⁶⁶¹	Rehabilitation and expansion of the MT/BT networks in Luanda city		28,486,325.47				2,848,632.55	25,637,692.92		
	Rehabilitation and expansion of the MT and BT networks in Malange		29,851,345.18				2,985,134.52	26,866,210.66		
	Rehabilitation and expansion of the MT and BT networks of Lundas Sul and Norte, Dundo and Saurimo		50,697,236.00				5,069,723.60	45,627,512.40		
	Rehabilitation and reinforcing of the water system in Lundas Sul and Norte, Dundo and Saurimo		35,796,967.36				3,579,696.74	32,217,270.62		
TOTAL			1,104,931,344,19				110,493,134,42	994,438,209,77	1,714	1,363
% of Total							10 %	90%	55.7%	44.3%

⁶⁶¹ These projects are not listed in GAT (2008b)

Projects financed by the China Exim Bank Credit Line - Complementary Actions

Complete disbursement plan of US\$ 500 million loan signed 19 July 2007

As of 30 June 2008

Sector	Project	Contractor	Contract Value (US\$)	Initial payment (US\$)	Financed (US\$)	Status
Education	Complementary actions for the agricultural schools in Huambo and Bié	Sinohydro	29,500.000.00	2,950,000.00	26,550,000.00	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)
	Complementary actions for the agricultural school in Késsua, Malange Province	CMEC	11,964.000.00	1,196,400.00	10,767,600.00	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)
	Complementary actions for the agricultural schools in Kwanza Sul and Kwanza Norte and for the technical school in Sumbe	CAMCO	37,310,415,50	3,731,041.55	33,578,373.95	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)
	Complementary actions for the technical schools in Cacuaco, Sambizanga, Viana, Cazenga, Benguela	Sinomac	29,515,500.00	2,951,550.00	26,564,950.00	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)

	and Lobito					
	Complementary actions for the secondary schools in Cacuaco, Nova Vida, Sapú and Benguela	Sinomac	10,027,500.00	1,002,750.00	9,024,750.00	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)
	Complementary actions for the secondary school and technical school in Huíla and 2 secondary schools in Malange	Sinohydro	14,775.000.00	1,477,500.00	13,297,500.00	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)
	Complementary actions for the technical school in Cabinda	Sinohydro	14,216,999.32	1,421,169.93	12,795,299,39	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)
Energy and Water	Execution of 26,000 new domestic links expansion of SE PS05 - Catete road (Contract for the rehabilitation, expansion of Luanda Electrical network, phase II)	CMIC	10,659,860.00	1,065,986.00	9,593,874.00	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)
	MT,BT and IP Network expansion for Caxito city and the rehabilitation Quifangondo -	CMIC	22,903,510.00	2,290,351.00	20,613,159.00	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)

	Cazenga line (Contract reconstruction of 60 Kv LT de 60 KV and substation Quifangondo-Mabubas)					
	Expansion of tab and water network in Huambo city, 20 fountains, 2,000 new domestic and a water treatment plant with one year assistance with systems management	CMEC	9,779,511.52	977,951.15	8,801,560.37	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)
	Construction of water treatment station (Quifangondo), construction of distribution centre in Cacuaco municipality and execution of new domestic links (Contract for the rehabilitation of the water system in Luanda)	CMEC	28,798,375,35	2,879,837.53	25,918,537.82	Contract remitted to China Exim Bank for approval

	Expansion of tap and water network in Catete and Caxito cities, fountains, 2,000 new domestic links and rehabilitation of a water treatment system for Uíge and expansion of water supply network and one year management assistance	CEIEC	6,517,146.93	651,714.69	4,865,432.24	Preparatory work for the disbursement of funds (visa from the Treasury, license from BNA etc.)
Health	Complementary actions for regional hospitals (Huambo, Malange, Benguela and Huíla)	Sinohydro	75,917,724.36	7,591,772.43	68,325,951.92	Required documents sent to China Exim Bank. Awaiting disbursement of funds.
	Complementary actions for 7 municipal hospitals and 9 health centres	Sinohydro	72,620,548.00	7,262,054.80	65,359,493.20	Required documents sent to China Exim Bank. Awaiting disbursement of funds.
	Additional expenditure for the municipal hospital in Caculama	Sinohydro	10,875.000.00	1,087,500.00	9,787,500.00	Required documents sent to China Exim Bank. Awaiting disbursement of funds.
Public Works	Rehabilitation of roads for Caxito (20km), Uíge (22km) and Negage(10km) cities	CRBC	56,336,500.00	5,633,650.00	50,702,850.00	Awaiting approval of China Exim Bank
Fisheries	Purchase of		40,000,000.00	4,000,000.00	36,000,000.00	Commercial contract being

	refrigeration trucks and isothermic vehicles					examined by GAT
Post and Telecom	Construction of 418,750 new telecommunication lines		65,000,000.00	6,5000,000.00	53,500,000.00	Required documents sent to China Exim Bank. Awaiting disbursement of funds.
	TOTAL		546,717,590.98	54,671,759.10	492,045,831.88	
	% of Total		100 %	10%	90%	

Projects financed by the China Exim Bank Credit Line

US\$ 2 billion loan signed on 28 September 2007

As of 30 June 2008

Sector	Project	Estimated Contract Value (US\$)	Initial Payment (US\$)	Financed (US\$)	Status
Energy and Water	Rehabilitation and expansion of MT and BT networks for Benguela, Huambo e Bié (Part 1 -Huambo)	49,902,081.20	4,990,208.12	44,911,873.08	Contract negotiated
	Rehabilitation and expansion of MT and BT networks for Luanda, Phase 4	143,865,890.00	14,386,589.00	129,479,301.00	Contract negotiated
	Rehabilitation and expansion of MT and BT networks for Lubango (Phase 2)	22,500,000.00	2,250,000.00	20,250,000.00	Project in preparation phase
	Reinforcement of water improvement and supply system in Luanda city (tranche 4)	83,278,800.00	8,327,880.00	74,950,920.00	Contract being negotiated
Agriculture	Purchase of agricultural equipment	20,000,000.00	2,000,000.00	18,000,000.00	Tender process between companies proposed by the Chinese Ministry of Commerce underway
Public Works	Rehabilitation of Caxito/Nzeto highway	477,456,579.00	47,745,657.90	429,710,921.1	Contract signed
	Rehabilitation of Nzeto/Tomboco/Mbanza Congo highway	160,000,000.00	16,000,000.00	144,000,000.00	Contract signed

	Integrated infrastructure for Cabinda, phase I (total value US\$ 253,7 million)	73,031,352.80	7,303,135.28	65,728,217.52	Tender process between companies proposed by the Chinese Ministry of Commerce underway
	Integrated infrastructure for Zaire phase I (total value US\$ 400 million)	113,151,577.50	11,315,157.75	101,836,419.75	Tender process between companies proposed by the Chinese Ministry of Commerce underway
	Integrated infrastructure for Malange phase I (total value US\$ 237,1 million)	84,095,000.00	8,409,500,00	75,685,500.00	Tender process between companies proposed by the Chinese Ministry of Commerce underway
Transport	Purchase of 1,500 vehicles (phase II)	57,000,000.00	5,700,000.00	44,3000,000.00	Several clauses in the commercial contract are being altered at the suggestion of GAT
	Purchase of railway transport equipment (locomotives and carriages)	61,970,200.00	6,197,020.00	55,773,180.00	Tender process between companies proposed by the Chinese Ministry of Commerce underway
	Purchase of collective urban transport for Luanda, Benguela, Huambo, Uige, Malange (total 5,500)	440,000,000.00	44,000,000.00	396,000,000.00	Preliminary investigation underway
	TOTAL	1,786,251,480.50	178,625,148.05	1,607,626,332.45	
	(%) of Total		10%	90%	

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