China in Angola
Impact and Implications

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Picture: Cécile de Comarmond
Presentation Overview

What we’ll cover

• Setting the Context of China-Angola Relations

• Introduction to the China Exim Bank agreement in Angola

• Different Chinese Actors in Angola (and Africa)

• What does this mean? The good, the bad and the wary
Setting the Context

Recent Developments in China-Africa relations

- China has a history of supporting African independence movements, and supported all Angola’s major parties at some stage.
- Angola and China established official diplomatic relations in 1983.
- Angola is China’s largest African trading partner (US$ 25.3 billion in bilateral trade in 2008), and vies to be it’s largest source of crude oil globally (14%); 29% of Angola’s oil went to China in 2008.
- China is Angola’s largest trading partner.
China’s Lines of Credit Angola

Unravelling Financing

- China Exim Bank has cumulatively extended US$ 4.5 billion to the Angolan government through agreement with the Ministry of Finance since 2004 according to official figures, with another US$ 6 billion reportedly in the offing.

- China International Fund, a reportedly private fund based in Hong Kong has, according to official figures extended US$ 2.9 billion since 2005, in partnership with the Gabinete de Reconstrução Nacional (GRN).

- China Development Bank has reportedly shown interest in US$ 1.5 billion of financing in the agricultural sector.

- Industrial and Commercial Bank of China (ICBC) is interested in coming to Angola, perhaps through Standard Bank (of South Africa) of which it owns 20%.
China Exim Bank’s loan to Angola

Reporting structure

1. International oil market
   - Angolan Gov.
   - Angolan MFA
   - Angolan Ministry of Finance
   - Gabinete de Apoio Técnico
   - Joint Commission
   - Angolan Embassy (Beijing)
   - Sonangol

2. Chinese Ministry of Finance
   - Foreign Aid Dept.
   - W. Asia & Africa Dept.
   - China Exim Bank

   - State Council
   - MOFCOM
   - Chinese MFA
   - Dept. Outward Investment & Econ. Co-op
   - Chinese NOCs
   - SASAC
   - Africa Dept.
   - Provinicial SOEs
   - Approved Chinese SOEs

4. Angolan Ministry of Finance
   - Presidency
   - Angolan Embassy (Beijing)
   - Angolan MFA
   - Angolan Ministry of Finance

5. Infrastructure contracts
   - Chinese Economic Counsellor’s Desk
   - Chinese Embassy (Luanda) Embassy
### So what’s the difference?

**The varying motivations of these actors**

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<tr>
<th>Chinese centrally owned banks and enterprises</th>
<th>Chinese provincial state-owned enterprises</th>
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<tbody>
<tr>
<td>• Nominally accountable to State Council</td>
<td>• Product of economic decentralisation</td>
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<tr>
<td>• Vehicles for government concessional loans and strategic acquisitions</td>
<td>• Vehicles for ‘twinning’ with African states etc</td>
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<td>• Subject to competition for State Council influence</td>
<td>• Tender for Chinese government projects and others</td>
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<td>• Can clash with Beijing’s strategic objectives (loyalty to provinces growth)</td>
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<th>Chinese ‘private’ enterprises (CIF?)</th>
<th>Chinese individual entrepreneurs</th>
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<td>• Economic opportunists</td>
<td>• Generally not the recipients of direct government incentives</td>
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<td>• Small-scale operators, with very small profit margins</td>
<td>• Usually have the most contact with locals</td>
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<td>• Often blamed for labour, environmental violations (together with provincial SOEs)</td>
<td>• Focussed mainly in retail and service sectors</td>
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<td>• Although used as a scapegoat, reflect badly on central government</td>
<td>• Highly dependent on familial networks</td>
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The Good
The case of Angola

- The Chinese government provided crucial access to financing for the Angolan government to begin the national reconstruction programme at a time when international donors particularly wary of infrastructure financing.

- Chinese interest in Angola has ‘broken the monopoly of the Brazilian and Portuguese construction firms’ and given Angola a wider choice of commercial partners.

- China’s increased demand for energy has helped to buoy the oil price, increasing public funds and contributing to economic growth.

- China’s lower cost products and services have increased the buying power of the government (in terms of construction contracts) and the citizens in terms of day-to-day goods.

- The Angolan government has successfully managed China so that the Asian giant has not ‘colonised’ Angola’s oil fields.

- The Angolan government negotiated that 30 percent of the contracts funded by China Exim Bank were to be sub-contracted to Angolan firms.
The Bad
The case of Angola

• Chinese financing allows the Angolan government to side-step pressure to increase transparency, especially as the agreements surrounding the financing are not readily publicly accessible.

• While Chinese credit lines are substantial, Chinese non-oil investment remains fairly low – US$ 166.4 million in 2009 (according to ANIP),

• A buoyed oil price has served to ‘distract’ government priorities from economic diversification

• China’s competitively priced imports render it exacerbate the already challenging environment for would-be Angolan producers to enter the domestic market or export abroad.

• The 30 percent quota is not respected and has been overlooked so as not to delay the projects further.

• Chinese companies contribute to the ‘casualisation’ of labour as they refuse to issue workers with contracts and have allegedly lax OHS and CSR.
The Wary
The case of Angola

- The hysteria about the Chinese invasion has received much media hype but is often fuelled by myth and bad reporting.

- Not all Chinese companies are government directed – there are a lot of competing agendas

- China Exim Bank’s loans may have secured access to a guaranteed supply of oil, but Chinese state-owned oil corporations are minor players

- The maintenance and quality control of these projects should be paramount as quality varies considerably

- The need to bring in Angolan partners and training is often sabotaged by political deadlines and local inefficiencies/incapacities

- Social interactions between Chinese and Angolan nationals may create tensions

- Ultimately, it is the responsibility of the Angolan government to manage this relationship
Thank-you!

谢谢！

Obrigada!

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