THE IMPACT OF CHINA-AFRICA INVESTMENT RELATIONS:

The Case of Angola

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November 2009
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The authors would like to acknowledge the Centre for Chinese Studies (CCS) at the University of Stellenbosch in South Africa for facilitating this research, which was generously funded by the African Economic Research Consortium (AERC) and the Rockefeller Foundation.
ABSTRACT

The Chinese emerging economy appears to be associated with a robust and increasing intensification of its economic relations with sub-Saharan African countries. This paper examines the impact of Sino-Angola investment relations on the socio-economic fabric of Angola and assesses its political implications. Chinese investment in Angola has increased significantly of late, particularly in the infrastructure and the extractive industry. There is growing concern over the sustainability and impact of China’s resource- and market-seeking investment in Angola. A further complication on the matter is the ambiguity on nature of Chinese activity and a perceived overlap between aid and investment. The objective of the study is to examine the impact of Chinese investment in Angola and provide critical judgment of its policy implications.

1. INTRODUCTION

Bilateral relations between China and African countries have intensified exponentially of late. Their cooperation has fuelled much contention over the potential ramifications of China’s emerging economy for its African partners. While the respective parties insist their engagement is founded on a win-win model of mutual benefit, critics warn that the trend emulates a potential re-colonisation of Africa for its mineral resources. Angola increasingly finds itself at the centre of debate surrounding Chinese activity on the African continent. Although Angola is the continent’s second largest oil exporting country, poverty remains rampant across the country. Its economic growth is dependent on oil exports, which have in turn made it China’s largest African trade partner and the second largest source of China’s oil imports after Saudi Arabia. Adjacent to this is China’s emerging role as a development partner in the reconstruction and development of post-conflict Angola.

The primary purpose of this research project is to undertake a comprehensive analysis of the key features and patterns of the past, current and future evolution of the economic relations between China and African countries. The study allows a fuller understanding of the impact of China-Angola aid relations, the associated opportunities and challenges for Angola’s development prospects, as well as articulates the overall and sector-specific policy measures that Angola may wish to take to advance its national interests in light of the impact experienced and the opportunities and challenges faced.

The objectives of this research paper include:

- Identifying and analysing key features, patterns and developments in the main channels through which the impacts of growth of China are transmitted in Angola;
• Providing a qualitative and quantitative evaluation of the nature, dimensions and magnitudes of the sector-specific and overall incidence of the impacts transmitted to Angola over specified time periods;
• Identifying and analysing the sector-specific opportunities and challenges faced by Angola as a result of the impacts generated through the growth of the economic relationship with China;
• Articulating and analysing Angola's national and sector-specific policy responses and overall development strategies for maximising the benefits and confronting the challenges emanating from the economic relationship with China;

The report comprises of seven sections. Following this introduction, section two presents a literature review of China-Angola investment relations. Section three presents the theoretical framework that is followed in the paper. It sets the foundation for the analysis from various perspectives, which allow the interpretation of the findings. The methodology used for gathering the data and compiling the paper is described in section four. Section five provides a background on investment in Angola, detailing the regulatory regime and the country’s investment climate. China-Angola investment relations are examined in section six, looking into the aggregate stocks and flows as well as the sectoral breakdown. The impact of Chinese investment is assessed according to key indicators, including ownership structures, employment creation, and technology transfer, amongst others. Finally, the paper concludes with policy responses to sustaining the benefits of Chinese investment.

2. LITERATURE REVIEW

The literature on China-Africa relations is varied, but written primarily to investigate Chinese activity in African countries. Although there is agreement on the intensification of China’s engagement of Africa countries, there remains debate over its motivations. Alden (2005) identifies four factors that shape China’s approach to engaging in Africa, namely “resource security, new markets and investment opportunities, symbolic diplomacy and development co-operation, and strategic partnerships.” In many African countries the focus has been primarily on visible outcomes of the bilateral relations, with the literature demonstrating a particular interest in ‘Chinese projects’ that are either gifted by the Chinese government or financed by the concessional loans it provides to African governments.

The most comprehensive study so far on China’s resource-seeking interests in Angola is that of by Vines, Wong, Weimer and Campos (2009), which examines the operations of Asian national oil companies in Nigeria and Angola. The paper examines China’s growing interest in Angola, focusing on Sinopec’s entry into the market, as well as the ventures of the Hong Kong-based China International Fund. Ferriera (2008) has published a chapter in a book that examined China’s position in Africa as a superpower. The chapter focused on China’s oil interest in Angola, but also briefly scrutinises Chinese activity in other sectors of the economy.
This paper follows the scoping exercise published by the African Economic Research Consortium (AERC). In the AERC scoping exercise, Corkin (2008) provides broad account of China-Angola cooperation, touching only the surface of issues surrounding bilateral investment, trade and aid. The paper provides a broad overview of Chinese investment in Angola, but does not offer any quantitative or qualitative analysis. The scoping exercise prompted further investigations into the three tiers of China’s engagement of Angola to examine the impact of the bilateral relations and assess opportunities for how Angola could maximise its benefits.

Aside from the above, there is limited literature on China-Angola investment relations. However, the literature on China-Africa investment relations is very broad. The studies generally include fragments of analysis on Angola, while the actual report examines Chinese investment on the whole continent. These reports only offer a superficial account of Chinese investments in Angola, with no attempt at analysing their impact on the country. Some reports worth mentioning including:

- *Chinese FDI in sub Saharan Africa: Engaging with Large Dragons* (2008), by R. Kaplinsky and M. Morris;
- *China’s Engagement in Africa – Opportunities and Risks for Development* (2008), by H. Asche and M. Schüller;
- *Building Bridges: China’s Growing Role as Infrastructure Financier for Africa* (2008), by V. Foster, W Butterfield, C. Chen and N. Pushak;
- *China and the End of Poverty in Africa – towards mutual benefit?* (2007); and

The existing literature on China-Africa relations predominantly discusses the increasing presence of Chinese firms in the country’s construction sector and China’s resource-seeking interests in key African countries. Its focus on China is limited to critiquing their trade portfolio, as well as China being a source of long-term loans devoid of “Bretton Woods” conditionalities. There is a gap in existing knowledge that is devoted entirely to the study of Chinese investments in Angola, as well as an examination of the impact thereof. The need exists for literature that distinguishes Chinese investments in Angola from Chinese investments in Africa, specifically evaluating the impact of the investment on Angola’s political system and the socio-economy.

### 3. THEORETICAL FRAMEWORK

There is an increasing amount of literature studying the fundamentals of investment and whether its ramifications may differ in developed countries vis-à-vis developing countries. There are also studies distinguishing the effects of North-South versus South-South investment. The literature examines the
investment by scrutinising its role, effect and impact. Chinese investment in African countries is a form of South-South investment, which its magnitude in African countries is a relatively new phenomenon in the international economic system. Aside from in a few countries, Chinese investments in African countries are direct as opposed to indirect investments.

Foreign direct investment, as defined in the World Investment Directory (2008) of the United Nations Corporation on Trade and Development (UNCTAD), refers to capital flows used to acquire a lasting interest in an enterprise operating outside of the economy of the investor. It can be in the form of “equity capital, the reinvestment of earnings [or] the provision of long- and short-term intra-company loans (between parent and affiliate enterprises”).

Foreign investment can also occur indirectly in the form of a portfolio investment. A portfolio investment is more mobile/liquid than FDI, which generally involves establishing fixed operations – building factories, purchasing equipment, etc. FDI is therefore more difficult to liquidate. Portfolio investments only involve capital transfers, investments made into government bonds as well as corporate bonds and stocks. The research will demonstrate that Chinese investments in Angola are mostly FDI.

Markusen and Venables (1998) studied FDI as a catalyst for industrial development on the basis of three premises. First, FDI creates “technological externalities – knowledge spillovers or demonstration effects – for the local economy”. Supporting this theory, econometricians have discovered evidence supporting the theory that FDI has a positive effect on the productivity of domestic firms and their propensity to export. Second, FDI from multinational corporations (MNCs) has a positive effect on welfare. Depending on a country’s tariff structure, MNCs tend to start operations that could ultimately reduce the quantity of the country’s imports. Third, FDI changes the structure of competition in industry. By shifting the dynamics of supplies and demands, FDI may damage some industry players while simultaneously complimenting/stimulating others. This is a reasonable factor of an evolving market and its reactive shifting dynamics. Although these two scholars provide detailed evidence supporting their hypothesis, in the last ten years there has been a major paradigm shift in development theory.

In reviewing the development paths followed some of the world’s emerging economy, particularly China and the Asian Tigers, FDI remains a central feature of most of their economies. However, the role given to FDI in these economies has been adjusted. For developing countries FDI is an important source of capital, because their income levels and domestic savings are relatively low. In fact, many countries have often had to rely on official development aid (ODA) to supplement their expenses. FDI in developing countries must thus be reviewed critically because the literature had previously

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1 The ‘Asian Tigers’, also dubbed the ‘Tiger Economies’, are Malaysia, Singapore, South Korea and Thailand.
overlooked why FDI displays different characteristics in developing countries, particularly in those that are rich in mineral resources. Hence, FDI is could be classified in two categories: market-seeking and non-market seeking (also referred to as resource-seeking).

The objective of market-seeking FDI is to produce goods locally for direct sale to consumers in the domestic market and/or for export. This type of investment is driven by high demand in the host country or a feasible investment climate the host country. In the case of the latter, the host country acts as an industrial hub for export into other target markets usually because of its cheap labour, strategic position or the investment regime. Unless the host country and the target market are one and the same, the target market would exhibit a sound return of investment due to its high spending patterns irrespective of its investment climate.

A country’s investment climate is determined by factors pertaining to its operational environment – i.e. quality of the labour force, cost of transportation, reliability of services, and access to electricity and water. However, the ultimate factor for market-seeking FDI is the local population. The investor’s business is founded on the local consumer buying power. Therefore a country’s gross domestic product (GDP) and particularly its GDP per capita are key indicators for prospective investors. This is where the dissonance occurs for developing countries seeking to attract prospective foreign investors; the income levels in small developing countries are generally low. A poor population, which is usually a deterring factor for market-seeking FDI, may actually be irrelevant for non-market/resource seeking FDI.

An established trend is that poor African countries generally attract non-market seeking FDI. Asiedu (2002) claims that resource-seeking FDI goes to countries that yield higher return of capital, irrespective of the political and socio-economic conditions of the ground. This is why even during the midst of the civil war, in 1998 and 1999, Angola ranked as the top recipient of FDI in sub-Saharan Africa (SSA). It seems that the profit margins for a stake in Angola’s petroleum industry are an extremely high incentive, in spite of life-threatening risks and after factoring in all operational costs. Even so, the oil-rich Cabinda region has not experienced any major disturbances since the October 2006 accord that the government signed with rebel groups. As for the socio-economic environment, it is already mentioned that a country’s operational environment is known to affect FDI. However, companies involved in the extractive industry are usually located in remote areas, which seldom have access to road networks and utility services in any case. In Angola’s case, the oil operations are off-shore in a self-contained economy.

Although the role of FDI remains a debated subject amongst academics, economists and policymakers in Africa and other regions, a country’s strategy for FDI is projected in its national laws and regulations that govern the flow of investment. The role of the FDI can then only be asserted in the study of actual investments and their effect. Angola’s investment regime is examined below, but first one must address an important question: is Chinese investment bundled with aid?
Defining Chinese Investment: is it bundled with aid?

The notion of ‘China in Africa’ arouses both concern and fascination. There is also the question of whether there are any linkages between Chinese aid, investment and trade. Is the aid really not tied to any conditionalities? What are the implications of this to political governance in African countries? Are China’s investments only resource-seeking? Defining Sino-Angolan relations can therefore be complex to comprehend, especially since their financial agreement is imbedded in oil-backed loans and service contracts. However, not all of China’s involvement in the Angolan economy is direct investment in the traditional sense.

It appears difficult to differentiate between Chinese aid and Chinese investment, due to the closely coordinated nature of such activities and the strategic nature of Chinese foreign aid. It has become the subject of much controversy surrounding Chinese activity in Angola (and the rest of Africa), whether the investment is bundled with aid. This is fuelled by the media and many scholars who have been rather ambiguous on the matter. Kaplinsky, McCormick and Morris (2007) admit to this; and indicate that data on China’s FDI flows is limited because it is difficult to measure. They rationalise, nonetheless, that Chinese entrepreneurship is evident both in large infrastructure projects and in smaller scale initiatives. Moreover, Davies (2009) avers that the Chinese government supports its resource-seeking investments through ODA.

The debate as to whether the Chinese government’s loans to Angola (or any other country) are seen as investment or aid has continued for some time. This is complicated by the fact that China is not yet a signatory to the Paris Declaration in the capacity of a donor, thus rendering the Development Assistance Committee (DAC) definitions for aid and investment relatively unsuitable at most times. Furthermore, Chinese policy organs have yet to devise and agree on their own definitions of aid. Western and Chinese academics have indeed questioned the applicability and/or usefulness of such narrowly defined terms, which suggests that the bundled or packaged nature of Chinese engagement with other developing countries defies the use of these separate terms.

The Export-Import Bank of China (Exim Bank) is the sole agency that provides Chinese government concessional loans. These have two distinguishing factors from the regular commercial loans: a lower-than-market interest rate; and a long grace period than usual. However, a recent World Bank report cites that Exim Bank loans are marginally concessional, although significantly less so than those associated with ODA. The DAC records of ODA, on the other hand, exclude lending by export credit agencies (which Exim Bank is one) “with the pure purpose of export promotion” in its definition of ODA. Furthermore, the World Bank has attributed a 50.3 percent grant element to at least the first US$ 2 billion tranche of China Exim Bank financing to Angola.

In Angola’s case, the distinction between aid and investment is considerably ambivalent. The media profusely reports that the majority of Chinese FDI in Angola is in the construction sector, attending to
the country’s strategy of national reconstruction and development. Hence, one increasingly comes across reports stating that China’s most significant area of outward investment is in services, despite the extensive media focus on the country being solely interested in natural resources.\textsuperscript{11}

The circumstances surrounding China’s involvement in Angola ultimately inspired the notion of ‘Angola Mode’ or ‘Angola Model’, named so only due to its initial emergence in Angola. The concept of Angola Mode refers to the method of financing preferred by the Chinese government whereby funds, usually for infrastructural development in African countries, are secured using natural resources as collateral. Having first appeared briefly in several publications\textsuperscript{12}, the concept received a more in-depth investigation from a World Bank report.\textsuperscript{13}

The credit facility provided by Exim Bank undoubtedly facilitated the entry of Chinese construction companies into the Angolan market. Furthermore, there are also speculations that the concessional loans assisted the bid made by China Petroleum & Chemical Corporation (Sinopec) for Angolan oil blocks. Although clearly conducive to Chinese investment, the loan instrument itself is described as a form of aid due to its grant component and concessional nature, as discussed above.

The premise for Chinese aid being bundled with investment, on the basis of China’s involvement in Angola’s construction sector, is ambiguous. Very few Chinese companies that are active in the construction sector have actually invested in Angola. One of the conditions of the bilateral loan agreements between the two governments is that 70 percent of the projects financed would be contracted to Chinese enterprises. Since Angola is paying back the loans one could technically argue that Angola is investing in itself, as per the comment made by the former director and current board member of the National Private Investment Agency (\textit{Agência Nacional para o Investimento Privado} – ANIP).

“The investment you see is the Angolan government’s investment in its own country. People forget this. It is a credit line, which Angola is paying for on very good terms, for the railways, roads, schools and hospitals.” – Ary Carvalho\textsuperscript{14}

Chinese parastatals and private enterprises are making their own direct investments in Angola, which must be distinguished from the capital flows occurring from the credit lines and loans. Aid funds are also disbursed differently from the manner in which investment funds are channelled. The view from Angola is that

In fact, the paper reveals that upon closer examination of actual investment data China’s investment in Angola is marginal compared to that of other countries. There is also a significant disparity in the level of China-Angola trade and aid with the corresponding level of China-Angola investment. This is despite Angola being ranked China’s top African trading partner since 2007; and also despite China being considered Angola’s leading development partner. Therefore, while China considers Angola to be an important source of oil, Chinese companies do not necessarily regard Angola as a strategic location for investment.
4. METHODOLOGICAL ASPECTS

This study makes use of both quantitative and qualitative methods of analysis, employing theories of international political economy and social studies to assess the impact of China-Angola aid relations on Angola’s political system and its socio-economy.

The paper utilises a holistic body of data sources comprising personal interviews, primary sources, official documentation, policy documents, theoretical literature, as well as critiques and discussion papers from the media. One of the authors conducted field research in Luanda between 2nd - 13th March 2009, during which she interviewed representatives from various entities including the Angolan Ministries of Planning, of Agriculture and Rural Development, and of External Relations, the National Private Investment Agency, the National Institute for Scholarships, the Chinese Embassy, the Chinese Economic Counsel’s Office, China Railway 20, and CITIC Construction. Field research was also performed in Beijing between 22nd April – 2nd May 2009 where one of the authors met various stakeholders, including the Africa Department of the Chinese Ministry of Foreign Affairs (MOFA), the Chinese Academy of International Trade and Economic Cooperation (CAITEC) in the Department of Aid Studies of the Ministry of Commerce (MOFCOM), and the China-Africa Development Fund.

5. BACKGROUND ON AID TO ANGOLA

5.1 Angola’s Investment Policy

The opening statement of Angola’s Private Investment Law (Decree 11/03) cites that “[p]rivate investment plays a crucial role in the development of the national economy”. The National Private Investment Agency (Agência Nacional para o Investimento Privado – ANIP) was thus established in 2003 under Decree 44/03, taking over from the Foreign Institute of Investment (Instituto de Investimento Estrangeiro – IIE). Its mission is to promote private investment into the Angola’s targeted industry sectors in the various development zones throughout the country. ANIP is mandated to process domestic investment that ranges between US$ 50,000 - 5 million and foreign investment between US$ 100,000 – 5 million. Investments valued over US$ 5 million must first be approved by the Council of Ministers.

ANIP markets Angola’s targeted sectors for investment as the following: agriculture, civil construction and related services, electricity and water, infrastructure development and management, tourism and hotels, processing industries, and mining. Article 4 of the Law on Taxes and Customs Incentives for Private Investment supplements these with other sectors and sub-sectors, including the fishing
industry and byproducts, telecommunications, health and education, seaport and airport infrastructure, and heavy-duty equipment for loading and passengers.

With specific reference to Angola’s processing/manufacturing sector investors are obliged to incorporate at least 25 percent of national raw materials and materials, or 30 percent of value-added. Also, the equipment and production process must enable the technological advancement and development of the respective industries – i.e. agri-industry; manufacturing of composts and fertilisers; foodstuff industry; textiles, clothing and footwear; exploration and manufacturing of lumber; woodwork and furniture; construction material; packaging; metallurgy and mineral products; heavy engineering; manufacturing of equipment, machinery, tools and accessories; cellulose and paper-pulp industry; plastic tubes and hoses; milling of maize, cassava and wheat; milk and dairy products; crafts; fishing; and information and technology.17

Angola does not yet have any foreign trade or special economic zones, but there are seven industrial development zones in the country: Viana in Luanda Province; Catumbela in Benguela Province; Fútilla / Cabinda in Cabinda Province; Caalá / Huambo in Huambo Province; Matala / Huila in Huila Province; Capanda / Malange in Malange Province; and Soyo / Zaire in Zaire Province.

The Viana Industrial Development Zone (PIV) covers an area of 6,000 hectares. It is located some 20 kilometres (km) from the city centre and has convenient access to the country’s main points of transportation – i.e. the Luanda Port, the Quatro Fevereiro International Airport, and the railway connecting Luanda to Malange. Companies that have already made significant investments in PIV include Coca-Cola and Zhengzhou Nissan, amongst others. The Catumbela Industrial Development Zone (PDIC) covers an area of 2,107 hectares and it is situated 10 km from the Lobito Port. Once the restoration of the Benguela Railway is complete, PDIC will be connected to Democratic Republic of Congo (DRC) and Zambia. The government plans to make special economic zones out of PIV and PDIC. The Futila Industrial Development Zone (PIF) is 2,345 hectares. It is located approximately 25 km from the harbour town of Cabinda, an area that is the hub of the country’s oil sector. Existing investments made at PIF amount to US$ 36.7 million.18

In addition to the national development zones, there is also Angola Business Park. This is a private project worth US$ 700 million to build a series of logistics station across the country. Angola Business Park is the brainchild of Angolan entrepreneur Gentil Viana, Chief Executive of Drago Group. Viana was raised in China during the 1960s and 1970s whilst his family was in exile. Today his company plans to develop logistics stations in all 18 provinces of the country, each equipped with a range of activities including warehousing, factories, supermarkets, container parks, truck stations, heliports, hotels, apartments, offices, and fuel stations.19 In April 2009 the Drago Group launched the construction of its first logistics station in Dundo, in Lunda Norte Province. It will be built over the next two years at an estimated cost of US$ 37 million. The next two cities on the agenda to receive logistics stations are Huambo and Luanda.
Investment incentives in Angola are the same for domestic and foreign investors. The incentives include a tax exemption of up to 15 years for industrial and capital gains, as well as an exemption from customs duties for up 6 years. As an incentive to encourage construction companies involved in the construction and rehabilitation of housing, in July 2009 the government approved a decree that allows them to import construction material free from duties and consumer tax.\(^{20}\)

Prospective investors in the petroleum, mining, roads construction and energy sectors must first submit an Environmental Impact Study to the Ministry of Urbanism and Environment, which must be approved before projects can be licensed. Investments in the petroleum and diamond sectors can only be done in partnership with the respective state-owned enterprises – i.e. the oil company Sociedade Nacional de Combustiveis de Angola (Sonangol) and the diamonds company Empresa de Diamantes de Angola (Endiama).

**The Protection of Property Rights and Insurance**

In Angola all land is the property of the state. The Law on Land and Urban Planning asserts that private entities must thus enter into lease agreements with the government; but the Law also makes provision for private ownership of land in all urban areas and only some in the rural areas. However, manoeuvring through the land tenure system is a complicated process. According World Bank’s Doing Business Report (2009) it takes 184 days to register property in Angola, compared to the OECD average of 24 days. This means that one shall spend approximately nine months of the year just registering property.

In the extractive sector, production and exploration rights are only granted for limited periods of time but with the possibility of extension. Oil exploration concessions last up to ten years, while the diamond exploration concessions last only between three and five years. Since it is unnecessary for oil-related service companies (e.g. Schlumberger) to partner with Sonangol, they tend either partner with other local firms or hire more Angolan employees.\(^{21}\) Further details on the regulatory framework and investment procedure can be obtained from ANIP.

Angola’s legal system remains an obscure phenomenon, which is the main reason why most businesses refrain from taking any disputes to court. The legal fees are high and the system is also considered rather inefficient. Companies usually settle their disputes with disgruntled employees in monetary terms and are often tempted to do the same with civil servants in order to cut through complicated red tape or to fast-track services. Bribe is a common practice in Angola. This is corroborated by Transparency International’s 2008 Corruption Perception Index, which ranks Angola at number 158 from the 180 countries surveyed.

Angola is a member of the Multilateral Investment Guarantee Agency (MIGA), under the auspices of the World Bank Group. MIGA provides investment guarantees to private companies seeking to do
business. Its outstanding portfolio in Angola currently stands at a gross exposure of US$ 6.4 million.\textsuperscript{22} Similarly, the Overseas Private Investment Corporation (OPIC) also provides investment insurance for projects in Angola, even for projects valued at less than US$ 50 million.\textsuperscript{23}

Angola is not a signatory of the United Nations’ New York Convention, the World Bank’s International Centre for Settlement of Investment Disputes (ICSID), or the United Nations’ Convention on the International Sale of Goods (CISG). It is, however, a member of the World Intellectual Property Organisation (WIPO) and a signatory to the Paris Convention for the Protection of Industrial Intellectual Property for the protection of patents and trademarks.

The Angolanisation Campaign

The Angolanisation Campaign encapsulates the country’s vision for sustainable development, by promoting and supporting Angolan people and Angolan businesses. Its principles are projected in the Promotion of Angolan Private Entrepreneurs Law, which does not insist of co-opting locals into joint-ventures but gives preferential treatment to Angolan-owned businesses that tender for goods, services and projects commissioned by the state. This policy should also encourage partnerships and This is part of the government’s strategy of encouraging skills development and technology transfer (refer to Section 5 of the Aid Report). The Angolanisation Campaign is also projected in Article 54 of the Private Investment Law (2003):

Under the terms of the legislation in force, the companies and firms incorporated for investment purposes may employ qualified foreign workers, provided, however, that such companies and firms strictly comply with a training and/or qualification scheme for national workers aimed at the progressive replacement of the foreign workers by Angolan workers.

Foreign investors are encouraged to make use of Angolan goods and services. Decrees 5/95 and 6/01 stipulate that all companies operating in Angola must limit the number of expatriates on their workforce to 30 percent. They also cite that Angolans workers and expatriates with the same job and duties must be remunerated equally.\textsuperscript{24} In reality though, there is an extreme skills shortage in Angola and foreign companies have difficulty recruiting professionals with technical expertise. Being a Lusophone country, it is also extremely scarce to find people with English-speaking ability. Furthermore, the state does not prescribe any timeframes for what could be considered a sufficient opportunity for the ‘progressive’ replacement of expatriates with Angolan workers.

The Private Investment Law prohibits the expropriation of foreign investors’ assets and guarantees that the state will not interfere in the management of private companies. Be that as it may, in 2007 the Angolan government cancelled the quarrying licences of several companies, supposedly without compensation or sufficient explanation.\textsuperscript{25} No further detailed could be obtained in this, but the incident points out one should consider that the law may not necessarily be a sufficient guarantor of one’s property rights.
5.2 The Investment Climate in Angola

Angolan’s investment climate is an ambiguous blend of lucrative business prospects and daunting operational challenges. The country has made significant progress in improving transparency and information access, but the regulations remain inconsistently enforced and generally complicated. Angola may have become a popular destination in Africa for FDI, but its total FDI flows since 2005 have registered a negative balance (as displayed in Graph 1). This may in part be due to substantial divestment by major oil companies that sold their assets to the Angolan government. This coincides with the statement already made, regarding the cancelled the quarry licences that Sonangol resumed ownership of.

In 2007 Exxon Mobile transferred its minority stake in the planned liquefied natural gas (LNG) plant at Soyo to Sonangol. Sonangol’s Chief Executive Manuel Vicente had forecast that same year that Angola’s oil sector would receive investments up to US$ 50 billion over the following six years.

The business environment in Angola is one of the most difficult in the world. It is riddled with pervasive corruption, high costs of living and a weak financial system. The opaque management of the economy is heavily criticised in international fora, particularly because of its unaccountability and failure to demonstrate redistribution of wealth to the general population. As a result Angolan civil servants and government officials are widely regarded as corrupt, a disposition that is amplified by the country’s limited publications of accounts and audits.

Angola is not a signatory of the OECD Convention on Combating Bribery but it is a member of the African Union’s New Partnership for Africa’s Development (NEPAD), through which it is subject to the...
African Peer Review Mechanism (APRM) on transparency and good governance. Since 2006 the government has thus demonstrated its commitment to the APRM, by endeavouring to publish regulations and financial information in journals and on various national websites – i.e. Ministry of Finance, ANIP, and the Development Bank of Angola, amongst others\textsuperscript{28}. Also, Angola has allowed a few international accounting and consulting firms, including Deloitte & Touche for instance, to audit its public enterprises and review the financial sector.

On the ground, foreign companies remark that the infrastructure is rather under-developed. Inadequate internal linkages make transportation very slow and extremely expensive. The ports also lack the capacity to handle the enormous volumes of freight that they receive, as well as have numerous bureaucratic challenges. There is a five-month backlog at the country’s main port in Luanda. Customs authorities are completely overwhelmed by the congestion. The Luanda port can only handle 1,500 tonnes of goods per day, which is a trivial amount when considering that a single Chinese vessel carries nearly 20 times more tonnage. Angola is exporting oil to China, but also importing an enormous amount of construction material. Each Chinese vessel takes between seven to ten days just to offload. On any given day there are over 30 vessels anchored outside Luanda, each awaiting its turn to dock at the harbour. Port officials have forecast that Luanda’s port will process approximately 6.6 million tonnes of cargo this year, which is only a 10 percent increase from 2008.\textsuperscript{29}

A legacy of the 27-year long civil war, Angola’s integration in the region remains frail. In the Southern African Development Community (SADC), for instance, Angola has agreed to adhere to the Free Trade Protocol that seeks to establish a regional trade policy and reduce intra-SADC trade barriers. Angola is also a member of the Common Market for the Eastern and Southern Africa (COMESA). Nevertheless, Angola also demonstrates a reluctance to reduce tariffs and other trade barriers that will inadvertently compromise its industrial prospects. Although Angola may be strategically located to fulfil an export-oriented manufacturing function in the region, the points raised above are strong deterring factors for FDI. This is despite qualifying for preferential market access to the United States America (USA) through the African Growth and Opportunity Act (AGOA) and the European Union (EU) through Everything but Arms (EBA). Although a party to the Cotonou Agreement, Angola has not signed the EU’s current Economic Partnership Agreement (EPA).\textsuperscript{30}

Angola has a relatively small market with a population of just 15 million people, of which 51 percent live below the poverty line and even more are considered impoverished.\textsuperscript{31} The country is therefore not large enough, nor industrialised enough to absorb substantial investment in the consumer service sector. This is with the exception of the telecommunications sector, which has seen remarkable growth rates across the whole of Africa. Angola has traditionally attracted resource-seeking investors, primarily in the oil industry. Of course the irony is that Angola is the second largest oil producer in SSA, but has a refining capacity of less than 60,000 barrels per day. Most of the crude oil is exported to the USA and China, and then imported once refined for sale in the domestic market. Nevertheless,
there are investments in other sectors of the economy. Hence, in spite of the many operational challenges in Angola, in business circled the country is considered a ‘booming’ market.

Angola’s financial sector is regulated by the Ministry of Finance and supervised by the central bank (Banco National de Angola - BNA). The sector may be very small, but it is showing incremental signs of growth, particularly in raising the standard of service and upgrading systems in accordance with best practice.

Foreign investors bring their capital and credit from overseas, while local investors are generally self-financed or raise capital through investment funds and international banks. Prospective investors can also access subsidised government loans, but these are very selective and primarily cater Angolan companies. Most recently, the Development Bank of Angola (Banco de Desenvolvimento de Angola - BDA) was established to become the leading creditor of short- to medium-term loans to the country’s aspiring entrepreneurs (refer to Section 8 of the Aid Report). The objective is to stimulate the industrial sector by providing capital investment for the start up of small, micro and medium enterprises (SMMEs). However, in an environment that is lacking credit history, reliable street addresses, an efficient judicial system and significant collateral, this all makes for a challenging time for those in the money-lending business.

The financial sector has only recently displayed a new propensity towards private customers. BNA used to be the country’s only commercial bank, but now operates amongst 17 other banks that provide a range of services in private, retail, investment, corporate and business banking. As of the end of 2007 there were a total of 41 bankarised municipalities in the country, including 318 bank branches and 498 MULTICAIXA automatic teller machines (ATMs). Individuals are being encouraged to open bank accounts, which the state has already begun to use to make the salary payments of civil servants. Even so, barely five percent of the population has a bank account.

The financial system in Angola is still at infancy; it was only in mid-2008 that banks in Angola for the first time received accreditation to the VISA network. There are now eight banks affiliated to the VISA network. Even so, payment counters throughout the country still remain predominantly cash oriented. As such, with the exception of MULTICAIXA ATMs in central areas, there are very few facilities that are equipped to process debit and credit cards transactions. As of June 2008, a total of 1.2 million MULTICAIXA cards had been issued in Angola, of which 30 percent were non-personalised. Yet, only 734 000 of the cards were live (had been used at least once since they were issued).

Although economic indicators are now stable in Angola, the capital market still requires further transparency. The market regulation system needs to provide a secure environment for the launch of the much anticipated Angolan Stock Exchange (Bolsa de Valores e Derivativos de Angola – BVDA). The fact that the inter-banking market is so small also indicates that Angola may not be equipped to launch BVDA just yet. At present, investors still question the credibility of financial information that is
released in the market. Incremental progress is being made to establish confidence and expand the banking sector’s portfolio. For the first time, banks are now offering vehicle financing and mortgages. Other financial services, such as medical and property insurance, are also available. Three insurance companies were launched in 2006 - namely Global Seguros, Mundial and Nossa Seguros.35

**Angola’s Need for Capacity Building and Technology Transfer**

The labour force in Angola is an estimated seven million people. This figure is nearly half of the country’s entire population, an ordinary spread by international standards, but it is alarming vis-à-vis Angola’s unemployment rate that is also estimated at half the country’s population. Nevertheless, nearly 85 percent of Angola’s labour force is employed in the agricultural sector, while the rest are employed in industry and services. Even so, agricultural productivity is extremely low as it remains subsistence in nature. In fact, the AfDB/OECD’s African Economic Outlook (2008) reports that Angola has an exceptionally high unskilled labour force - 68 percent among the 25-29 age group, 74 percent among those between 20-24 and 94 percent among those 15-19. The lack of education and skills in the latter group is especially alarming, considering approximately half of the Angola's population is below the age of 17. The country thus requires immediate intervention in this regard, without which Angola will experience chronic debilitation in its labour force if the current generation of youth grow into inept adults.

Post-conflict Angola requires intensive capacity building to curb the effect of its protracted civil war that caused an entire generation to renounce formal education and training. To meet the immediate needs of the various age groups, technical and vocational education and training (TVET) would need to be employed in all areas of the economy and across all industries.

Already before the end of the war, Angola’s first attempt at addressing TVET was in 1992 when it established the National Institute for Vocational Training (INAFOP) under the Ministry of Education. Its duty was to govern TVET performed by public and private enterprises. INAFOP’s mandate was in 1995 transferred to the Ministry of Public Administration, Employment and Social Security (MAPESS). In spite of the change, INAFOP failed to deliver relevant and effective training. In 1998 the Decree Law nº 34/98 dissolved INAFOP to launch the National Employment and Vocations Training Institute (INEFOP). Unlike its predecessor, INEFOP has adopted a consultative approach that includes different types of institutions – namely several government ministries, employers’ associations, the Catholic Church, NGOs and the private sector. The involvement of various stakeholders in the process is to ensure that the TVET is market driven, thus building new capacity that can immediately be tapped into tangible programmes in the workplace.

In 2004 the Angolan government launched a capacity building project, funded jointly by Chevron Texaco (US$ 1 million) and the UNDP (US$ 3 million). The project aimed to stimulate the
development of a vigorous small, micro and medium enterprise (SMME) sector in the country, which also withered during the civil war.

Today the costs of production are extremely high in Angola, much due to the country’s poor infrastructure and taxing business environment. This is further exacerbated by Angola’s striking lack of skilled labour. Key areas that were identified by the UNDP for potential vocational training are as follows:

- Activities related to upstream and downstream of agricultural production, such as the processing and preserving of foodstuff, production and repair of agricultural tools, wickerwork and leather goods, etc;
- Small-scale construction skills – e.g. brick makers, bricklayers, blacksmiths, carpenters, welders, plumbers, painters, tillers, electricians, etc;
- Skills related to electrical and mechanical maintenance, such as refrigeration technicians, auto-electricians, panel beaters and the repairs of household appliances, motor vehicles, tyres, batteries, etc; and
- Skills in the service industry – e.g. retailers, restaurants, tailors, multi-media, tourism, etc.

There are supposedly over 300 vocational training centres in Angola, of which nearly 80 percent are privately owned. According to the AfDB/OECD report (2008) they have a total capacity of 24,564 students; but it is nearly not enough to accommodate the 300 000 new job seekers that enter the labour market every year. INEFOP runs 36 of the TVET centres and 46 employment centres.

The greatest challenge for INEFOP at this stage is its lack of fixed assets and human resources to steer the TVET process. Since Angola does not have enough qualified managers, trainers and mentors, the human resources need to be imported. Also, specialised systems, tools, equipments and infrastructure are required. At the moment almost 60 percent of TVET is concentrated in the greater Luanda area, which according to the UNDP limits the spread of capacity building in the country.

Although a valid concern, one must acknowledge that there are great disparities in the occupant density in all the regions across the country. During the civil war people fled from the countryside into the urban centres, which the capital was the first choice for some 3.8 million formerly displaced people, 450 000 refugees and 280 000 are former soldiers. As a result, nearly one third of the country’s population still reside in the greater Luanda area.

The focus of capacity building should be in creating market linkages for the TVET that will tap the trainees into workplace. The role of INEFOP is therefore twofold. First, it shall conduct ongoing evaluation of the TVET programmes. Second, it shall conduct a matrix from its registry of job seekers and potential employers. It so happens that the majority of potential employers in Angola are foreign companies.
5.3 The General Trend of Investment in Angola

FDI in Angola has historically been resource-seeking. After Nigeria, Angola is the second largest oil-producing country in sub-Saharan Africa. The economy is heavily reliant on its oil industry, which has also attracted more than US$ 8 billion worth of investment from foreign oil companies. Angola is known to host some of the world’s leading oil companies, who have been operating in the country since even the early years of independence. Until the merger and launch of Chevron Texaco Corporation in 2001, for instance, Chevron had been operating in Angola for over 40 years and Texaco for over 25 years. Since official data on FDI flows and stocks are hard to come by, the paper makes use of data provided by UNCTAD. Table 1 provides a comparative display of the FDI stocks in Angola, of its largest investor countries.

Table 1: FDI Stocks in Angola by Country of Origin, 2000-2006

<table>
<thead>
<tr>
<th>Economy</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>7,977</td>
<td>10,123</td>
<td>11,795</td>
<td>11,987</td>
<td>13,436</td>
<td>12,133</td>
<td>10,993</td>
</tr>
<tr>
<td>Brazil</td>
<td>-</td>
<td>274.1</td>
<td>29.6</td>
<td>24.8</td>
<td>33.8</td>
<td>18.5</td>
<td>-</td>
</tr>
<tr>
<td>China</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>0.5</td>
<td>8.8</td>
<td>37.3</td>
</tr>
<tr>
<td>Denmark</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.8</td>
<td>11.5</td>
<td>48.6</td>
</tr>
<tr>
<td>Norway</td>
<td>513</td>
<td>827</td>
<td>1,240</td>
<td>1,675</td>
<td>2,400</td>
<td>2,334</td>
<td>-</td>
</tr>
<tr>
<td>Portugal</td>
<td>208</td>
<td>198</td>
<td>214</td>
<td>293</td>
<td>298</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>United States</td>
<td>585</td>
<td>1,120</td>
<td>1,110</td>
<td>1,067</td>
<td>1,074</td>
<td>1,038</td>
<td>1,096</td>
</tr>
<tr>
<td>Unaccounted</td>
<td>6,671</td>
<td>7,703.9</td>
<td>920.1</td>
<td>8,926.9</td>
<td>9,625.9</td>
<td>8,722.2</td>
<td>9,811.1</td>
</tr>
</tbody>
</table>

Source: Calculated from UNCTAD’s World Investment Directory 2008

UNCTAD’s data is based on information supplied by the National Bank of Angola. However, as demonstrated above the data is very incomplete. The total inward FDI stocks are inconsistent with the stocks given for the Angola’s major investors, leaving large volumes unaccounted for. Nevertheless, it is clear that China’s FDI in Angola is relatively new compared to other countries. The data and analysis indicates that Chinese FDI is also much smaller than most people believe. Aside from the misunderstanding regarding Chinese FDI and ODA, the hyperbolic claims of Chinese FDI in Angola could only be stirred by suspicion and inaccurate analysis.

Sino-Angolan relations are opaque in nature, with both countries being exceptionally discreet about the details of their agreements and cooperation. Also, with the exception of the oil sector there is limited research available on the effects of investments in other industries on the economy. On the other hand, ANIP’s sectoral FDI statistics do not include investments made in the oil and diamond sectors. As such, its data understates China’s involvement in the Angolan economy, but equally that of other countries that have invested in those sectors. Table 2 lists all the major foreign companies operating in Angola’s energy and resource sector.
Table 2: Major Foreign Companies Operating in Angola’s Energy and Resources Sector

<table>
<thead>
<tr>
<th>Company</th>
<th>Country of Origin</th>
<th>Industry</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Braspetro Oil Services Company</td>
<td>Brazil</td>
<td>Drilling oil and gas wells</td>
<td>290</td>
</tr>
<tr>
<td>Fina Petroleos De Angola S A R L</td>
<td>France</td>
<td>Drilling oil and gas wells</td>
<td>650</td>
</tr>
<tr>
<td>Alpha Diamond Corp</td>
<td>Canada</td>
<td>Mining</td>
<td>-</td>
</tr>
<tr>
<td>BP Angola</td>
<td>United Kingdom</td>
<td>Petroleum</td>
<td>260</td>
</tr>
<tr>
<td>Cabinda Gulf Oil Company Limited</td>
<td>United States</td>
<td>Petroleum</td>
<td>3 000</td>
</tr>
<tr>
<td>Cabinda Gulf Oil Company Ltd.</td>
<td>United States</td>
<td>Petroleum</td>
<td>1 800</td>
</tr>
<tr>
<td>Cegelec Angola</td>
<td>France</td>
<td>Petroleum</td>
<td>-</td>
</tr>
<tr>
<td>Esso Exploration Angola</td>
<td>United States</td>
<td>Petroleum</td>
<td>700</td>
</tr>
<tr>
<td>Foraid Angola</td>
<td>France</td>
<td>Petroleum</td>
<td>-</td>
</tr>
<tr>
<td>Phillips Petroleum Co., Inc.</td>
<td>United States</td>
<td>Petroleum</td>
<td>-</td>
</tr>
<tr>
<td>R and B Falcon Drilling Luanda Branch</td>
<td>United States</td>
<td>Petroleum</td>
<td>150</td>
</tr>
<tr>
<td>Ranger Oil Ltd.</td>
<td>Canada</td>
<td>Petroleum</td>
<td>-</td>
</tr>
<tr>
<td>Shell Exploration And Production Angola</td>
<td>United States</td>
<td>Petroleum</td>
<td>200</td>
</tr>
<tr>
<td>Soc Nationale Elf Aquitaine</td>
<td>France</td>
<td>Petroleum</td>
<td>-</td>
</tr>
<tr>
<td>Texaco Inc.</td>
<td>United States</td>
<td>Petroleum</td>
<td>-</td>
</tr>
<tr>
<td>Texaco Panama Inc</td>
<td>United States</td>
<td>Petroleum</td>
<td>-</td>
</tr>
<tr>
<td>Total Fina Elf SA Ep Angola</td>
<td>France</td>
<td>Petroleum</td>
<td>800</td>
</tr>
<tr>
<td>Transocean Sedco Forex Inc.</td>
<td>United States</td>
<td>Petroleum</td>
<td>-</td>
</tr>
<tr>
<td>Universal Sodexho Angola</td>
<td>France</td>
<td>Petroleum</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: UNCTAD’s World Investment Directory 2008

The Angolan government has recently put more effort into investment diversification, having identified it as a key priority. Also, the investment is expected to flow in from various countries. Angola has bilateral investment agreements with Cape Verde, Italy, Germany, Portugal, South Africa (SA), Spain, the United Kingdom (UK), and the USA. The country’s more well-established investors are mostly from Portugal, the UK, and the USA, whilst investors from Brazil, China, France and the Netherlands tag behind.

During Prime Minister Aguinaldo Jaime visit to Portugal in February 2008, he set out to attract investment in Angola. Jaime made an appeal for FDI that would particularly encourage technology transfer facilitation. Bearing in mind that Angolan law does not require foreign investors (outside of the oil and diamond sectors) to form local partnerships, the government would need to devise innovative mechanisms that to cultivate sustaining industries and build capacity. Portugal is one of Angola’s most important partners in the European Union (EU), all considering its umbilical relationship. The Lusophone affiliation is also shared with Brazil. As of the end of 2008, Brazil had 18 companies set up in Angola, although according to the Brazilian Franchising Association (ABF) this number is set to increase in 2009. Both of these countries are also ideal candidates to endeavour in
Angola’s human resource development, which should be projected in the business practices of their investors. Actors from other countries, including China, generally face an immense language barrier in the field. This is a major obstacle during training, thus compromising on the prospects for efficient technology transfer.

Table 3: Major Foreign Companies Operating in Other Sectors

<table>
<thead>
<tr>
<th>Company</th>
<th>Country of Origin</th>
<th>Industry</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>South African Breweries PLC</td>
<td>United Kingdom</td>
<td>Bottled and canned drinks</td>
<td>-</td>
</tr>
<tr>
<td>Robert Hudson Ltd.</td>
<td>Portugal</td>
<td>Cars and other motor vehicles</td>
<td>150</td>
</tr>
<tr>
<td>Uniao Comercial De Automoveis S A R L</td>
<td>United Kingdom</td>
<td>Cars and other motor vehicles</td>
<td>220</td>
</tr>
<tr>
<td>Pfizer Ltd.</td>
<td>United States</td>
<td>Chemicals</td>
<td>-</td>
</tr>
<tr>
<td>Osel Odebrecht Servicos No Exterior Ltd</td>
<td>Brazil</td>
<td>Construction (non-residential)</td>
<td>4 000</td>
</tr>
<tr>
<td>Petromar</td>
<td>Brazil</td>
<td>Construction</td>
<td>400</td>
</tr>
<tr>
<td>Sonamet Industrial</td>
<td>Luxembourg</td>
<td>Construction</td>
<td>750</td>
</tr>
<tr>
<td>Empreiteiros Casais Lda</td>
<td>Portugal</td>
<td>Construction</td>
<td>300</td>
</tr>
<tr>
<td>Eusebios Angola Construcao Civil Lda</td>
<td>Portugal</td>
<td>Construction</td>
<td>600</td>
</tr>
<tr>
<td>Odebrecht Servicos No Exterior</td>
<td>Portugal</td>
<td>Construction</td>
<td>40 000</td>
</tr>
<tr>
<td>Pinto &amp; Cruz (Angola) Lda</td>
<td>Portugal</td>
<td>Construction</td>
<td>400</td>
</tr>
<tr>
<td>Petromar UEM</td>
<td>France</td>
<td>Distributive trade</td>
<td>400</td>
</tr>
<tr>
<td>Sodexho Angola</td>
<td>France</td>
<td>Education</td>
<td>200</td>
</tr>
<tr>
<td>Efacec Angola</td>
<td>Portugal</td>
<td>Electrical and electronic equipments</td>
<td>-</td>
</tr>
<tr>
<td>Sociedade Comercial Luso-Holandesa SARL</td>
<td>United Kingdom</td>
<td>Electrical appliances</td>
<td>180</td>
</tr>
<tr>
<td>Banco Africano de Investimentos</td>
<td>Portugal</td>
<td>Finance</td>
<td>218</td>
</tr>
<tr>
<td>Banco Comercial Portugues</td>
<td>Portugal</td>
<td>Finance</td>
<td>16 990</td>
</tr>
<tr>
<td>Banco de Fomento e Exterior</td>
<td>Portugal</td>
<td>Finance</td>
<td>30</td>
</tr>
<tr>
<td>Banco Espirito Santo de Angola</td>
<td>Portugal</td>
<td>Finance</td>
<td>30</td>
</tr>
<tr>
<td>Banco Totta de Angola</td>
<td>Spain</td>
<td>Finance</td>
<td>210</td>
</tr>
<tr>
<td>HSBC Equator Bank Plc</td>
<td>United Kingdom</td>
<td>Finance</td>
<td>-</td>
</tr>
<tr>
<td>Inalca Angola Ltda</td>
<td>Italy</td>
<td>Food products</td>
<td>80</td>
</tr>
<tr>
<td>Kwaba Sociedade Industrial e Comercial</td>
<td>United States</td>
<td>Food products, beverages and tobacco</td>
<td>130</td>
</tr>
<tr>
<td>Industrias Termicas De Angola Sarl</td>
<td>United Kingdom</td>
<td>Heating and air conditioning supplies</td>
<td>12</td>
</tr>
<tr>
<td>Serafim L Andrade Sarl</td>
<td>Portugal</td>
<td>Hotels and Restaurants</td>
<td>35</td>
</tr>
<tr>
<td>Betangola Betoes e Prefabricados de Angola</td>
<td>Portugal</td>
<td>Machinery and equipment</td>
<td>73</td>
</tr>
<tr>
<td>Cameron Angola Lda</td>
<td>United States</td>
<td>Machinery and equipment</td>
<td>-</td>
</tr>
<tr>
<td>Friedlander Angola</td>
<td>France</td>
<td>Metal and metal products</td>
<td>280</td>
</tr>
<tr>
<td>Electricos Angola</td>
<td>Portugal</td>
<td>Metal and metal products</td>
<td>70</td>
</tr>
<tr>
<td>Ferpinta Angola Comercio e Industria</td>
<td>Portugal</td>
<td>Metal and metal products</td>
<td>80</td>
</tr>
<tr>
<td>Quintas &amp; Quintas Angola Condutores Electricos Angola</td>
<td>Portugal</td>
<td>Metal and metal products</td>
<td>70</td>
</tr>
<tr>
<td>Toyota de Angola S A R L</td>
<td>Japan</td>
<td>Motor vehicles sales</td>
<td>142</td>
</tr>
<tr>
<td>Zuid Casa Holandesia Lda</td>
<td>Netherlands</td>
<td>Non-durable goods</td>
<td>-</td>
</tr>
<tr>
<td>Company Name</td>
<td>Country</td>
<td>Industry</td>
<td>Employees</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>---------------</td>
<td>----------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Prefabricados de Luanda lda</td>
<td>Portugal</td>
<td>Non-metallic mineral products</td>
<td>70</td>
</tr>
<tr>
<td>Tecnosecil Investimentos e Participacoes</td>
<td>Portugal</td>
<td>Non-metallic mineral products</td>
<td>170</td>
</tr>
<tr>
<td>Johnson and Johnson Angola Ltda</td>
<td>United States</td>
<td>Orthopaedic/prosthetic appliances</td>
<td>-</td>
</tr>
<tr>
<td>Jose F. Aguier &amp; Cie Ltda</td>
<td>Netherlands</td>
<td>Other business activities</td>
<td>200</td>
</tr>
<tr>
<td>Tintas Cin de Angola</td>
<td>Portugal</td>
<td>Paint varnishes and other chemical products</td>
<td>78</td>
</tr>
<tr>
<td>Alvalade Empreendimentos Turisticos E Hoteleiros Sarl</td>
<td>Portugal</td>
<td>Public Administration</td>
<td>70</td>
</tr>
<tr>
<td>ABB Asea Brown Boveri Ltd.</td>
<td>Switzerland</td>
<td>Repair Services</td>
<td>-</td>
</tr>
<tr>
<td>Shoprite</td>
<td>South Africa</td>
<td>Retail</td>
<td>-</td>
</tr>
<tr>
<td>Petromar Limitada</td>
<td>Italy</td>
<td>Research and development</td>
<td>400</td>
</tr>
<tr>
<td>Conduril Engenharia Angola Lda</td>
<td>Portugal</td>
<td>Research and development</td>
<td>252</td>
</tr>
<tr>
<td>Habitar Sociedade Construcoes Lda</td>
<td>Spain</td>
<td>Research and development</td>
<td>50</td>
</tr>
<tr>
<td>Sonils Sonangol Integrated Logistics Services Lda</td>
<td>United Kingdom</td>
<td>Research and development</td>
<td>108</td>
</tr>
<tr>
<td>Comatel Construcao Manutencao de Sistemas de Telecomunicacoes</td>
<td>Portugal</td>
<td>Telecommunications</td>
<td>290</td>
</tr>
<tr>
<td>Orey Angola Comercio E Servicos Lda</td>
<td>Spain</td>
<td>Transport</td>
<td>30</td>
</tr>
<tr>
<td>Cargo Aerea Fretamentos Expresso Transitos Ltda</td>
<td>Switzerland</td>
<td>Transport</td>
<td>-</td>
</tr>
<tr>
<td>Kuehne &amp; Nagel (Angola) Transitarios Limitada</td>
<td>Switzerland</td>
<td>Transport</td>
<td>-</td>
</tr>
<tr>
<td>Panalpina Transportes Mundiais</td>
<td>Switzerland</td>
<td>Transport</td>
<td>-</td>
</tr>
<tr>
<td>Hull Blyth Angola Ltd</td>
<td>United Kingdom</td>
<td>Transport</td>
<td>400</td>
</tr>
<tr>
<td>Servequip Enterprises Ltd Branch Office</td>
<td>Ireland</td>
<td>Wholesale trade</td>
<td>1,200</td>
</tr>
<tr>
<td>Golfrate Grupo Comercio Geral</td>
<td>Italy</td>
<td>Wholesale Trade</td>
<td>600</td>
</tr>
<tr>
<td>Auto-Sueco Angola Sarl</td>
<td>Portugal</td>
<td>Wholesale trade</td>
<td>165</td>
</tr>
<tr>
<td>Blackwood Hodge Angola Ltd</td>
<td>Portugal</td>
<td>Wholesale trade</td>
<td>100</td>
</tr>
<tr>
<td>Maxi Comercio Geral Importao Exportao</td>
<td>Portugal</td>
<td>Wholesale trade</td>
<td>200</td>
</tr>
<tr>
<td>Pao De Acucar - Companhia Angolana Distribuciao Lda</td>
<td>Portugal</td>
<td>Wholesale trade</td>
<td>5</td>
</tr>
<tr>
<td>T D A Comercio E Industria Lda</td>
<td>Portugal</td>
<td>Wholesale trade</td>
<td>7,122</td>
</tr>
<tr>
<td>Sociedade Comercial Luso Holandesa</td>
<td>United Kingdom</td>
<td>Wholesale trade</td>
<td>180</td>
</tr>
</tbody>
</table>

Source: UNCTAD’s World Investment Directory 2008

Already mentioned UNCTAD’s FDI is incomplete and may not be entirely reliable. Similarly, its employment data for the companies cited in Tables 2 and 3 are also secondary data and is thus questionable. This data was sourced from the Who Owns Whom database. There is no indication of whether expatriates are included in the employee listings or when and how the data was sourced and/or updated. Interestingly, the data also does not include Chinese companies. In fact, Japan’s Toyota is the only Asian firm represented on the entire list. Although information on employment equity may be difficult to gather in a private capacity, each one of these companies conducts internal audits and report back to their head quarters. Annual reports are not always free to the public, but they do keep record of key indicators and information on the company’s operations. In addition, the companies are also registered in Angola for which they are required to supply key information to
obtain and renew licences. An extensive survey into the employment records of foreign companies operating in Angola would be useful to studying their impact on the socio-economy.

When South Africa’s Shoprite Holdings Ltd first entered Angola, for instance, the assumption was that it would compete with the existing grocery stores in the market – namely Jumbo, amongst a few others. However, Shoprite’s presence has had other ramifications and even caused the displacement of local industry players. After the launch of the retail store’s branch in Luanda’s Palanca district, for instance, one of the most successful bakeries in the area had to close its doors. Instead of giving carte blanche to foreign investors, nationalist principles dictate that the state should at all times seek to empower its local enterprises. In this instance, the state could have made resources available to the local entrepreneur to expand operations and then subsequently placed a disclaimer to limit the types of bread that Shoprite would produce in-house. Furthermore, the state could also have lobbied for a partnership between Shoprite’s bakery and the local enterprise. Regarding the potential effect of Chinese FDI in Angola, the concern for the position of local enterprises is the same. Similarly, the concern is expressed when examining the implications of China’s involvement in infrastructure development and particularly in Angola’s construction.

Depending on the type and size of an investor’s operations, its labour force should effectively determine the productivity of the firm. SA Breweries, for instance, is investing another US$ 150 million to build two new Coca-Cola bottling plants and to import equipment. According to the company’s CEO, Samuel Jerónimo, the new plants are anticipated to create 700 jobs. Although bottling factories are highly mechanised, each one of the 700 recruits will need a certain amount of training for his/her job and perhaps even mentorship for the managerial positions.

The US fresh produce MNCs Dole and Chiquita Brands International had entered an agreement with ESCOM, a member of the Grupo Espirito Santo (GES). ESCOM’s subsidiary, the Agricultural Development Co of Angola seeks to invest US$ 60 million in Benguela’s banana production. Chiquita planned to export fresh produce to the EU market through operations in Angola, which is an indirect route for the American company to gain market access to the EU but a beneficial one for Angola. Chiquita’s current sources in Latin America face high trade barriers in the EU, unlike Angola and other former colonies. This is would be the ideal type of FDI that Angola seeks to attract. However, the deal fell through in October 2009 and GES has also abandoned the project due to logistical constraints. GES is a Portuguese company with interests in various sectors of the Angolan economy – i.e. agribusiness, aviation, energy, finance, fishery, procurement and real estate. Outside of the oil sector, GES is known as the largest private foreign investor in Angola.

Until China’s recent entry in the market, displayed in Table 3, Portuguese firms had dominated Angola’s construction sector. According to UNCTAD, the renowned Odebrecht Servicos employs the largest amount of people, a sum of 40,000 workers. Unlike the Chinese construction companies, the majority of Odebrecht’s workforce is indeed Angolan. Portuguese firms are also prominent in the
financial sector and in wholesale trade. Banco Comercial Portugues is the second largest employer, with the workforce of 16,990.

Prompted by business prospects and the encouraging reformation process in Angola, foreign investors continue to demonstrate their interest in the Angolan market. During the first quarter of 2009 private investment in Angola reached US$ 700 million. During this period Angola successfully held the Infrastructure Partnerships For African Development (iPAD) conference between 26-28 March 2009. Then in July the country held its annual Luanda International Fair (*Feira Internacional de Luanda* – FILDA), which that attracted an estimated 680 companies from 28 countries.

6. AN ANALYSIS OF THE IMPACT OF SINO-INVESTMENT INVESTMENT RELATIONS

6.1 The Aggregate Stocks and Flows Sectoral Breakdown of Chinese Aid to Angola

The media certainly places much emphasis on China being a resource-seeking investor. Given Angola’s small domestic market and Chinese companies’ well-documented investment in Angola’s oil sectors, the assumption is that Chinese investment in Angola is predominantly resource-seeking. The following discussion will show that this is possibly the case in magnitude, but may be an oversimplification of the drivers of Chinese investment in Angola as they are far more diversified.

Table 4: Matrix of Chinese Investors in Africa

<table>
<thead>
<tr>
<th>Chinese centrally owned banks and SOEs</th>
<th>Chinese provincial state-owned enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Nominally accountable to State Council</td>
<td>• Product of economic decentralisation</td>
</tr>
<tr>
<td>• Vehicles for government concessional loans and strategic acquisitions</td>
<td>• Vehicles for ‘twinning’ with African state, etc</td>
</tr>
<tr>
<td>• Subject to competition for State Council influence</td>
<td>• Tender for Chinese government projects</td>
</tr>
<tr>
<td>• Focused in resources and infrastructure services</td>
<td>• Can clash with Beijing’s strategic objectives, because they are loyal to provinces growth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chinese ‘private’ enterprises</th>
<th>Chinese individual entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Economic opportunists</td>
<td>• Generally not the recipient of direct government incentives</td>
</tr>
<tr>
<td>• Small-scale operators, with very small profit margins</td>
<td>• Self-financed</td>
</tr>
<tr>
<td>• Often blamed for labour, environmental violations (together with provincial SOEs)</td>
<td>• Usually have the most contact with locals</td>
</tr>
<tr>
<td>• Although used as a scapegoat, reflect badly on</td>
<td>• Focussed mainly in retail and service sectors</td>
</tr>
</tbody>
</table>
central government  •  Highly dependent on family networks

Source: Authors’ own analysis

Table 4 displays matrix of Chinese investors in Africa, which is a model also observed in Angola. Note that the characteristics differ according to ownership structures, as well as jurisdiction. Also, in each of the four segments the competition is fierce amongst Chinese enterprises. Excluding the state-owned construction companies, the majority of Chinese investment in Angola is done by large private companies. This type of investment is expected to grow further, especially since the establishment of the China-Africa Development Fund (CADFund) that is also expected to cushion the effect of the global financial crisis. However, there are also a number of Chinese state-owned companies operating in Angola, which are contracted to execute projects that are financed by the Chinese government loans. Some of the Chinese investment in Angola is made by small traders and entrepreneurs.

Since the turn of the millennium China’s FDI outflows have increased significantly, largely due to the promotion of its ‘go global’ (走出去) policy of 2002. However, note that portfolio investments are now included in the Ministry of Commerce’s (MOFCOM) official figures since 2006. Accordingly, indirect investment accounted for more than 20 percent of the US$ 52.2 billion in Chinese FDI outflows in 2008.46 This is especially relevant in Angola’s case, where the data on China’s indirect investments in Angola’s oil sector do not appear to be included in MOFCOM’s records. Sinopec’s purchase of shares in oil blocks (cited further ahead in Table 6) during 2004 is excluded from the data but the 2006 purchase remains unaccounted for in China’s FDI flows and is not reflected in FDI stocks either. Without official data from Angolan authorities, the inconsistency raises further questions on the reliability of the circulating data on Chinese investments in Angola.

**Table 5: China’s FDI Flows to Angola (2003-2007) – US$ Million**

<table>
<thead>
<tr>
<th>Region</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>0.19</td>
<td>0.18</td>
<td>0.47</td>
<td>22.39</td>
<td>41.19</td>
</tr>
<tr>
<td>Africa</td>
<td>74.81</td>
<td>317.43</td>
<td>391.68</td>
<td>519.86</td>
<td>1574.31</td>
</tr>
<tr>
<td>Share in Africa</td>
<td>0.25 %</td>
<td>0.05 %</td>
<td>0.12 %</td>
<td>4.61 %</td>
<td>2.61 %</td>
</tr>
</tbody>
</table>

Source: Calculated from MOFCOM Statistical Bulletin on China’s Outward FDI (2007)

**Table 6: China’s FDI Stock in Angola (2003-2007) – US$ Million**

<table>
<thead>
<tr>
<th>Region</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>0.30</td>
<td>0.47</td>
<td>8.79</td>
<td>37.27</td>
<td>78.46</td>
</tr>
</tbody>
</table>
As indicated by MOFCOM, China’s global FDI outflows in 2007 totalled US$ 26.5 billion. Approximately 5.9 percent of this went to Africa, US$ 1.6 billion to be exact. Angola was the 8th largest recipient of Chinese FDI, receiving US$ 41 million. However, this was only 0.16 percent of China’s total FDI outflow. Moreover, the top 5 African recipients of Chinese FDI each received more than US$100 million FDI flows. Nevertheless, as displayed in Table 5, Chinese FDI flows to Angola were marginal in the early millennium and then doubled between 2006 and 2007.

China’s global FDI stock in 2007 accumulated to US$ 117,910.50 billion, of which US$ 4,461.83 billion or 4 percent was in Africa. Angola ranked 12th in terms of its Chinese FDI stock in 2007, with US$ 78.46 million, albeit that Chinese FDI stocks in its top 11 African markets exceeded US$100 billion. As displayed in Table 6, since 2006 Chinese FDI stock in Angola has effectively doubled. In 2006, Chinese FDI stocks amounted to US$ 37.27 and then increased to US$ 78.46 in 2007.

Illustrated in Tables 5 and 6, from 2006 both Chinese FDI flows and stocks to Angola have shown a marked increase. One factor may explain this, as it is unclear whether the Exim Bank loans have been included in the MOFCOM’s calculation of Chinese FDI flows.

Interestingly, the marked increase of FDI coincides with the completion of the first phase of reconstruction project undertaken by Chinese companies. The Chinese credit line acts much like a current account, from which funds are debited to purchase material goods and services. Therefore, the funds do not actually get released in Angola or to Angolan stakeholders. The funds are disbursed and paid directly to the China-based head offices of the Chinese companies contracted in Angola. It is

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2 According to MOFCOM, these are South Africa (US$ 454.41 billion); Nigeria (US$ 390.35 billion); Algeria (US$ 145.92); Zambia (US$ 119.34 billion); and Niger (US$ 100.83 billion).
also possible that the growth in Chinese FDI stock and flows from 2006 could include ‘investments’ made by Chinese companies that followed in the wake of Exim Bank’s loan agreement.

ANIP’s Director Ari Carvalho claims that although most Chinese companies enter the Angolan market through the Chinese credit lines, investments outside the credit line do subsequently occur. He noted that investment from several Asian sources, such as China, India and other South-East Asian countries was increasing, particularly in the non-oil sectors. He commented that ANIP approved US$ 657 million worth of Chinese FDI in 2007 and would be expecting a 50 percent increase the following year. Unfortunately this forecast could not be verified at the time of writing this paper, as the data for Chinese FDI in 2008 was not yet available. The only publicised record of Chinese FDI to Angola during that year was made in the telecommunication sector by ZTE, but it only amounted to US$ 400 million (refer to Table 6).

Given the advent of the economic downturn since 2008, the Angolan government expressed concern that there would be a drop in investment, including that from China. This is compounded by the fact that the plunge in oil prices towards the end of 2008 discourages international oil companies to invest in the costly research and exploration activities, reducing investment and the prospect of further oil discoveries. While Chinese companies do not currently engage in exploration activities in Angolan oil blocs, a downturn in prospecting would possibly reduce the likelihood that there would be additional blocs for the Chinese oil companies to bid on for equity in the near future. A narrative account of Sinopec’s past ventures and current status in Angola is provided below.

For developing countries, the objective of attracting FDI is to stimulate industrialisation but also to provide socio-economic benefits for the country. These include sustainable employment creation, value-add activity and technology transfer, import substitution, and the prospect of an increase of exports. Chinese companies operating in Angola have generally been heavily criticised in this regard, as they are believed to not provide sufficient socio-economic benefits to Angolans. However, it is important to distinguish the practices of the investors from those of companies contracted on ODA projects.

It was noted earlier that ANIP has not published any recent documentation that provides the details of the origins or sectoral composition of Angola’s inward FDI, including Chinese FDI. Also, the ANIP consultant whom the research team interviewed admitted that he was not authorised to circulate any data. However, it appears that some data has circulated selectively circulated in the past.

According to Campos and Vines (2008) there were 51 Chinese firms were registered with ANIP by the end of 2007, of which more than half were in the construction sector while the remainder were involved in retail and light industries such as manufacturing and bottling plants. Also, between 2005 and 2007 Chinese FDI in the non-oil sector amounted to US$ 73.6 billion. Graph 2 displays the composition of Chinese non-oil FDI to Angola over the two-year period.
The Chinese companies contracted on projects financed by Exim Bank loans are not considered investors and are thus not required to register with ANIP. Since the official data on China’s year-on-year FDI in Angola could not be obtained from ANIP, the data in Table 6 was gathered from media reports.

Table 6: Outline of Large Scale Chinese Investments in Angola, 2000-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Industry</th>
<th>Project</th>
<th>Value US$ (millions)</th>
<th>Angolan Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Haier</td>
<td>Manufacturing</td>
<td>Appliance factory</td>
<td>11</td>
<td>700</td>
</tr>
<tr>
<td>2001</td>
<td>GDOCG</td>
<td>Manufacturing</td>
<td>Motorcycle factory</td>
<td>7.2</td>
<td>-</td>
</tr>
<tr>
<td>2004</td>
<td>Sinopec</td>
<td>Oil and Gas</td>
<td>Purchase of stake in block 18 (50%)</td>
<td>2,250(^3)</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>Sinopec, then passed to CSIH</td>
<td>Oil and Gas</td>
<td>Joint-venture to operate 3/05 and 3/05A (formerly 3/80)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>Chung Fong Holding Company</td>
<td>Manufacturing</td>
<td>National Steelworks Factory (51%)</td>
<td>-</td>
<td>28</td>
</tr>
<tr>
<td>2006</td>
<td>Sinopec, passed to CSIH</td>
<td>Oil and Gas</td>
<td>Purchase of stakes in blocks 15(06) (20%), 17(06) (27.5%), 18(06) (40%)</td>
<td>2,400</td>
<td>-</td>
</tr>
</tbody>
</table>

\(^3\) This figure includes the reported acquisition price and the reported US$ 1.5 billion spent further developing the block after purchase.
Most of the major Chinese companies operating in Angola are members of the local Chinese business association that was established in 2002. The earliest entrants into the Angola market launched the association for networking purposes in order to create a familiar support system. These days the association receives more Chinese SMMEs, which have convened and formed a quaint ‘China Town’ in Luanda’s São Paulo district. However, the majority of these investors there are traders and small entrepreneurs.


The section below provides a closer study of some of the investments cited in Table 6:

- **Haier**

Haier has a prosperous operation in Angola, with its main product line being air-conditioners. In Luanda, for instance, the average temperature is 30 degrees Celsius from February to April and the relative humidity level remains above 75 all year round. In spite of the irregular electrical supply and constant power outages, air-conditioners are not entirely considered a luxury. Haier has thus tapped into a niche market where the air-conditioner is actually an essential requirement in business and also a part of the home lifestyle.

- **GDOCG**

Judging by the date (in 2001) that GDOCG entered the Angolan market, by now it should be considered one of the most successful cases of Chinese investment in Angola’s manufacturing sector. However, there is no recent evidence to confirm that the company is actually still operating in the country. Although Chinese brands of motorcycles are readily available in Angola, the research team could not find evidence to suggest that the motorcycles are from the GDOCG product line or that they are actually manufactured in Angola as opposed to simply being imported.

Both Haier and GDOCG are therefore obligated to practice the rules and regulations of Angola’s Private Investment Law, which promote Angolanisation and sustainable development. They both supposedly provide considerable employment, which is specialised in the manufacturing of
appliances and motorcycles. By deduction, such activity requires a significant amount of training of staff that will in turn generate skills development and capacity building.

- **Zhong Xing Telecommunication Equipment Company Limited (ZTE)**

ZTE first entered the Angolan market in 2004 on a deal with Mundo Startel, the country’s fixed line telecommunications utility. In October 2008 ZTE then assumed the management of Movicel, Angola’s second mobile operator and a state owned enterprise. Movicel has an estimated subscription of 2 million and 30 percent share of a growing market. Its popularity amongst the youth and the business sector of Angola is attributed to it supposedly being the first to provide all the newest services and technology. It is also considerably successful because of its efficient customer service and a strong marketing campaign.

- **Huawei Technologies**

Huawei initially entered the Angolan market through an aid project. It has been setting up the national backbone for Angola’s operators in wireless technology and fourth generation network. Huawei installed optical fibre cables in Luanda and is now busy in the other provinces. Recently Huawei invested US$ 7 million in Angola’s ICT sector. It is working closely with the Ministry of Communications to transform the former *Instituto Nacional das Telecomunicações* (ITEL) into *Universidade de Telecommunicações*, as well as build a new Telecom Technical Training Centre. The training centre is a model that Huawei has already employed in five other African countries, namely Kenya, Nigeria, South Africa, Tunisia and Uganda.

Huawei Technology is put effort into building capacity amongst Angolans, which will in turn encourage technology transfer. There are currently just over 50 Angolan working for Huawei in Angola. Since entering Angola, Huawei has provided training for over 250 Angolan technicians. At its new training centre and through the new university, Huawei aims to continue this trend by training 200 Angolan engineers per year. In addition to the training that the local recruits receive at home, diligent technicians are also sent either to China or to the regional branch in South Africa for two to three weeks for further training. These Angolans have the opportunity to gain skills and experience alongside one of China’s most successful ICT enterprises.

- **Dongfeng**

China’s Dongfeng and Japan’s Nissan have invested US$ 30 million to establish a car manufacturing plant in Angola. The plant spans over an 840,000 meter-square area and is located in Viana’s industrial zone – north of Luanda. Operations at the Zhengzhou Nissan (ZZNissan) plant began in 2008. The project is a joint venture between the two partners mentioned above and Angola’s CGS Automovel, which is a wholly-owned subsidiary of CIF. The plant is forecast to produce 30,000
vehicles annually and provide over 300 jobs during its initial stage. The ZNissan Hardbody, the entry vehicle, is already prominently seen on the streets of Luanda.

- **China Petroleum and Chemical Corporation (Sinopec)**

  The sector to receive the largest amount of Chinese investment is undoubtedly the oil sector, although Chinese investment in Angola’s oil sector is perhaps less than might be expected, given Angola’s importance to China in terms of oil supply. Also, in spite of the press’ emphasis on China’s interest in Angola’s oil and the resource being used as collateral of the concessional loans, Chinese investment in the country’s oil industry has been far from smooth.

  China first entered Angola’s oil sector in 2004 when Sinopec bought a 50 percent stake of Block 18 for the reported sum of US$ 725 million. Sinopec’s entry into Angola’s oil blocks was marred by controversy, as it appears that Shell, the former owner of the 50 percent stake had several months previously signed a purchase agreement with Indian oil company ONGC Videsh. However, Sonangol vetoed the deal, as it had not been previously consulted. The stake was then instead awarded to Sinopec.

  In late 2004/2005 Sinopec acquired Block 3/80, previously owned by Total, after Sonangol refused the French company’s application to renew its contract. It was later agreed between Sonangol and Sinopec that China Sonangol International Holding (CSIH), of which Sinopec is a major shareholder, would explore the bloc.

  There have been considerable shifts in the dynamic between the Chinese central government and the national oil companies (NOCs). The decentralisation of NOC control in China, coupled with their commercial clout, ensure that strategic investment decisions are made by the companies’ management and not the Chinese central government. Consequently, the commercial expediency of NOCs’ decisions may not be in line with Beijing’s political objectives, resulting in a lack of coordination and co-operation between the government and the oil companies. This is in particular reference to the misperception that all the oil equity acquired by Chinese NOC is shipped directly to China. The NOC may in fact often sell the oil on the international market as it fetches a higher price. As a result, while Chinese investment in Angola is indeed resource-seeking, it is commercial oil companies seeking resources in order to make profit (much like all other oil majors) rather than a concerted political strategy directed from Beijing to secure oil reserves.

  Sonangol-Sinopec International (SSI) is the main project leading Sino-Angolan cooperation in energy and resources. Sonangol holds 45 percent of the joint-venture and Sinopec holds the remaining 55 percent. Following its official launch in March 2006, SSI secured a 20 percent stake in Angola’s block 15, and then secured stakes in blocks 17 and 18 by June 2006. Blocks 17 and 18 have an estimated collective reserve of 4 billion barrels totalling the value of US$ 100 million. They were forecast to
boost Angola's oil production by 100,000 barrels per day after they came on stream in 2007. Sinopec's shareholding in blocks 15, 17 and 18 are 20 percent, 27.5 percent and 40 percent respectively.73

Contrary to popular belief, China does not receive preferential treatment in Angola when it comes to investment – even in its oil industry. And the collapse of the infamous Sino-Angolan refinery deal demonstrates this. Sinopec and Sonangol were negotiating the launch of a new oil refinery in Lobito (dubbed Sonaref), which would cost an estimated US$ 3.5 billion but then have a production capacity of 200,000 barrels per day. The 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.74

The Angolan government subsequently announced its plans to venture on the project independently. It was reported in late 2008 that US engineering firm KBR had been awarded the contract for the construction of the refinery, which doubled to US$ 8 billion. Sonangol claims that the noticeable increase is mostly due to the escalating costs of building materials and construction services.

For an oil-exporting country, Angola bears the frustrating irony of having to import nearly 60 percent of its fuels. According to the new Head of Sonaref, Anabela Fonseca, the idea of a second refinery in Angola was first suggested in the 1990s and it is now finally becoming a reality. KBR has begun the preliminary construction at the Lobito refinery, including the construction of temporary accommodation for the workers, parking facilities and the construction of heavy-haul roads from the site to the Lobito port.75

By launching Sonaref independently, Angola aims to promote the self-sufficient production of petroleum products – i.e. diesel and petrol. Moreover, according to Sonangol's Chief Executive Manuel Vicente, the construction of the liquefied natural gas plant in Soyo is underway. The oil company is also rolling out plans to expand the retail network, which will address fuel shortages and the excessive long queues at petrol stations in the country.76

Almost immediately after announcing an end to negotiations regarding Sonaref, Sinopec withdrew from its stakes in blocs 15, 17 and 18. CSIHI assumed Sinopec's shares as of late 2007 amid much controversy at least until a more permanent equity partner could be secured.77 Despite these upsets, Chinese oil companies continue to show interest in Angolan oil fields. In October 2008, Sinopec and CNOOC negotiated with Marathon the purchase of a 20 percent stake in Bloc 32 for US$ 1.8 billion.78 The collapse of the refinery deal demonstrates the unlikelihood of any preferential treatment being given to China, and actually reveals Angola's wariness of China's dominance in the country's oil sector.
Chinese investment in Angola’s diamond industry has also been rocky. In April 2005 Endiama and China International Fund Ltd entered into a joint-venture. The CIF is an investment fund from Hong-Kong, which has a semi-autonomous status as a special administration of the People’s Republic of China. Angola’s Council of Ministers also approved the creation of Endiama China. This conglomerate planned to prospect and market Angolan diamonds to Hong Kong, where they would be cut and polished into jewellery. The Angola’s Ministry of Geology and Mining subsequently approved a joint venture between Endiama China and Miracel to see the prospecting, research and diamond authentication process.

Interestingly, in the 2008 edition of the World Investment Directory Endiama China is listed as one of Angola’s largest affiliates in 2007 of transnational corporations in wholesale trade. Also, it supposedly only had one employee on its workforce. However, both statements may not have been entirely accurate. As early as March 2007, it was then announced that Angola’s Council of Ministers annulled the joint venture between Endiama and the CIF. One of the objectives of Endiama China was to strategically position Endiama in the international market, so as to raise funds for the training of Angolan staff in order to cultivate a specialised diamond industry. Anyways, the collapse of the deal further demonstrates that Chinese investments do not receive preferential treatment in Angola. It also goes to show that there still are inconsistencies and misperceptions about Chinese FDI in Angola (and probably the entire African continent), even amongst mainstream actors.

6.2 Implications of Chinese Investment in Infrastructure Development

The Chinese government is a key player in Angola’s ambitious national reconstruction and development programme. Loans extended by the Chinese government are pooled into infrastructure development and construction projects, which are contracted to some of China’s biggest enterprises. There is an extensive pool of literature that examines China’s involvement in Angola’s infrastructure development; and several institutions and research centres also annually publish reports and release briefing papers on the subject. An adjacent study to this paper, The Impact of China-Africa Aid Relations: The Case of Angola (2009), provides a disciplinary analysis of Chinese aid to Angola. Included in the paper are also a broad review of China’s involvement in infrastructure development projects in Angola and an analysis of its impact. It is advised that the paper be read in conjunction with this one. Therefore, to avoid duplicating existing work the next section makes general observations and draws its analysis from the data on infrastructure development projects cited above.

The construction projects funded by the credit line are considered aid projects and not necessarily investment. The bilateral agreement cites that 70 percent of the Exim Bank-funded projects is to be tendered to Chinese enterprises, leaving the remaining 30 percent for Angolan companies. Yet, the contracting of the Angolan companies has apparently not been enforced, nor has the process for
choosing local partners been transparent. Ultimately, if foreign investors recognise an opportunity in Angola, it is the government's duty to ensure that the country (the local enterprises and the people) benefits from the investment. Systems must thus be in place to protect these interests. However, contractual obligations in Angola are notoriously difficult to enforce. Even the World Bank's Doing Business Report ranks Angola 179th on a list of 181 countries surveyed for the efficacy of contract enforcement.

Chinese investors in Angola, like all others, must comply with Angola's Private Investment Law. This includes the prescribed limitation placed on the number of expatriates that a company is allowed to employ. In practice, however, it is difficult to confirm whether these rules are respected by foreign investors and/or whether they are regulated by Angolan authorities. Unfortunately, neither the Chinese companies nor the Angolan authorities are forthcoming with this sort of information. Even so, it is important to study these factors, so as to determine the socio-economic impact of the investment on the host country.

What is clear though is that the arrangement made with the Chinese government (representing the interests of the Chinese construction companies) no only contradicts certain principles of the Angolanisation campaign, but also differs from the practice for other international construction companies operating in Angola. The Chinese construction companies are not required to maintain a minimal expatriate labour force of 30 percent; in fact they barely employ even 30 percent of locals.

According to China's Ambassador to Angola Zhang Bolun, as of March 2009 China had 50 large firms and another 50 smaller firms operating in Angola. These firms reportedly employ a total of approximately 50,000 Chinese expatriates in Angola. But this is a major understatement, since the Angolan embassy in Beijing reportedly issued more than 40,000 working visas to Chinese nationals in 2008 alone. Even so, it is not known whether any of these visas were renewals of existing permits, how many of the Chinese workers actually entered Angola subsequent to their visas being issued, or what the intended duration of stay was for each of the passport holders. The workers generally come to Angola on two-year contracts, after which they either return to China where they remain or choose to renew their permits. Also, one could deduce that the overwhelming majority of the Chinese expatriates working in Angola are employed on aid infrastructure development projects, as opposed to for Chinese companies that have invested there.

Adjacent to all the activity in the construction sector, there has been a noticeable trickling of Chinese small and micro enterprises in Angola. Most of the operations are minor business ventures, predominantly in the retail sector but also increasingly in the restaurant business. With the influx of Chinese-made construction material, household appliances and other fast-moving consumer goods, Chinese operations are also visible in the logistics and freight forwarding sectors. Interestingly, a growing trend in Luanda is the prominence of Chinese-owned internet cafés. In a developing country one of the main incentives for promoting FDI is the prospect of employment creation, which
unfortunately this type of small-scale investment restricts. The trend with Chinese small and micro enterprises, in particular, is that they are family-owned and generally employ very few local staff. The main challenge for the Angolan government thus rests in its capacity to enforce employment equity.

Infrastructure development is a key component of Angola’s plan for national reconstruction and development. However, the Chinese companies’ poor records of employment creation for locals essentially expose Angola’s blatant import of human resources. Bearing in mind the country’s poor socio-economic indicators, a boom in the construction would be ideal mechanism of income redistribution since it is funded by a loan agreements.

Furthermore, technology transfer in the construction sector is difficult to measure, especially if the workforce remains predominantly foreign. Therefore, although Angola short-term interests to fast-track infrastructure development are met through rapid service delivery, in the long-term the country may face show dependency tendencies towards China to maintain and upgrade the facilities that are currently being established.

### 6.3 Prospects for Angolan Investment in China

Angola’s investment abroad has increased gradually, amid only trivial fluctuations between 1995 and 2003. Graph 3 displays an accentuated growth for 2005 and 2006 in FDI flows and a considerable doubling of FDI stocks. However, this data is also sourced from UNCTAD and no attempt is made to clarify and/or distinguish Angola’s outward FDI from its outward portfolio investments.

**Graph 3: Angola’s FDI Abroad, 1995-2006**

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI Flows</th>
<th>FDI Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>-1</td>
<td>0.1</td>
</tr>
<tr>
<td>1996</td>
<td>-12.4</td>
<td>-12.3</td>
</tr>
<tr>
<td>1997</td>
<td>4</td>
<td>-8.4</td>
</tr>
<tr>
<td>1998</td>
<td>7.1</td>
<td>-1.2</td>
</tr>
<tr>
<td>1999</td>
<td>24.8</td>
<td>23.6</td>
</tr>
<tr>
<td>2000</td>
<td>-21.4</td>
<td>2.2</td>
</tr>
<tr>
<td>2001</td>
<td>-37.6</td>
<td>-35.4</td>
</tr>
<tr>
<td>2002</td>
<td>28.7</td>
<td>-6.7</td>
</tr>
<tr>
<td>2003</td>
<td>23.6</td>
<td>16.9</td>
</tr>
<tr>
<td>2004</td>
<td>35.2</td>
<td>52.1</td>
</tr>
<tr>
<td>2005</td>
<td>219.4</td>
<td>271.5</td>
</tr>
<tr>
<td>2006</td>
<td>190.6</td>
<td>462.1</td>
</tr>
</tbody>
</table>

Source: UNCTAD’s World Investment Directory 2008
Displayed in Tables 7 and 8, the figures on Angola’s FDI flows and stocks to its main target economies are incomplete and inconsistent. As such, the reliability of UNCTAD’s data comes under question again. Nevertheless, the data does indicate that Angola is capable of significant outward investment. However, in light of this are there any prospects for Angolan investment in China?

Angola’s main investor abroad is Sonangol, which has embarked on an ambitious endeavour to diversify the country’s portfolio investments. Sonangol’s only capital interest in China thus far has been in the establishment of China Sonangol International Holding (CSIH) in 2004. CSIH’s other partners and allies are Sinopec, China International United Petroleum and Chemicals (UNIPEC), British Petroleum (BP), ENI S.p.A and ZZNissan. The company’s headquarters are in Hong Kong, but it also has offices in Angola, China and Latin America. CSIH invests in large scale reconstruction projects, crude oil trading, as well as investments and explorations in oil and gas. It is operating not only in Angola but also in other countries including Argentina and Venezuela. The consortium has equity in several Angolan blocks, having temporarily assumed management of some of the blocks initially purchased by Sinopec.84

Already mentioned above, in 2005 Angola’s diamond company Endiama had also partnered with CIF and formed Endiama China. However, the venture was short-lived and was annulled already by early 2007. These ventures are the only cases of Angolan investment in China. Although some may consider Angola’s it to be trivial at the moment, Tables 7 and 8 illustrate a sound spread of FDI flows and stocks in other key economies. The data is incomplete and thus only provides partial account of Angola’s FDI flows and stocks. Bear in mind once more that Angola’s indirect investment is made by Sonangol.

Table 7: Angola’s FDI Flows Abroad (2000-2006) – US$ Million

<table>
<thead>
<tr>
<th>Economy</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>-21.4</td>
<td>-37.6</td>
<td>28.7</td>
<td>23.6</td>
<td>35.2</td>
<td>219.4</td>
<td>190.6</td>
</tr>
<tr>
<td>Brazil</td>
<td>-</td>
<td>0.5</td>
<td>2.9</td>
<td>0.6</td>
<td>0.5</td>
<td>0.4</td>
<td>2.3</td>
</tr>
<tr>
<td>France</td>
<td>-18.4</td>
<td>-36.7</td>
<td>7.5</td>
<td>-3.4</td>
<td>2.5</td>
<td>19.9</td>
<td>70.3</td>
</tr>
<tr>
<td>Portugal</td>
<td>1</td>
<td>1.6</td>
<td>1.1</td>
<td>3.8</td>
<td>2.4</td>
<td>7.2</td>
<td>12</td>
</tr>
<tr>
<td>United States</td>
<td>-4</td>
<td>-3</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-13</td>
<td>4</td>
</tr>
<tr>
<td>Unaccounted</td>
<td>0</td>
<td>0</td>
<td>17.2</td>
<td>21.6</td>
<td>29.8</td>
<td>204.9</td>
<td>102</td>
</tr>
</tbody>
</table>

Source: UNCTAD’s World Investment Directory 2008

Unlike the rest of Angola’s target economies, the country’s investment in Portugal is widely reported. In 2007 Sonangol acquired a 10 percent share of in Portugal’s Millennium Banco Comercial Português (Millennium BCP), which is Portugal’s largest listed bank. Angola’s FDI in Portugal tripled to € 59 million (approximately US$ 86.5 million) in 2008.85 Sonangol’s CEO Manuel Vicente announced in February 2009 that the parastatal plans to increase its stake in Millennium BCP, as it
considers itself to be long-term investor in the bank. Sonangol owns a 45 percent stake in Portugal’s Amorim Energia, which holds a 33 percent share of the fuel and oil company Galp. It does not plan to increase its shareholding in this firm, but does plan to acquire a minority stake in the Portuguese utility Energias de Portugal (EDP).

Table 8: Angola’s FDI Stocks Abroad (2000-2006) – US$ Million

<table>
<thead>
<tr>
<th>Economy</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2.2</td>
<td>-35.4</td>
<td>-6.7</td>
<td>16.9</td>
<td>52.1</td>
<td>271.5</td>
<td>462.1</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td></td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>25.1</td>
<td>24.7</td>
<td>31.5</td>
<td>49.3</td>
<td>58.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>-5</td>
<td>-9</td>
<td>-38.2</td>
<td>-32.4</td>
<td>15.46</td>
<td>307.46</td>
<td>493.06</td>
</tr>
<tr>
<td>Unaccounted</td>
<td>-18.2</td>
<td>-51.1</td>
<td>-38.2</td>
<td>-32.4</td>
<td>15.46</td>
<td>307.46</td>
<td>493.06</td>
</tr>
</tbody>
</table>

Source: Calculated from UNCTAD’s World Investment Directory 2008

Angola’s investment is CSIH marks the beginning of the country’s capital investment in China. The country’s relations with Hong Kong and the Chinese central government are not mutually exclusive. Angola is currently in no position to invest in the Chinese market like most of the world’s leading businesses and MNCs. Its dab in Portugal’s capital market is indicative of a growing economy that aspires to partake in the global financial market. Furthermore, the spread and volume of FDI flows and stocks are demonstrative of its calibre. However, instead of diverting its investments abroad, there is a new political commitment in Angola to retract investment in the country. This is especially evident from Angola’s plans to set up the stock exchange, which will encourage domestic investment but also ignite a new genre FDI.

7. SUMMARY AND CONCLUSION

7.1 Concluding Remarks

FDI may be encouraged as a mechanism of stimulating industrialisation and development. However, the mercantilist theory on the subject warns that FDI could ultimately have a degenerative effect on the sustainability of the local enterprises if and/or when it is mismanaged. Countries thus cautiously employ protectionist principles towards trade and investment to reduce the risks associated with foreign competition, such as the eventual privatisation of state enterprises or the collapse of local enterprises. China is notorious for its comparative and competitive advantage in the global economy. The country’s success is a source of admiration and envy, but increasingly a source of much concern. Two questions thus come to mind. Is this validation for such concern in China’s outward investment? In particular, how does Chinese FDI in Angola position the locally-owned enterprises?
With the sectoral breakdown of Chinese FDI in Angola examined, it is only sensible to deduce that the effect of Chinese investments in the respective sectors will differ accordingly. In the extractive industry, for instance, all prospective investors are obligated to enter into a partnership either with Sonangol or Endiama. Chinese investors are no exception. They have invested in equity holdings in Angola’s deep and ultra-deep oil blocks, most of which merely involved the transfer of ownership from a foreign investor to the Chinese company. Bearing in mind Angola’s dependence on its oil industry, the policy for partnership is a mercantilist stance to safeguard the country’s national interests. The collapse of Sinopec’s deal in Sonaref is indicative of Angola exercising its sovereignty and protecting its national interests. As long as Angola remains unwavering towards foreign investors in its extractive industry, the position of its national enterprises will always be secure. However, the same cannot be said for other sectors of the economy.

Foreign investors in the non-extractive sectors of Angola’s economy are not required to co-opt a local partner. Therefore, the ownership structure of their operations is almost absolutely wholly-owned by the investor company. This is the case with Chinese investors, as well as many other foreign investors in Angola. Moreover, outside of the extractive industry, there are also very few mergers and acquisitions involving local enterprises. This is certainly not a problem when an industry is underdeveloped/non-existent or when a market has not yet been tapped. However, when there are nascent industry players the scenario places its local enterprises in a very vulnerable position. With increased FDI, the local enterprises that are unable to compete may face the brutal reality of folding.

7.2 Contribution of this study

There is increasing research on China-Angola investment relations, but few offer analysis of the the impact of the cooperation. The literature review revealed a gap in existing knowledge, which this paper has sought to fill.

The first contribution made by this study is an empirical analysis of the impact of China-Angola investment relations. The paper acknowledges that the overwhelming bulk of China’s investment is directed towards the extractive sector, primarily in oil and diamonds. This paper also examined the other cases of Chinese investment in Angola, with particular emphasis on the impact of the investments on the position of local enterprises and human resource development.

The second contribution is a quantitative estimation of the impact of China-Angola investment relations. This paper has provided a narrative account of Chinese ventures to Angola, as well as discussed the implications of the various operations on the socio-economy.

The third contribution of the study is the critical observation of Angola’s prospects for investment in China. Although, Angola’s outward indirect investment has traditionally targeted Portugal and other traditional markets, there is growing interest to diversify into the Chinese.
7.3 Summary of Findings and Policy Implications

Angola appears to have a sound investment policy in place to attract prospective investors. However, the country’s investment is as much of a deterrent in some instances. Although this has never been much of an issue for resource-seeking investors, the case is different for market-seeking investors. Since its independence, Angola has attracted some of the world’s renowned oil companies. However, as the country has embarked on diversifying the economy since the end of civil war, there is an ample spread of foreign investment in other sectors of the economy. US firms may dominate the country’s oil sector, Portuguese firms lead a lot of the activity in other sectors.

Incredible attention is given to China’s interests in Angola’s extractive industry, particularly its investments in the oil and diamond sectors. However, Chinese ventures in both sectors have not been smooth. Thus indicating that contrary to popular belief, Chinese inventors do not receive preferential treatment in Angola.

Some Chinese companies that initially entered Angola through the Exim Bank loans have subsequently invested the market. However, their spheres of businesses must be monitored to ensure they do not get involved in other sectors of the economy and negatively affect Angola’s industrialisation prospects. The auto assembly plant of ZZNissan, for instance, has instigated the launch for a new industrial activity. On the other hand, ZTE assumed the management of Movicel after it entered the market but is now also involved in wholesale trade of cellular phones and other appliances.

Ideally, Angola would want to attract industrial-enabling FDI. However, considering Angola’s institutional weakness the influx of Chinese SMMEs can be difficult to regulate. There is growing concern Chinese firms may endeavour in trade activities, which will encourage prospective Chinese investors to resort to only setting up wholesale operations as opposed to investing in the designated industrial zones.

The Angolanisation campaign and the country’s private investment law make an effort to encourage the recruitment of locals to ensure skills development and technology transfer. However, the bilateral agreement made with China, particularly applied in the construction sector, contravenes the interests of Angolan workers. Therefore, it could be argued in this instance that the Chinese construction firms receive preferential treatment in Angola. This poses severe implications for Angola, considering China’s dominant role in infrastructure development projects across the country.

In summary, Angola’s inward investment may be dropping but Chinese FDI in the country is increasing. MOFCOM’s inclusion of portfolio investment in its FDI figures is also timely with the country’s ‘go global’ policy. Chinese prospective investors to Angola shall also benefit fund CADFund which is expected to cushion the effect of the global financial crisis.
Emanating from this study, the opportunities for future work with respect to the impact of China-Angola investment relations are endless. Possible future research which could be identifiable is:

(i) Triggering Industrialisation in Angola: A Case-Study of ZZNissan;
(ii) The influx of Chinese SMMEs in Angola: the implications of a budding ‘China Town’ as opposed to establishing a special economic zones;
(iii) Ambiguities and double standards in employment equity: the implications of the bilateral agreement with China;

7.4 Policy Recommendations

The policy recommendations provided here aim to ensure that Angolan’s investment relations with China are not based on or determined by resource-seeking interests, but rather by a partnership that is indeed mutually beneficial and also reflective of Angola’s agenda for national reconstruction and development:

Maintain an incubating environment for industrialisation

Angola appears to be sceptical of market liberalisation. Hence, the government does not want to ratify the SADC’s FTA protocol. Instead, it seeks to stimulate industrialisation and local production before lowering tariff barriers. It is sensible for the country to opt for a long-term framework of market liberalisation. When gradually opening only specific sectors (in closely monitored phases), the local industry players should be given sufficient time and resources to adjust their operations to the external reflexes.

Adopting selective levels of protectionism across industry is a means used to maintain an incubating environment for industrialisation, by legislating new policies and building regulatory structures. It is a common practice in developed countries and can be done successfully in developing countries. Nigeria, for instance, restricts the import of certain household products and even bottled water. In Angola the protection should be done in an efficient manner that will not create new bureaucracy, but ultimately reduce bottlenecks. A systemic approach is thus crucial for disseminating the new procedures in manner where both the civil servants and the public become accustomed to the new practice.

Similarly, Angola should be cautious of opening its market to China. The current environment, where Sino-Angolan relations has led to an influx of Chinese imports used in the national reconstruction and development agenda, will have a detrimental effect on Angola’s industrialisation if it is not capped. Not for lack of trying, Angola has porous borders that perpetuate asymmetry in the market. Border controls and customs must be modernised; and the staff require training. The prevalence of corruption and bribery in this area is detrimental, and exceptionally taxing on the SMME sector. Accountability
structures could be instilled, but these will only be effective once there is more respect for the rule of law and an improvement to conditions of living.

Maximising the Development Impact of FDI to stimulate the manufacturing sector

FDI must be channelled into the manufacturing sector, where it can make a sustaining impact on the social and economic conditions in Angola. The government should look to encourage Chinese FDI into its manufacturing sub-sectors. Furthermore, ANIP must leverage the seven industrial development zones as ideal locations for FDI. The incentives could be adjusted even more according to industry and location, to steer investment diversification into specific sectors and different parts of the country. Globalisation has had an immense impact on the dynamics of industrial activity and manufacturing. Developing countries must acknowledge the limitations of having to play catch-up and construct innovative means of including themselves in the global economy. Production-sharing is an ingenious model for industrialisation that protects domestic interest while simultaneously adapting to the shifting dynamics in the contemporary global market.

Through the CADFund, there is opportunity to increase Chinese FDI in Angola. ANIP should lobby the organisation to market potential business ventures in the country’s manufacturing sector. The prospective investors would bring capital investment and professional expertise required to jump-start operations. But ANIP should match them with local partners and/or a business plan that fits into the country’s priority sectors. By steering FDI, ANIP will play an active role in representing the country’s agenda for the manufacturing sector, thus ensuring it can maximise the development impact of FDI.

Leveraging Chinese FDI for Preferential Access to Chinese Market

As a least developed country (LDC), Angola has preferential access to the Chinese market. There are 466 products that Angola is eligible to export to China tariff-free, yet the country’s only exports to China are oil and diamonds. In addition to the above-discussed FDI in the manufacturing sector, which is predominantly market-seeking FDI, Angola could also leverage Chinese FDI into sectors that will export their outputs to the Chinese market instead of domestically. It will promote industrial activity in Angola, in an area that is currently under-utilised or underdeveloped. For China, this model would also serve to meet the consumer demand in its domestic market.

Fiscalização (surveillance and inspection) of Chinese FDI

The ‘fiscalização’ (process of due diligence) must be carried out on Chinese FDI, as well as on investments from other countries. Their operations should be monitored to ensure they comply with employment equity and promote Angolanisation. Investors seek to make profitable ventures, but must also become conscientious of their roles in the Angolan economy. There appears to be sufficient regulations in place to promote fiscalização, but the process is terribly mismanaged.
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12. See for instance:


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   http://www.iie-angola-us.org/tax_incentives_law.htm

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19 Interview: Drago Group, 09.03.2009, Luanda.


28 Other useful links are available from www.investinangola.com/eng_links.asp.


Interview: Former owner of bakery, 28.02.09, Luanda.


Authors’ own analysis of MOFCOM and UNCTAD statistics.


Interview: Huawei Technologies Ltd., 11.03.2009, Luanda.

Interview: 10.03.2009, Luanda.


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