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Angola's Strategic Co-operation with the BRIC Countries

Carine Kiala & Nomfundo Ngwenya

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Programme head: Dr Nomfundo Xenia Ngwenya Xenia.Ngwenya@wits.ac.za

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ABSTRACT

The new millennium has marked a new era for Angola. The restoration of peace and security has enabled the government to focus on economic growth and social development. Accordingly, Angola's foreign policy has required re-defining, especially with the BRIC countries of Brazil, Russia, India and China. With each country, Angola has cultivated strategic areas of co-operation. Analysis in the three areas of political, economic and developmental co-operation reveals an element of pragmatism in Angola's foreign policy towards the BRIC countries. While relations with Brazil and Russia were already well-established, Angola has in recent years forged stronger ties with India and China. Trade volumes have certainly increased significantly, particularly in favour of Angola's oil exports to some of the countries. However, Angola's imports are far more diversified. The paper examines Angola's strategic collaboration with the BRIC countries to identify trends in competition and co-operation and how Angola has interacted with each country in pursuit of its developmental needs.

ABOUT THE AUTHORS

Carine Kiala is an associate researcher for the Department of Political Sciences at the University of Pretoria and executive clients co-ordinator at Lourdes Caposso Fernandes & Associados, a law firm in Luanda, Angola. She is also an academic and business researcher, and author of the recently published book *The Politics of Trade in the Southern African Customs Union (SACU): Prospect of a SACU–China Free Trade Agreement*.

Dr Nomfundo Xenia Ngwenya heads the South African Foreign Policy and African Drivers programme at the South African Institute of International Affairs.

ABBREVIATIONS AND ACRONYMS

Biocom	Bioenergy Company of Angola
BRIC	Brazil, Russia, India and China
CIF	China International Fund
CPLP	Comunidade dos Países de Língua Portuguesa (Community of Portuguese-speaking Countries)
FDI	foreign direct investment
FOCAC	Forum on China–Africa Co-operation
GDP	gross domestic product
GAMEK	Gabinete de Aproveitamento do Médio Kwanza
IMF	International Monetary Fund
LNG	liquefied natural gas
MPLA	Movimento Popular de Libertação de Angola (Popular Movement for the Liberation of Angola)
ONGC	Oil and Natural Gas Corporation Limited
OVL	ONGC Videsh Limited
SADC	Southern African Development Community
SMC	Sociedade Mineira de Catoca (Catoca Mining Society)
Sinopec	China Petroleum & Chemical Corporation
Sonangol	Sociedade Nacional de Combustíveis de Angola (National Society of Energy of Angola)
Tralac	Trade Law Centre for Southern Africa
VTB	Vneshtorgbank
WTA	World Trade Atlas

INTRODUCTION

> Today we live in a world that tends to be multi-polar. For this reason it is essential that we recognise the right to diversity and difference as grounds for the creation of more fair and balanced international relations to ensure peace and global security.[1]

José Eduardo dos Santos
President of the Republic of Angola
Moscow, 2006

Angola's lucrative market is attracting foreign direct investment (FDI) from traditional leaders of the global economy and, increasingly, from a large number of competing investors in emerging markets. Its growth trajectory, driven largely by natural resources of oil and diamonds, and the achievement of peace have been the main reasons for this renewed interest. Angola enjoyed a double digit growth rate until the 2008 global financial crisis, when this dropped from 21.1% in 2007[2] to 13.3% in 2008, and to an even lower 0.7% in 2009.[3] The country's dependence on its oil industry has exposed its economy to the vagaries of the global market. Despite this Angola managed to produce a gross domestic product (GDP) of $107 billion in 2009 and remains the second-largest economy in Southern Africa, accounting for nearly 13% of the Southern African Development Community (SADC) economy. The growing presence of multinational corporations in Angola is evidence of improving investor confidence. However, further regulatory reform is required to boost confidence in the business environment. Angola's current score in the World Bank's *Doing Business* report, which ranks the ease of conducting business worldwide, is discouraging with a ranking of 164 on a list of 183 countries.[4] The state maintains a controlling interest in key sectors of industry, primarily natural resources, but foreign investors are filling the vacuum in many other sectors of industry that remain untapped or undeveloped.

Although Angola has maintained close ties with its long-established allies since independence, its foreign policy has grown to mirror contemporary national and economic interests. The country has embarked on a development path that requires diversification of its economy, which is naturally projected in its foreign policy. This approach is reflected in how Angola's bilateral relations with Brazil, Russia, India and China (BRIC) have evolved in the new millennium. Military and security engagement were key areas of co-operation during the colonial era and through much of the period following independence, until the end of the civil war in 2002. Today, Angola has cultivated a more strategic and diversified approach in its foreign engagement with each of the BRIC countries. Its bilateral relations with the respective emerging markets are unique, as they are founded principally on historical ties but also embedded in a new vision of co-operation.

The paper examines Angola's relations with the BRIC countries in reviewing their similarities, differences and their synergies. It provides a background to Angola's evolving foreign policy in the new millennium. The paper assesses the complementary and competing aspects of each of the BRIC country's bilateral relations with Angola, and identifies new opportunities for strengthening relations. Finally, the paper explores how Angola's foreign policy is defined by its national interest.

A NEW ERA: ANGOLA'S EVOLVING FOREIGN POLICY

Angola experienced nearly 30 years of instability, during which it endured a war for independence and a civil war thereafter. The 2002 Luena Peace Accord was instrumental in restoring peace and stability in the country. Although the war debilitated Angola's public administration and its social fabric, Angola remained a strategic interest to industrialised countries in the global economy because of its natural resources. Albeit for a brief period in the leading position in April 2008, Angola is the second-largest oil-producing country in sub-Saharan Africa.[5] Crude oil, from which Angola enjoys a favourable trade balance, accounts for nearly 90% of Angola's export earnings. During the first quarter of 2010, Angola's trade surplus had already reached $9.04 billion.[6]

Post-conflict Angola's main agenda is reconstruction and development, including the development of human capital. In the short term, it is critical to restore public services in healthcare, sanitation, education and key infrastructure. In the long term, Angola must also attend to issues surrounding urbanisation, housing and major development projects. The collapse of Angola's negotiations with the International Monetary Fund (IMF) in 2003 challenged Angola to seek an alternative source of capital for its reconstruction effort. The absence of support from Bretton Woods institutions and Western donors created a vacuum that would be filled by China. As the paper later discusses, Angola's securing of a $2 billion credit line from China in 2004 became the most significant post-war economic deal struck between the Angolan government and a foreign partner. Hence, Angola turned eastwards for financial development assistance and began to increasingly nurture its relations with other major emerging countries.

Angola's need to diversify its economy became more critical following the 2008 global financial crisis. The knock-on effect on the commodity prices saw the oil price plunge from a record level of above $147 per barrel in July 2008 to barely a third of this value just four months later. Following the end of the civil war, Angola made a greater effort to improve its investment climate to attract FDI into other sectors of the economy. The approach paid off and a growing number of investors have since entered the market. These include the BRIC countries, which are recognised as future leaders of the global economy based on the sheer size of their economies, population and business markets.[7] China is already the world's second-largest economy after the US. The BRIC countries' entry into Angola is of major relevance to its future development trajectory. Public and private enterprises from the BRIC countries that have performed remarkably well in their countries of origin have now ventured into international markets, where they have become highly competitive and even dominant players. Continued economic growth in the BRIC countries means an increase in their prospective FDI to Angola.

Guided by these dynamics, Angola's foreign policy is co-ordinated by the Office of the Presidency in consultation with the Council of Ministers. The country has not necessarily pursued a targeted foreign policy towards the BRIC countries. Rather, diplomatic relations have been cultivated bilaterally and gradually, and today represent strategic alliances of co-operation. This was affirmed in President Dos Santos' State of the Nation address on 15 October 2010, during which he identified Brazil and China as two of Angola's four strategic development partners. The remaining two are Portugal and the US. Table 1 lists Angola's main trade partners in 2009.

Table 1: Angola's major trade partners (%), 2009

Rank	Top import partners		Top export partners		Top trade partners	
1	Portugal	18.7	China	36.4	China	29.5
2	China	17.4	US	26.9	EU (27)	27.7
3	EU (27–3)[a]	15.7	France	8.8	US	20.3
4	US	8.5	EU (27–1)[b]	4.2	South Africa	4.2
5	Brazil	8.3	South Africa	4.2	Brazil	3.3
6	South Korea	6.7	Chile	3.7	India	2.7
7	France	4.5	Canada	3.7	Canada	2.5
8	South Africa	4.2	India	3.2	South Korea	2.4
9	Italy	4.2	Peru	0.9	Chile	2.4
10	Singapore	2.0	Brazil	0.4	Singapore	0.7
11	India	1.8	Hong Kong	0.4	–	–
12	Rest of world	8.0	Rest of world	7.2	Rest of world	4.3

a For the purpose of this paper, EU (27–3) refers to the EU member states excluding Portugal, France and Italy, which are separately represented in the table owing to their high rank as individual import partners.

b For the purpose of this paper, EU (27–1) refers to the EU member states excluding France, which is separately represented in the table owing to its rank as Angola's top European export partner.

Source: Eurostat (European Commission), 'Angola', database, 2010, http://www.trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122456.pdf; CIA World Factbook, 'Angola', 2010, https://www.cia.gov/library/publications/the-world-factbook/geos/ao.html

Table 2 provides perspective on how Angola ranks against its African counterparts as a trading partner with Brazil, India and China.

Table 2: Brazil, India and China's top five trade partners in Africa (%)

India (2006)		Brazil (2008)		China (2009)	
Nigeria	30	Nigeria	32	Angola	19
South Africa	21	Angola	16	South Africa	17
Egypt	10	Algeria	12	Nigeria	7
Kenya	6	South Africa	10	Sudan	7
Mauritius	6	Libya	7	Egypt	7

Source: Tralac (Trade Law Centre for Southern Africa), 'Trade Data', from the WTA (World Trade Atlas), 2010, http://www.tralac.org/cgi-bin/giga.cgi?cmd=cause_dir_news&cat=1044&cause_id=1694

Table 3 gives a brief comparative overview for the BRIC countries and Angola.

Table 3: Comparative economic overview for Angola and BRIC countries, 2010

	Angola	Brazil	Russia	India	China
Population	13 million	201 million	139 million	1.1 billion	1.3 million
Labour force	7.9 million	103.6 million	75.5 million	478.3 million	819.5 million
GDP	$114.1 billion	$2.194 trillion	$2.229 trillion	$4.046 trillion	$9.872 trillion
Growth rate	5.9 %	7.5 %	3.8 %	8.3 %	10.3 %

Source: CIA World Factbook, 'Angola', 2010, https://www.cia.gov/library/publications/the-world-factbook/geos/ao.html; CIA World Factbook, 'Brazil', 2010, https://www.cia.gov/library/publications/the-world-factbook/geos/br.html; CIA World Factbook, 'Russia', 2010, https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html; CIA World Factbook, 'India', 2010, https://www.cia.gov/library/publications/the-world-factbook/geos/in.html; CIA World Factbook, 'China', 2010, https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html

BILATERAL RELATIONS WITH BRAZIL

Political background

Angola and Brazil, both tied to their former coloniser Portugal, share a long cultural and historical affiliation. Brazil was among the first countries to recognise Angola when it gained independence in 1975. Also at the time of independence, many Portuguese settlers who left the country opted to emigrate to Brazil rather than to Portugal. In the early 1990s during the civil war, over 15 000 Angolans sought refuge in Brazil.[8] The linkages between both countries have only grown stronger over the years.

There are frequent bilateral ministerial visits between Angola and Brazil across various sectors of industry. This was given special impetus as early as 2003 when Brazil's former head of state, President Lula da Silva, visited Angola in November with a delegation of over 100 businessmen who were interested in investment opportunities in Angola.[9] In June 2010 President Dos Santos paid an official visit to Brazil, during which both countries signed a financial co-operation protocol and a joint declaration for the establishment of a strategic partnership.[10] President Dos Santos returned with a $1 billion credit line, which is being used by Brazilian companies to tender for bids and to finance new investment and exports to Angola.

Economic relations

Angola is Brazil's second-largest trading partner in Africa (after Nigeria). Although the share of Angola's imports from Brazil in its overall import basket dropped from 10.2% in 2008 to 8.5% in 2009 (most likely as a result of trade diversion from the increasing volumes of goods being sourced from China), Angola still has a trade deficit with Brazil. As indicated in Table 1, Brazil is Angola's fifth-largest import trading partner and only its tenth-largest export partner. Nevertheless, economic relations between Angola and Brazil remain strong due to the significant levels of bilateral FDI activity. Angola's investment in Brazil is fairly recent, primarily state driven and largely represented by the acquisitions of the state-owned oil company, Sonangol.[11] The oil company plans to invest up to $1 billion in Brazil, and has already committed $200 million in an acquisition that made it the main shareholder of the small Brazilian oil company, Starfish.[12] Table 4 provides an overview of Angola's trade with Brazil from 2000–2010.

Table 4: Angola's trade overview with Brazil ($ million), 2000–10

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009[a]	2010[b]
Imports	106.27	141.96	199.45	235.02	356.66	520.40	836.08	1,218.24	1,974.58	1,333.00	947.11
Exports	31.42	175.07	11.63	7.54	3.58	0.12	464.42	944.79	2,240.26	180.00	500.75
Total	137.68[c]	317.03	211.08	242.56	360.24	520.52	1,300.50	2,163.03	4,214.84	1,513.00	1,447.86

a Desenvolvimento, 2011, 'Brazilian exports to Angola', http://www.mdic.gov.br/sitio/interna/interna.php?area=5&menu=3158&refr=576.

b *Ibid.*

c Please note there is a discrepancy between the total and import and export amounts due to rounding.

Source: Tralac, 'Trade Data', from the WTA, 2010, http://www.tralac.org/cgi-bin/giga.cgi?cmd=cause_dir_news&cat=1044&cause_id=1694

In contrast, Brazilian investment in Angola is mostly private-sector driven. There are over 100 Brazilian firms operating in Angola and well over 30 000 Brazilian expatriates working in the country, primarily in construction, civil engineering, retail and education.[13] Brazil's national oil company, Petrobras, has a 5% stake in Block 15/06, from which it made oil discoveries in two deepwater sites in 2010. Other partners in the block are ENI Angola (35%), Sonangol Sinopec International Limited (20%), Sonangol (15%), Total E & P Angola SA (15%), Falcon Oil Holding Angola SA (5%) and Statoil Angola (5%). The preliminary feasibility study estimates that the reservoir may contain at least 500 million barrels of oil.[14]

Brazil's engineering and construction company, Odebrecht, is one of the best-known Brazilian investors in Angola, and is also a prominent recipient of many government contracts.[15] It has featured significantly in the rehabilitation and construction of roads, housing and public amenities. Odebrecht recently ventured into Angola's biofuels sector, together with Sonangol and Damer, forming the new Bioenergy Company of Angola (Biocom). The three partners have invested $258 million in cultivating sugarcane plantations in Malange with the purpose of processing the crop into ethanol and sugar, and into generating bioenergy. Biocom plans to produce 250 tonnes of sugar per year, 30 million litres of ethanol and to generate 160 000 megawatts of energy per hour.

Production is being targeted at the domestic market, but there are also lucrative prospects for export.[16] The new venture forms part of Angola's overall plan to invest in alternative energy solutions.

Development, technical and social co-operation

Angola and Brazil share many cultural similarities. These are reflected in various sector-specific and social co-operation agreements that have been signed over the years in agriculture, finance, health, law, public administration, geology, mining, and particularly in education.[17]

Unlike other BRIC countries, Brazil has a competitive advantage in the initiatives it has directed towards Angola's education sector because of a shared language and education tradition. Angola's Ministry of Education and Brazil have signed an agreement to dispatch 70 Brazilian teachers to Angola in 2010. Other Brazilian teachers in Angola have been placed in technical colleges across the Benguela, Cabinda, Kuando Kubango, Luanda and Uíge Provinces. Brazil is a popular destination for Angolans studying at universities abroad, ranking in fourth place after Portugal, the US and South Africa.[18] Every year Brazil receives approximately 130 Angolans pursuing post-graduate Master's programmes in its institutions of higher learning.[19]

The two countries also form part of the CPLP,[20] which is a multilateral co-operation forum.[21] As the current chair of the CPLP, Angola is advocating for its members to consider increased trade among them and for the reciprocal free movement of people within its eight member states.[22] At present, Angolan citizens have no visa exemptions for any of the CPLP countries.

In terms of development assistance, Brazil's cumulative credit line to Angola was $3.7 billion by the end of 2010.[23] The funds are channelled into infrastructure development projects, which are often outsourced to Brazilian firms.

BILATERAL RELATIONS WITH RUSSIA

Political background

Angola's relations with Russia date back to the colonial era, when the former Soviet Union provided military support and refuge to members of the MPLA.[24] Among those living in exile was a young Dos Santos, who pursued studies in engineering during the mid-1960s at the Azerbaijan Institute of Oil and Chemistry, in Baku City (now the Azerbaijan State Oil Academy).[25] This and other such personal links[26] help to play an important role in preserving Angola's sound diplomatic relations with Russia. The countries signed a Friendship and Co-operation Treaty in 1976, marking their first bilateral agreement.

Over the last 50 years, Angola–Russia relations have withstood both the ideological revolution in Russia and independence in Angola. Russia has strengthened its co-operation with Angola through its strong ties with the ruling MPLA party. In celebration of the 30th anniversary of diplomatic relations in 2006, President Dos Santos led a ministerial delegation to Russia at the invitation of former President Vladimir Putin, where he signed 10 economic co-operation agreements in areas that included security, petroleum, diamonds, science and technology. These include a treaty for co-operation in criminal cases; a treaty of extradition and transfer of convicted criminals; a treaty for co-operation in the tackling of drug trafficking; and a treaty for military technical co-operation.[27] In June 2009, Russia's President Dmitry Medvedev reciprocated the gesture with an official visit to Luanda. It was the first made to Angola by a post-Soviet Republic president, and prompted clear interest from Russian corporations to explore ventures in Angola's metals, hydrocarbons and uranium sectors. The visit was part of a four-nation tour that also included Egypt, Namibia and Nigeria. Medvedev was accompanied by Sergei Shmatko, Russia's energy minister, the chief executive officer of Rosatom Corp, Sergei Kiriyenko, and the chief executive officer of Russia's ALROSA diamond company, Sergei Vybornov.[28]

Economic relations

Strong political relations have, however, not translated into significant trade. As Table 1 demonstrates, Russia is the only BRIC country that does not feature anywhere among Angola's top-10 trading partners. Angola is a trivial trade market for Russia, accounting for only 0.5% of Russia's exports. Russia's main trade partners in Africa are mostly situated in the Maghreb region of Egypt, Algeria, Morocco and Tunisia.[29] Since the Soviet era, bilateral trade between Angola and Russia has not diversified much beyond the military weapons trade. Both countries are significant producers of energy resources, which, because of a lack of complementarity, writes off any potential trade of their main export products. There is little trade activity besides the extractive sector and weapons trade.

Although trade may not be a big factor in Angolan–Russian economic relations, FDI features prominently.[30] Both countries are also significant producers of diamonds. To date, Russia's most-significant investor in Angola has been its diamond company, ALROSA. The Russian parastatal accounts for nearly 97% of Russia's diamond output and 25% of the global diamond production in terms of value.[31] ALROSA entered the Angolan market in 1992 and formed a joint venture called the SMC[32] in September 1993 with Angola's diamond parastatal, Endiama.[33] Today its shareholding also includes Odebrecht and Israel's Daumonty Financing Company BV. The operations are situated in the Lunda Sul Province, where the mine employs nearly 3 300 Angolan workers, of which approximately 100 are expatriates.[34] Russian experts are building capacity in the areas of diamond exploration, while the cutting and polishing duties are handled by Endiama.

Russia's second major investment in Angola is in the hydroelectric sector and the construction of the Capanda Dam project. Partners in this joint venture include Brazil's Odebrecht, Russia's Technopromexport and the Angolan parastatal GAMEK.[35] The first phase of the project involved the construction of two 130-megawatt turbines, which was completed in 2003. Currently, as part of the second phase, the partners are working on increasing the overall capacity of the dam to 520 megawatts, which will surpass the entire country's existing hydroelectric output. The power generated at Capanda will be transported along electric pylons to the Cambambe Dam, where it will be distributed throughout northern Angola. The project employs nearly 2 500 workers; of these the majority of the technicians are Russian and Brazilian.[36]

Russia has also entered the Angolan banking sector, with a view to support activities in the broader Southern African region. In March 2007, Banco VTB Africa SA opened its doors in central Luanda. Russia's Vneshtorgbank (VTB) has a 66% shareholding in Banco VTB. The bank, whose principal activities are corporate and investment banking, is authorised to manage a portfolio of $10 million.[37] It facilitates cross-border investment and provides liquid access for venture capitalists interested primarily in Angola, as well as in Southern Africa.

Development, technical and social co-operation

Human resource development is the main component of the social and technical co-operation between Angola and Russia. Training programmes are given across various sectors. In the diamond sector, capacity building and human resource development remain Angola's key strategy for co-operation with Russia. As part of its social responsibility obligations, ALROSA also contributes towards Angola's housing sector. In August 2009, the diamond company announced its plans to invest $500 million towards the construction of homes and schools across Angola.[38] The SMC has already built a school, crèche, clinic and a community centre for the people of the Gando district in the Lunda Sul Province.

Both countries maintain co-operation in security and defence. During the March 2010 visit of the first assistant director of Russia's security services, General Vladimir Pronitchev, both countries signed a co-operation and training agreement to improve the capacity of Angola's border control officers. Russia pledged to supply the Angolan immigration offices at border stations with improved equipment and systems to help curb illegal immigration and cross-border organised crime, such as smuggling, drugs and human trafficking.[39]

Russian experts are actively involved in Angola's aeronautical sector, and provide services such as training to the Angolan air force. Russia is also providing its technical expertise in the launch of an aeronautical school in Cahama, in the southern Cunene Province, and support to the Air Force Academy.[40]

In the area of scientific and technological co-operation, both countries have signed a $327.6 million contract for the construction of an Angolan telecommunications satellite, which is to be named Angosat. The deal also includes technical assistance and training of Angolan cadres in space technology.[41] Angola's ambition to leap into the technology sector has added a new dimension to the country's relations with Russia.

BILATERAL RELATIONS WITH INDIA

Political background

India was among the first countries to recognise Angola's independence in 1975. The Asian country subsequently opened its embassy in Luanda in September 1986. In contrast, Angola only reciprocated this diplomatic gesture in 1992 with the establishment of an embassy in New Delhi.[42] During the late 1980s bilateral diplomatic relations appeared to attain some momentum, which was especially visible from the mutual exchange of state visits. India's late Prime Minister Rajiv Gandhi, visited Angola in May 1986, which President Dos Santos reciprocated in April 1987. Following this, however, the frequency of high-level state visits diminished and only increased after the signing of the 2002

Luena Peace Accord. Angola's Minister of External Relations João Bernando de Miranda, visited India in May 2006, and his counterpart, Shri Anand Sharma, visited Angola in June 2007.[43]

India's political relations with Angola are characterised by notably weaker diplomatic relations than the other three BRIC countries. It is significant that India is the only BRIC country President Dos Santos has not visited and the only BRIC country that has not paid an official visit to Angola at the presidential or prime ministerial level, although President Dos Santos and Prime Minister Singh held bilateral discussions on the sidelines of the 2009 G8 Summit in Italy.[44] Despite this, economic relations are growing in the significant volume of trade and an increasing commitment towards exploring investment opportunities between the two countries.

Economic relations

Angola and India signed a bilateral trade agreement in October 1986, shortly after India opened its embassy in Luanda. However, the volume of trade remained insignificant during the 1980s and 1990s. This has only increased in recent years, as displayed by Table 5, and to such an extent that India is now Angola's eighth largest export partner (See Table 1). According to the outgoing Indian Ambassador Ajjampur Rangaiah Ghanashyam, the bilateral trade volume has grown remarkably from $400 million in 2007 to an estimated $5 billion in 2009.[45]

Oil is Angola's main export commodity to India. In 2009, Angola exported 43 million barrels of oil to India, accounting for approximately 6.5% of Angola's oil exports for that year.[46] On the receiving end, Angola's main imports from India are tractors, vehicles, agricultural machinery, pharmaceuticals, cosmetics, Basmati rice and other foodstuffs.[47]

Table 5 provides an overview of Angola's trade with India from 1999–2009.

Table 5: Angola's trade overview with India ($ million), 1999–2009

	1999	2000	2001	2002	2003	2004	2005	2006	2007[a]	2008[a]	2009[a]
Imports	4.57	11.28	24.51	32.33	62.49	64.80	103.19	197.97	200.33	263.35	369.93
Exports	0.00	0.00	0.01	7.11	0.00	0.66	2.82	181.24	245.33	1,017.39	1,421.73
Total	4.58[b]	11.28	24.52	39.44	62.49	65.45[b]	106.01	379.21	445.66	1,280.74	1,791.66

a Embassy of India in Luanda, 'Bilateral trade between India and Angola', 2010, http://www.indembangola.org/angolaeconomic_commercial.html.

b Please note there is a discrepancy between the total and import and export amounts due to rounding.

Source: Tralac, 'Trade Data', from the WTA, 2010, http://www.tralac.org/cgi-bin/giga.cgi?cmd=cause_dir_news&cat=1044&cause_id=1694

Indian parastatals and private enterprises have invested significantly in Southern Africa, particularly in South Africa and Mozambique. India's investment in Angola is much lower in comparison, perhaps because of its failure to appreciate certain protocols[48] of negotiation in Angola, which require direct consultation with the relevant government stakeholders. This is probably also a result of the relatively insufficient interaction at the diplomatic and heads of state level. India learnt the complexities of doing business in Angola the hard way when it had to abort its attempt to enter Angola's oil and gas sector in 2004. The move was made by the flagship subsidiary of India's state-owned Oil and Natural Gas Corporation (ONGC), known as ONGC Videsh Limited (OVL). Instead of consulting Sonangol, OVL attempted to quietly purchase Shell's 50% share in Block 18. Although OVL and Shell had reached a sales agreement, Sonangol vetoed the sale and awarded shares to a Sinopec Sonangol consortium.[49] Despite this outcome, India has since expressed a renewed interest to engage in Angola's commodity sector.

In January 2010, Angola and India agreed on a framework for co-operation in the hydrocarbon sector. The agreement was made by Angola's Minister of Petroleum José Maria Botelho de Vasconcelos, and the visiting Indian Petroleum and Natural Gas Minister Murli Deora. A memorandum of understanding was subsequently signed with Sonangol's chairman, Manuel Vicente, and ONGC's chairman, RS Sharma.[50]

During his visit, minister Deora also expressed India's interest in Angola's liquefied natural gas (LNG) project. Shri BC Tripathi, chairman and managing director of India's gas company GAIL (India) Limited, announced that India would be procuring gas from the LNG project once it began producing in 2012. India is also negotiating to partake as a promoter and shareholder in Angola's second LNG project. In the meantime, both countries have agreed that India will dispatch technicians to facilitate the training and skills development of Angolan personnel in gas technology fields, such as city gas projects, transmissions and distributions.[51] Increasing Indian investment in Angola has contributed to a growing Indian population in the country, from an estimated 500 in the year 2000 to 5 000 in 2010. Approximately 3 000 Indians are contracted by the Angola LNG project alone, which is located at the Kwanda Base in Soyo, in the Zaire Province.[52]

Besides the major Indian corporations mentioned, the rest of India's investment in Angola has been low profile, progressively tapping into the country's secondary industries. Among these investments is a joint venture with Casa Militar (the Ministry of State, Military House) in the manufacturing of military uniforms and footwear, and a fabrication plant of steel sheets in the Namibe Province. There are also a number of logistics and distribution centres that are typically run by Indian nationals on behalf of local and/or foreign enterprises.[53]

Development, technical and social co-operation

India extended a $40 million credit line to Angola towards the rehabilitation of the Moçâmedes railway line. Rail India Technical and Economic Services Limited provided technical assistance on the project to upgrade the workshops and supply equipment. They also supplied two sets of diesel multiple-unit train sets, three diesel locomotives, 41 passenger coaches, track and road vehicles. This was the first major diplomatic initiative between the countries. The turnkey project for the rehabilitation of the 424 kilometre railway line from the Port of Namibe to Matala was launched in 2005 and handed over by August 2007. The carriages have a capacity to carry 700 passengers and an additional 500 tonnes of merchandise.[54]

Other areas of co-operation involve capacity building and training of Angolan professionals in India. Through an agreement with Endiama, Angola sends students to India's Surat School for training in diamond cutting and polishing. It has also sent navy officials and fire brigade personnel for training in India.[55] India has proposed several information and communication technology projects to the Angolan government, an area in which it clearly enjoys a comparative advantage, including virtual-teaching techniques for schools in remote areas, universities and medical schools. However, none of these projects has yet come to fruition.

BILATERAL RELATIONS WITH CHINA

Political background

Official diplomatic relations between Angola and the People's Republic of China were launched on 12 January 1983. Yet the two countries have only recently begun to enjoy an accelerated rate of economic activity. When China launched the Forum on China–Africa Co-operation (FOCAC) in 2000, it developed a framework of co-operation with all African countries. As mentioned earlier, after Angola signed its peace agreement in 2002, it reached out to the donor community for support towards its reconstruction and development. However, it was only when protracted negotiations with the IMF collapsed that Angola's relations with China shifted drastically. By 2004, China had provided Angola with a $2 billion credit line, accompanied by a set of tailored conditions. The loans required Angola to supply China with 10 000 barrels of oil per day. In addition, 70% of the funds would be used to contract Chinese companies to perform the infrastructure development projects and to procure material.[56] This model of exchange of resources for services became known as the 'Angola mode'.

Over the past six years, Angola and China have enjoyed close political ties, demonstrated by the high frequency of official visits and the signing of agreements. China's Premier Wen Jiabao visited Angola in June 2006 while its Vice President Xi Jinping visited Angola in November 2010. At the height of the global financial crisis in December 2008, President Dos Santos visited Beijing to seek assurance from his counterpart, President Hu Jintao, of China's continued financial support. A month later in January 2009, Angola received China's Minister of Commerce Chen Deming, and the chief executive officer of China's Development Bank Chen Yuan, visited Luanda in March 2009.[57]

Economic relations

Angola is now China's biggest trade partner in Africa, having replaced South Africa in 2006.[58] The trade volume has increased remarkably from $190 million in 1998 to $25.3 billion in 2008. Crude oil still accounts for 99.9% of Angola's exports to China, while construction material and equipment account for 45% of its imports from China.[59] Table 6 presents an overview of Angola's trade with China from 2000–2008.

Table 6: Angola's trade overview with China ($ million), 2000–08

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Imports	33.74	45.72	61.30	145.77	193.35	372.86	894.37	1,240.62	2,930.80
Exports	1,842.69	721.83	1,087.05	2,204.95	4,717.66	6,580.68	10,930.88	12,884.70	22,370.08
Total	1,876.43	767.55	1,148.35	2,350.72	4,911.01	6,953.55[a]	11,825.25	14,125.32	25,300.87[a]

a Please note there is a discrepancy between the total and import and export amounts due to rounding.

Source: Tralac, 'Trade Data', from the WTA, 2010, http://www.tralac.org/cgi-bin/giga.cgi?cmd=cause_dir_news&cat=1044&cause_id=1694

Although the oil trade is sound, China's attempt to enter Angola's commodity sector has met various challenges. Chinese investments in both the oil sector and the diamond sector have been difficult. Sinopec's acquisition of Blocks 15/06, 17/06 and 18/06 in the 2005/06 oil bid were later re-assigned to China Sonangol International Holding, a joint venture between Sonangol and a private Chinese fund based in Hong Kong. China's investment in Angola's diamond sector was also short lived, with the collapse of Endiama China International Holding just two years after its establishment.[60] Investments in the petroleum and diamond industries, as well as other key natural resources, are considered by Angola to be of strategic importance.[61]

Although data on Chinese FDI in Angola is not readily available, many Chinese companies have invested in the country over recent years. These include Huawei; Sinosteel Corporation; China International Water & Electric Corporation; China Petroleum & Chemical Corporation (Sinopec); China National Overseas Engineering Corporation; China National Machinery & Equipment Import & Export Corporation; China State Shipbuilding Corporation; Jiangsu International; ZTE Corporation; and Golden Nest International Group.

Technically, the Chinese companies that have been contracted on projects financed by the Chinese credit line to Angola are not considered investors.[62] Ostensibly, however, many of these companies have also worked on projects in Angola that are outside the official credit arrangement. With regards to infrastructure development, Chinese companies have renovated and built many roads across Angola, undertaken electricity supply projects, developed housing estates and set up various sports facilities, and continue to rehabilitate three of Angola's main railway lines.[63]

One of the most significant Chinese investments to date is the motor vehicle assembly plant, Zhenzhou Nissan (ZZNissan), in the Viana industrial zone. This joint venture is a partnership between China's Dongfeng, Japan's Nissan and Angola's CGS. The plant, which was launched in 2008, produces approximately 30 000 vehicles annually and has already begun to gain significant market share. It employs approximately 300 people and is revered as an exemplary case of Chinese investment in Angola for its contribution to capacity building and technology transfer.[64]

Development, technical and social co-operation

China's credit line to Angola is the most significant feature of contemporary relations between the countries. The cumulative credit is difficult to quantify because of the opaque nature of the negotiations and resistance from either party to fully disclose the data. Furthermore, there is the question of how to categorise loans received from the China International Fund (CIF), a Hong Kong based company with no affiliation to the Chinese central government. Besides the CIF's contributions, China's cumulative credit line to Angola will soon increase to an estimated $9.5 billion. This includes the most recent pledge, made in September 2010, to add another $4 billion to the credit line.[65]

China has channelled the funds for its development and technical and social co-operation in Angola in four main areas. These are the construction of schools, medical facilities and transport infrastructure; medical assistance, particularly with cholera and malaria; human resource development through training programmes; and the upgrading of utility services such as water and sanitation.[66]

Complementary and competitive dynamics

Through its strategic partnerships with the BRIC economies, Angola is seeking to fast-track the diversification of its economy, as well as the reconstruction and development of its infrastructure. The emergence of the 'Angola mode', from its engagement with China, has set the bar very high for the other BRIC countries. It has prompted these countries to seek even further opportunities within the Angolan market. This increase in interest has allowed Angola to use each country's expertise to address its development objectives. An illustration of this is the area of skills development. Angola is also aware that in addition to physical infrastructure, it needs to rebuild its human capital after almost three decades of war. As a result, a common thread in Angola's relations with the BRIC countries is its emphasis on human capital development. The BRIC countries have experienced their own remarkable industrial growth and socio-economic development, with each country leading in certain sectors regionally and globally. Their skills transfer therefore presents an important form of South–South learning.

The development of a good education infrastructure demonstrates how Angola has tried to maximise each country's strengths to meet its objectives. Although the competition remains stiff in the construction sector between Brazilian, Chinese and even Portuguese firms, Angola has developed mechanisms to enable their separate initiatives to feed into one another. China features prominently in the construction of schools in Angola, whereas Brazil is better suited to provide training and to supply Angola with teachers because of their shared Lusophone background.

Another area that highlights Angola's pursuit of partnership to achieve its development objectives is the field of alternative energy. Angola's partnership with Brazil for developing biofuels through Biocom, as well as its partnership with Russia in generating hydroelectric power, demonstrate progress in Angola's objectives of developing alternative energy as a way of securing more long-term development.

Similarly, Angola has strategically fostered co-operation among the BRIC countries on some projects. One such example is the construction of the Moçâmedes railway project, in which India and China completed different sections of the railway line. India does not employ the strong political muscle of China in its engagement with Angola and does not have the capacity to provide similar levels of development assistance. However, Angola's evolving foreign policy towards China and India provides a framework for opportunities that create synergy. In completing one section of the railway line, India demonstrated its capacity to compete with China from a technical vantage point.[67] This has resulted in an element of competition in the Angolan market, from which Angola can only benefit, and can exploit to its advantage. Another example of fostered synergy is the earlier-discussed Capanda Dam project in which the majority of technicians are Russian and Brazilian.

There is potential for Angola to be seen by some of the BRIC countries as a launch pad for broader regional operations. The increasing competition in the various sectors of the Angolan market have had a positive impact on the business environment in Angola. This and the regional focus of some of the new investors may also prompt Angola to align its business practices with those of the region. As discussed earlier, Russia's VTB office in Angola acts as a regional hub, facilitating transactions for Russian investors throughout SADC.[68] Increasing financial activity could prompt Angola to align its financial sector with its fellow SADC members and integrate Angola more closely with its region.

The long-term implications of Angola's chosen foreign policies towards the BRIC countries are disputed. A good share of their contributions towards the reconstruction and development of Angola is financed through credit lines, which are ultimately self-serving for the respective BRIC countries. This reduces the level of accountability, where the benchmarks are set high by the level of competition in the free market.

CONCLUSION

Angola has experienced unprecedented economic growth since the end of the civil war in 2002. Although the country's wealth remains dependent on its oil industry, the Angolan government has developed pragmatic mechanisms and diversified its foreign policy to leverage its resources for greater trade and investment.

Brazil and Angola share a bond that no other BRIC country could emulate. There is an even spread of co-operation over the three tiers of engagement, and a natural appeal at grassroots level with people-to-people interaction. Co-operation with Russia and China, however, remains elite-driven. Angola's foreign policy towards Russia is exclusive, whereas China's activities and engagement in Angola are widespread and touch on most sectors. India seems to be lagging behind, and is still trying to find its feet.

Angola's foreign policy requires careful management, particularly to maintain quality control and ensure accountability on projects that are financed by credit lines. Although projects are generally aligned with Angola's national priorities and established programmes, government needs to develop mechanisms to track the level of skills development and technology transfer.

Bilateral relations with the BRIC countries have evolved with changing dynamics in their respective markets in relation to their emerging status in the global economy. Angola relates to each of the BRIC economies distinctively, while maintaining the essence of its short-term and long-term national interests.

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South African Institute of International Affairs
Jan Smuts House, East Campus, University of the Witwatersrand
PO Box 31596, Braamfontein 2017, Johannesburg, South Africa
Tel +27 (0)11 339-2021 · Fax +27 (0)11 339-2154
www.saiia.org.za · info@saiia.org.za

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