

A REPORT OF THE CSIS
AFRICA PROGRAM

Angola

ASSESSING RISKS TO STABILITY

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Alex Vines
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CSIS | CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

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AN INTRODUCTION TO THE SERIES

This report is part of a series examining the risks of instability in 10 African countries over the next decade. The 10 papers are designed to be complementary but can also be read individually as self-standing country studies. An overview paper draws on common themes and explains the methodology underpinning the research. The project was commissioned by the U.S. Africa Command (AFRICOM).

The recent upheavals and revolutions in the Middle East and North Africa reinforce the value of taking a hard look at underlying social, economic, and political conditions that have the potential to trigger major change and instability. Few observers predicted the events that have unfolded with such speed in Egypt, Tunisia, and Libya since the turn of 2011. But a close analysis of the underlying fault lines in those countries may have offered some clues, uncovering a range of possibilities that would have given U.S. policymakers a head start in framing responses and devising contingency plans. Similarly, an examination of political crises and conflicts in sub-Saharan Africa, such as postelection violence in Kenya in 2007–2008 and the presidential standoff in Côte d'Ivoire in 2010–2011, uncovers patterns of behavior, common grievances, and social dynamics that can help inform assumptions about other countries on the continent. The purpose of these papers is to delve below the surface of day-to-day events and try to identify the underlying structural vulnerabilities and dynamics that help to drive and explain them.

The papers in this study are not meant to offer hard and fast predictions about the future. While they sketch out some potential scenarios for the next 10 years, these efforts should be treated as thought experiments that look at how different dynamics might converge to create the conditions for instability. The intention is not to single out countries believed to be at risk of impending disaster and make judgments about how they will collapse. Few, if any, of the countries in this series are at imminent risk of breakdown. All of them have coping mechanisms that militate against conflict, and discussions of potential “worst-case scenarios” have to be viewed with this qualification in mind.





ANGOLA

Alex Vines and Markus Weimer¹

Key Stress Points

- Angola's commodity-based economy is tied to global oil and diamond prices, and is thus highly susceptible to exogenous shocks. The ability of the government to diversify the economy and open the business environment to attract investment in other sectors, such as agriculture, will be vital to ensuring long-term stability.
- Urban poverty is a source of social strife. The ruling People's Movement for the Liberation of Angola (MPLA) will need to improve service delivery and quicken the pace of social reform to stave off potential unrest.
- If mismanaged, the task of choosing a successor to President José Eduardo dos Santos could spark a destabilizing power struggle within the MPLA.

Overview

Angola has made enormous progress in the nine years since the end of the civil war, which virtually destroyed it. Peace and security have been largely established, reconstruction is continuing at a rapid pace, and the country is finding its feet on the international stage, emerging as a regional power in Africa. Because it is one of Africa's wealthiest nations in terms of natural resources, its task of rebuilding following 27 years of war has been sustained by a boom in global oil prices. Angola is the second-largest oil producer in sub-Saharan Africa and an important supplier to the United States.

Angola's political scene is frozen but stable. President José Eduardo dos Santos has ruled since 1979, and his party, the MPLA, remains the dominant force in Angolan politics. Its longevity in office is based on three main factors: living up to its promise to deliver peace to a war-weary nation, using oil rents to keep the country's small elite on its side, and comprehensively outmaneuvering its political opposition. All these factors ensure that the MPLA will retain its dominant position for the foreseeable future.

The only cloud on the political horizon is the question of who will succeed President Dos Santos, who is reputedly in poor health. Given the central place that the MPLA occupies in Angolan

1. This report was researched and written by Alex Vines, research director for regional and security studies and head of the Africa Program at Chatham House, and Markus Weimer, research fellow in the Africa Program at Chatham House. Research for this study took eight weeks and included an initial field trip to Angola in February 2011, followed by desk research and phone interviews from London. The conclusions of a final draft were tested in Angola in April 2011.

life, a disorderly transition would have the capacity to destabilize not just the party but also the country as a whole. Much will depend upon the president's ability to manage a gradual transition of power. This process could begin as soon as 2012, following an inevitable MPLA victory in legislative elections. No clear successor has been anointed, adding to the uncertain outlook.

The main dynamics that could lead to instability in Angola lie outside national politics and are rooted in the rampant poverty still experienced by the majority of Angolans. The biggest threat is

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likely to emerge from the cities. Angola has a rapidly expanding population of approximately 19 million, one-third of whom live in the capital, Luanda. Despite recording impressive gross domestic product growth rates of 7 percent a year during the past decade, Angola's wealth has yet to trickle down to the population at large. The country has ranked near the bottom of the United Nations Development Program's Human Development Index for

many years. The figures are stark: Adults have received an average of just 4.4 years of schooling; life expectancy is 48.1 years; a staggering 22 percent of infants will not survive beyond their fifth birthday; 42 percent of the population lives without access to safe drinking water, and 60 percent lack sanitation. The gap between rich and poor is also expanding—so much so that Angola has become one of the most unequal societies in the world.

Although urban poverty remains Angola's biggest challenge, it is unlikely to provoke social unrest on a large scale. The government skillfully manages grievances with a mixture of threats and welfare handouts. The security services maintain a tight grip. Furthermore, for many Angolans, all-too-recent memories of civil war act as a powerful disincentive to violent agitation against the regime. So far, calls for protests have gone largely unheeded. Nonetheless, the MPLA is alive to the threat and has realized the need to stave off potential unrest by delivering better services. Promises have been made to create jobs and opportunities for the urban population, build new homes, construct new cities, and decentralize government services.

Angola has the potential for both economic and social stress during the next decade. The country's oil-based economy is built on shaky foundations. It is highly susceptible to exogenous shocks caused by changes in oil prices, such as those seen in 2008 and 2009, when a sharp fall in world prices led to a budget squeeze. And in its leading oil-producing region, it also must contend with an ongoing low-level insurgency led by the Front for the Liberation of the Enclave of Cabinda. This group caused major embarrassment to the government during Angola's staging of the Africa Cup of Nations in 2010 by attacking a bus carrying one of the competing teams.

Of these threats, the MPLA views the unbalanced nature of the country's economy as the more potent one. The government has realized the need for diversification, embarking on a number of infrastructure projects to link urban and rural areas, and promoting the development of the unexploited agricultural sector, which would provide much-needed jobs in rural areas. These initiatives have yet to result in qualitative improvements to the lives of most Angolans, and economic progress is being held back by state control and the difficulties of attracting foreign investors, with the notable exception of those from China.

Defining Instability

When assessing the prospects for stability in Angola in the next 10 years, it is helpful to set the boundaries of what instability is likely to mean in the local context. The country's violent history would appear to suggest a potential for the most serious forms of instability to break out, including war and civil conflict. However, a decisive military victory by the ruling MPLA and almost a decade of peace and economic growth have dramatically reduced the likelihood that the country will return to war. Instability in the current Angolan context could conceivably manifest itself in a range of ways, short of war. These include destabilizing shifts in the balance of power between the ruling elite and popular demands for economic, social, and political rights. There are increasing demands in urban centers, especially in Luanda, for better service provision by the state and employment opportunities. These demands could manifest themselves through strikes and demonstrations against rising food and fuel prices.

Given Angola's dependence on petroleum exports, external economic shocks that affect the oil price in particular have the potential to trigger instability.

Given Angola's dependence on petroleum exports, external economic shocks that affect the oil price in particular have the potential to trigger instability. In addition, macroeconomic trends such as high inflation and the devaluation of the national currency, the kwanza, also have an impact on the cost of living for the average Angolan and may lead to social protests. It is important to note, however, that none of the manifestations of instability that Angola is likely to face in the coming decade is liable to pose an existential threat to the state.

Angola at a Glance

GDP per capita	\$8,700 (2010 estimate)
Unemployment	Not available
Life expectancy	48.1 years ^a
Population	19,000,000 (2010 estimate) ^b
Population growth rate	2.6% (2009) ^b
Median age	18.1 years (2011 estimate)
Urban population	59% of total population (2010 estimate) ^b
Urbanization rate	4% annually (2010–2015 estimate)
HIV/AIDS adult prevalence rate	2% (2009 estimate)
Literacy rate	67.4% (2001 estimate)

^aUnited Nations Development Program, Human Development Index 2010.

^bUnited Nations Population Division data.

Source: U.S. Central Intelligence Agency, *The World Factbook 2011* (Washington, D.C.: U.S. Central Intelligence Agency, 2011).

Background

With an area that is roughly twice the size of Texas but with a population of only 19 million, Angola is one of Africa's largest but most sparsely populated countries. It is also one of the richest in terms of natural wealth—endowed with large quantities of diamonds, phosphates, iron ore, and, most important, petroleum. Angola is the second-largest producer of oil in sub-Saharan Africa after Nigeria. Its economy is highly dependent on oil exports, which account for nearly 60 percent of GDP. The United States is the main importer of Angolan oil, followed by China. In January 2007, the Organization of the Petroleum Exporting Countries admitted Angola as its twelfth member, and two years later Angola assumed its presidency for one year. Since 2004 the economy has enjoyed an oil-fueled economic boom, although this was temporarily checked by the global economic crisis in 2008 and 2009.

A Brief History

Angola is a country that only in 2002 emerged from 27 years of postindependence on/off civil war. An armed struggle for independence began in 1961 against the Portuguese, but it soon turned into

Postindependence instability has its roots deep in Angola's colonial experience, under the Portuguese. Among the most important dynamics were, first, Portugal's failure to prepare its colonies for independence; and, second, the ethnoregional divisions among the nationalist movements that fought their colonial masters and then turned on each other.

a war between competing liberation movements. Angola gained its independence in 1975 following a fragile year-long transition process, but quickly plunged into a devastating civil war between the government, led by the MPLA, and two rebel movements: the National Front for the Liberation of Angola (FNLA) and the more important and enduring National Union for the Total Independence of Angola (UNITA).

The politics of war. Postindependence instability has its roots deep in Angola's colonial experience, under the Portuguese. Among the most important dynamics were, first, Portugal's failure to prepare its colonies for inde-

pendence; and, second, the ethnoregional divisions among the nationalist movements that fought their colonial masters and then turned on each other. This led to a violent struggle for supremacy at independence in 1975, involving the MPLA, UNITA, and the FNLA. The MPLA received Soviet and Cuban backing, while the West, apartheid-era South Africa, and indeed China (up to the mid-1980s) supported UNITA. By the mid-1980s, UNITA rebels enjoyed the second-highest level of U.S. covert aid in the world, after the Mujahedeen in Afghanistan. The United States only established diplomatic relations with Luanda in early 1993.

Angola's first president, the MPLA's Agostinho Neto, sought to create a disciplined party along Soviet lines. A failed coup attempt in 1977 provoked a violent purge and a more hard-line stance, with long-standing effects. The MPLA, the ruling party since independence, became the main provider of goods and services, and was driven by an ideology rooted in its credentials as a liberation movement and a people's vanguard party. However, faced with conflict and internal power struggles and weakened by inefficient centralized Socialist management, the party neglected to

provide public services, especially in the rural areas. Peasants and the urban poor became further marginalized. The MPLA was drawn more heavily from urban, partly Creole elites, whereas UNITA, whose core constituency lay in the Ovimbundu-dominated central highlands, and the FNLA, drawn heavily from northern Bakongo groups, had more rural backgrounds. As UNITA grew to become the main guerrilla force, military realities sharpened this urban/rural divide, with the MPLA supplying and protecting the urban centers and UNITA based in the countryside. The legacy of these divisions helps, in part, to explain the MPLA's neglect of rural areas and the interior more generally until the end of the war in 2002.

When José Eduardo dos Santos became president in 1979, upon the death of Neto, the MPLA was already practicing centralized authoritarianism, which restricted party membership and maintained tight political control. Dos Santos continued to concentrate power in the presidency, gaining the authority to control and revoke all executive and legislative acts; taking on responsibilities previously under party control, such as foreign and economic affairs; and assuming autonomous control over external sources of income, especially oil. This rebalancing of the power structure created an increasingly dysfunctional state bureaucracy, which began to crumble in the late 1980s as a result of far-reaching changes in the international context, including the collapse of Communism, a regional deal paving the way for the independence of Namibia, and the steady unraveling of apartheid in South Africa.

By the period 1990–1991, the MPLA had formally rejected Marxism-Leninism. The introduction of a new Constitution in 1991 ushered in multiparty politics but brought no change to the political structure at the top, which retained a strong presidency that was only nominally accountable to the National Assembly. The senior MPLA leadership embarked on a new project for the organization of society and the economy. Its aim was to adapt and change but remain in control by perpetuating the notion that the state should provide for all. Starting in 1990, the MPLA recast itself as the architect of peace, democracy, and reconciliation, faced by a bellicose UNITA. This helped the MPLA win the 1992 parliamentary elections and the first round of the presidential poll. The UNITA leader Jonas Savimbi rejected these results and returned the country to war rather than contest a presidential runoff. In response, Dos Santos further consolidated political control in the center. UNITA mounted a strong response, capturing a number of provincial capitals in 1993, including the second-largest city, Huambo, and threatening Luanda. However, by 1994 the tide had turned back in favor of the MPLA, thanks in part to its decision to hire mercenaries from Executive Outcomes, a South African private military company. Although the MPLA sought a military victory over UNITA, U.S. lobbying convinced President dos Santos to sign a peace agreement with UNITA in Lusaka in late 1994.

There followed an uneasy transitional peace process, which was monitored by an increasingly irrelevant UN peacekeeping operation. By 1997, both sides were preparing for renewed conflict. The lesson the MPLA drew from this experience was that it had loosened political control too quickly in 1991–1992, and as a consequence had nearly lost power to UNITA. The failing Lusaka process also convinced President dos Santos that a negotiated settlement was not possible with Jonas Savimbi and that only a “peace through war” strategy would finally end the violent power struggle.

After September 1992, the transition to a true multiparty system was largely held hostage to this conflict. Between 1994 and 1998, international pressure for a national unity effort combined with UNITA's bargaining power helped to encourage the development of nascent multiparty politics for the first time in Angola's history. Still, UNITA deputies did not take their seats in the

National Assembly until 1997. Live broadcasts of debates were quickly suspended by the government and then stifled further when the war restarted in 1999. The conflict dragged on and was only brought to a definitive end when Savimbi was killed by government troops in February 2002.

The politics of peace. Following the killing of UNITA's founding leader and the subsequent death of his immediate successor, António Dembo, both sides resumed peace talks. These resulted finally in the Luena Memorandum of Understanding, which was signed in April 2002 and largely reaffirmed commitments made in 1994 in Lusaka. Some months later, UNITA declared itself disarmed and registered as a democratic political party. Today UNITA has neither the capability nor the will to return to war. The MPLA's military victory reinforced its sense of self-belief and its suspicion of nonstate actors.

At the end of 2006, President dos Santos confirmed that legislative elections would be held in 2008, with presidential elections to follow in 2009. A legislative election was finally held in September 2008, resulting in a crushing victory for the MPLA, which received 82 percent of the vote. Plans to hold the presidential election were postponed while a cross-party commission drew up a new Constitution. Under the new Constitution approved in January 2010, however,

presidential elections were abolished. Dos Santos has never directly faced a democratic vote other than the first round of the presidential elections in 1992. He is the second-longest-serving president in sub-Saharan Africa, behind Teodoro Obiang Nguema of Equatorial Guinea. Under the new Constitution, Dos Santos could in theory remain

Dos Santos has never directly faced a democratic vote other than the first round of the presidential elections in 1992.

Angola's president until 2020, although this is thought to be unlikely.

Angola's political stability and Dos Santos' longevity in office have much to do with the fact that the memory of the civil war is still recent in the minds of many citizens. The older generation's collective memory of the war years is defined by violence, displacement, destitution, fear, and terror, and this acts as a powerful deterrent against rocking the boat or pushing too hard to force the government to address the country's social and economic difficulties. At the same time, many Angolans acknowledge that their country has made significant progress since the end of the war. Large-scale reconstruction has taken place, aided by an influx of foreign investment. Luanda in particular resembles a giant building site, with new developments mushrooming around the city. Ordinary Angolans are expecting to benefit from this peace dividend of postconflict growth. The challenge for the government is to manage these expectations and deliver better services, such as clean water, electricity, health, education, and affordable housing.

The Political Environment

Although Angola is formally a multiparty democracy, with power separated between the three branches of government, the country's real power is vested in its powerful presidency. The president is head of state, head of government, commander in chief of the armed forces, and president of the ruling party. Parliament and especially parliamentary opposition is weak. Parliament has little power and no impact on the composition of the government. In fact, the president has the exclusive, unrestricted right to dissolve Parliament and call for new elections. Under the new Constitution enacted in 2010, the president appoints the Cabinet, which is nominally accountable

to an elected National Assembly. The position of prime minister has been abolished, replaced by a vice president who is directly responsible to the president.

The 2010 Constitution introduced major changes to the way the president is elected. Previously, members of Parliament and the president were elected separately, on separate ballot papers, by Angolan citizens. This meant that in theory it would have been possible to have a parliamentary majority for one party but a president from another party. The new Constitution overturned this system. Instead, the person who is named at the top of the party list of the winning party automatically becomes president. Thus, parliamentary and presidential elections happen “simultaneously.” These changes theoretically strengthen the role of political parties, which get to decide the sequence of the party list. More important, they have the effect of shielding the president from the direct judgment of the electorate, saving him (or her) from the potential embarrassment of polling fewer votes than his party.

The failure of the political opposition, civil society, and the independent media to oppose Angola’s constitutional changes was indicative of their weakness and inability to influence policy decisions. The MPLA seeks to dominate public debate and encourages party discipline and control of dissenting voices. For instance the MPLA’s chain of command reaches down to all levels of Angolan society, even neighborhood housing complexes, and the party is represented in every locality throughout the country. Often, MPLA offices are better equipped than the local and provincial government offices and departments.

The only opposition party with widespread grassroots support is the former rebel movement UNITA, but its fortunes are declining. It is tainted by the legacy of military defeat and its parliamentarians have often failed to maintain links with their constituents. In the 2008 elections, UNITA retained just 16 of its 70 seats in parliament, losing much of its \$13–14 million state allowance, which was based on the number of seats won in the 1992 elections. UNITA has announced that it will not be able to hold its party congress in 2011 due to funding difficulties. In addition, its leader, Isaiás Samakuva, has signaled that he might step down to make way for a new leader.

Following the September 2008 legislative election, the Constitutional Court ruled that all parties that failed to secure 0.5 percent of the national vote would be abolished. Today Angola has just 7 officially registered parties, compared with 14 parties and coalitions before the election. The other parties with seats in the National Assembly are the Social Renewal Party (known as PRS), whose support base is in the Lunda region of the northeast; the historic, Bakongo-focused, FNLA; and New Democracy, which is a coalition of six parties.

Civil society is weak and has struggled to assert itself since the end of the civil war. The local press highlights corruption and often reports factional disputes in the MPLA, although there is a worrying trend of key MPLA supporters taking over independent newspapers. The state-owned media sometimes criticizes government officials, but public criticism of President Dos Santos and close family members is rare. Nationwide access to independent radio broadcasting remains restricted, but a robust Internet world of blogs and electronic commentary is developing. Church organizations, humanitarian agencies, and local civil rights groups drive debate about social issues, such as the failures of local government, forced evictions, and endemic police corruption.

Power in Angola is exercised through the distribution of oil and diamond rents and political and other influential posts, taking into account political, ethnic, subethnic, regional, and racial balances. The overriding imperative is to maintain political and economic hegemony and stability, and to satisfy urban elites. During the war, personal loyalty to the president was essential for

appointment; though this remains important, it is becoming somewhat less so, and competence is attaining greater importance in the selection process. All key appointments down to the vice-ministerial level and ambassadorial postings are made by the president; it is rare for individuals to feel free to refuse an appointment.

Throughout Angolan public life, power is seen as a commodity that is nearly always used for personal gain, at every level. Anyone who does not partake in this game is seen as a threat and

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is shunned and/or removed from their position. The exception to this rule is when there is a directive from someone more powerful, implying that it is “their game.” Coupled with centralized control, such a system promotes highly inefficient government and must be seen as a serious threat not only to the effective and efficient delivery of services but also ultimately to the country’s stability.

The government has made some efforts to decentralize power to improve the quality of governance and, by doing so, to retain control. The Ministry of Finance has allocated individual budgets to 68 of Angola’s 167 municipalities. Marxist-Leninist approaches can still be discerned in economic management, with a preference for large-scale “planned” projects that are distinctly “modern” and “progressive.” This resonates well with China, Angola’s most important economic partner, and its “socialist market economy” model.

The Economy

Angola is a classic oil-producing economy in a resource-rich African country, with all the problems that this entails. The oil sector is directly controlled by the presidency, which wields power through personalized networks, in many instances bypassing formal ministries and other institutions. Relationships between the national oil company, Sonangol, and its partners operate according to their own rules. Sonangol is professionally run, but transparency is not high on its agenda.

Although ultimate power resides in the presidency, the Ministry of the Economy and the Ministry of Planning maintain some autonomy; they are islands of technocratic efficiency that can, at times, challenge the president’s decisionmaking. Many departments, however, still retain a mentality of opacity and a strong preference for centralized control.

The performance of the Angolan economy is highly dependent on international oil prices and has suffered in the past due to market shocks. Price volatility during the world economic crisis of 2008–2009 had a negative impact on Angola’s GDP growth, which fluctuated wildly, plummeting from 13.8 percent in 2008 to 2.4 percent in 2009.² This fall is closely associated with the collapse in oil prices from a record high of \$145 per barrel in July 2008 to \$30 in December 2008. Throughout 2009, oil prices fluctuated between \$35 and \$82 a barrel.

Although the non-oil sector contribution to Angola’s GDP increased from 43 to 57 percent between 2008 and 2010, the major revenue generator for government is still oil. Non-oil tax contributions to state coffers only increased by 1.1 percent of GDP, from 7.3 percent in 2008 to 8.4

2. International Monetary Fund, “IMF Data Mapper,” April 2011, <http://www.imf.org/external/datamapper/index.php>.

percent in 2009. Angolan officials are aware of the need to diversify the national economy, and to a certain extent they have made efforts to do so. However, this endeavor has not yet translated into a reduced dependence on oil.

Angola's manufacturing sector is relatively insignificant. The country produces little and imports close to 100 percent of its machinery, transportation equipment, and manufactured and luxury goods, along with a large proportion of its food. Yet it has the potential to tap into agricultural development, to diversify its economy, and create jobs. In the past, it was a major producer of coffee and other agricultural goods. But postwar interest by large-scale investors has been limited by the high cost of doing business in the country, the continued presence of land mines in many rural areas, and the lack of infrastructure.

Angolan officials describe their current strategy as consolidating peace and stability with the long-term ambition of building a democratic society based on the rule of law. An important aspect of maintaining stability has been tight fiscal control, particularly keeping down the price of food and other essential goods. To achieve this, the government has sought to maintain a single-digit inflation rate. However, this objective has been a moving target during the past decade, and inflation is likely to remain in the low double digits for the next couple of years. The inflation rate is forecast to reach 12.4 percent in 2012. Fiscal restraint is likely to be placed under strain by high food prices, the depreciation of the kwanza, a gradual phasing out of fuel subsidies, and the risks that any domestic recovery might encourage unchecked consumption.

The government says it is undertaking reforms of the central bank, and restructuring liquidity as well as the exchange rate and operational risks. This includes diversifying investment away from petroleum and using strong oil and mining revenues to help maintain a modest rise in the fiscal surplus, paying a minimum of \$6.8 billion in arrears incurred in 2008 and 2009, and putting in place a new public debt management strategy to link future spending commitments for ambitious public infrastructure projects to available financial resources. The buildup of substantial debt arrears in 2008–2009 slowed growth in the government-dominated construction and service sectors and also restrained public investment in 2010. GDP growth is expected to accelerate from 1.6 percent in 2010 to 7.8 percent in 2011, and back into double digits with 10.5 percent in 2012.³

A key priority for the government has also been to encourage rapid postconflict infrastructural development. This has seen a deepening of relations with China since the war ended in 2002. China has extended \$14.2 billion in three official credit lines to Angola. In 2006, President Dos Santos summed up the relationship: “China needs natural resources and Angola needs development.” Currently there are about 50 Chinese state-owned firms and 400 private companies operating in Angola, and 60,000 to 70,000 Chinese expatriates work there. However, Chinese firms, along with other international companies, are finding it difficult to fulfill the 30 percent local content provisions for the bilateral agreements under which these firms operate. This has caused some friction, but the relationship remains robust. In 2010, Angola was the second-largest source of imported crude oil for China.

In contrast, relations between the United States and Angola have not flourished in recent years, despite the importance of the economic relationship between the two countries: Angola is one of the top 10 sources of oil for the United States. U.S. crude imports from Angola hovered around 180 million barrels per year from 2005 to 2009, which represents just under 4 percent of total U.S. petroleum imports.

3. Ibid.

When the United States established diplomatic relations with Angola in 1993 during the Clinton administration, the relationship was initially warm, and a U.S.-Angola Bilateral Consultative Commission met formally three times from 1999 to 2000 to discuss a wide range of issues. The electoral victory of President George W. Bush was initially viewed with some trepidation in Angola because of the Republicans' previous association with Jonas Savimbi and UNITA. But despite the dormancy of the U.S.-Angola Bilateral Consultative Commission during the Bush years, the Bush administration pursued a policy of active engagement with the Angolan government, driven principally by the recognition of its long-term energy needs. By 2003 that momentum had been lost, and the United States had been eclipsed by China's growing engagement in Angola. Luanda realized that the shift of the global system back to multipolarity meant that its interests were best served by diversifying its international partnerships. The visit to Angola by U.S. secretary of state Hillary Clinton in August 2009 sought to rebuild a strategic dialogue between the two countries, but it has not progressed significantly. Relations were undermined in 2010 by a banking dispute involving Angolan diplomatic missions in the United States.

Country Assessment

Angola has enjoyed significant GDP growth in the nine years since the end of the civil war in 2002. It has become one of the leading economies on the continent and is an emerging regional power in southern Africa. However, its oil-dependent economy remains vulnerable to short-term exogenous shocks due to the volatility of global oil prices. And its important diamond industry is also tied to fluctuations on the world markets and has still not recovered from a collapse in prices in 2008. Longer-term stability depends on diversification of the economy and the ability of the government to manage rising expectations of a tangible peace dividend and demands for better service delivery. The remainder of this section discusses the country's vulnerabilities.

Poverty and Rapid Urban Growth

Poverty is the single most important issue which could lead to instability in Angola. The country has ranked near the bottom of the United Nations Development Program's Human Development Index for many years in spite of its enormous oil wealth. In the 2010 index, Angola ranked 146 out of 169 countries, firmly positioned in the "Low Human Development" category between Haiti and Djibouti. The mean years of schooling for an Angolan adult are just 4.4 years, life expectancy is 48.1 years, and a staggering 22 percent of newborn babies will not survive beyond their fifth birthday. Living conditions are poor, with 42 percent of the population living without access to drinking water and 60 percent lacking sanitation. The government has made some progress on addressing these social problems since the end of the war in 2002. In particular, some advances have been made on health indicators. According to a government survey carried out in 2008 and 2009, infant mortality has fallen by 22 percent.

But major problems remain. Angola is one of the most highly unequal societies in the world. The Gini coefficient, which measures income disparity, gave Angola a score of 58.6 in 2007, the last year for which data are available. This was the highest score among the countries surveyed.⁴

4. A perfectly equal society would have a Gini coefficient of 0; a Gini coefficient of 100 would imply absolute inequality.

One of the biggest unaddressed social problems in Angola is linked to the country's relatively high level of urbanization. Accurate figures are lacking because the last census was carried out before independence in 1970, but current estimates suggest that Angola's population is about 19 million.⁵ The majority, between 60 and 70 percent, are thought to live in cities. This is largely a legacy of the civil war, when people fled the countryside to seek refuge in urban areas. It also reflects the widespread belief that jobs, public services, and a better quality of life can be found in the cities. Luanda is home to an estimated 4 or 5 million people, and there are fast growing populations in Huambo, Benguela, Lobito, and Lubango.

Angola has a rapidly growing young population, even by the standards of sub-Saharan Africa. The government estimates that more than two-thirds of its population is 20 years of age or younger. Population growth is currently above the average for the subcontinent, at 2.6 percent per year. These demographic trends combine to create estimated annual real population growth in the peri-urban areas around Luanda of 12 to 20 percent. The key challenges in urban and peri-urban areas are access to clean water, sanitation, health care, education, and other government services.

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The Angolan government is aware of the pressures that these demographic trends exert and is trying to come up with policies to mitigate them, mainly through efforts to create jobs and opportunities for the urban population. These include "Angolanization," which entails setting strict targets for hiring local labor in sectors that have traditionally relied on foreign workers, such as the petroleum and banking industries. Promises have also been made to construct social housing, build more cities, develop coherent urban planning policies, and decentralize budgets to improve the delivery of public services. Despite these initiatives, the scale and speed of urban population growth may be too great for government policies to make a real difference. In addition, government responses are held back by rigid hierarchies, bureaucracy, policy ineffectiveness, corruption, and the limitations of the policies themselves, which have included counterproductive measures such as forced evictions.

Angola's rampant urbanization and the inability of the government to deal with it has the potential to create an explosive mix of disaffected urban youth who have very little to lose. These grievances may be exploited by populist politicians, and could manifest themselves in increased crime, demonstrations, and protests. Land scarcity due to overpopulation is compounded by instances of forced evictions by the government in order to clear land for developments that are unaffordable for most Angolans. This issue risks aggravating existing grievances over living conditions and poor service delivery and may trigger social unrest. Any government response to such instability is likely to be heavy-handed and counterproductive.

The Economy and Natural Resources

The Angolan economy's overdependence on extractive resources, particularly oil and diamonds, represents a potential source of instability in the next decade. Angola has pinned its fortunes to

5. This estimate is from the U.S. Census Bureau's International Database.

a dangerous degree to the vagaries of the international markets in a small number of commodities. Trade figures from 2010 illustrate the narrow base of its economy. Fuels and mining products made up 97.6 percent of total exports from Angola to its third-most-important trading partner, the European Union.⁶ A year earlier, Angolan exports to the United States were worth a total of

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\$9.3 billion, of which oil accounted for \$9 billion.⁷ The effects of the 2008–2009 global financial crisis on the Angolan economy demonstrate the destabilizing impact of its narrow focus on oil and minerals. According to the International Monetary Fund, Angola recorded real GDP growth of 23.9 percent in 2007 and 13.8 percent in 2008, only to fall back to 2.4 percent in 2009 and 1.6 percent a year later.⁸ Macroeconomic planning in such circumstances is virtually impossible. At the height of the crisis in late 2009, Angola was

forced to swallow its pride and approach the IMF, with which it had endured a confrontational relationship for many years, eventually negotiating a standby loan worth \$1.4 billion.

In terms of the production outlook, the picture is more positive. For the time being, Angola can rely on a steady stream of petroleum revenues. Although current oil reserves are peaking, there are hopes that pre-salt deposits off the Angolan coast may be a rich source of hydrocarbons, allowing the country's reserves to potentially double and extending its production window by a further 20 years.

Angola's relationship with China (like its relationships with the European Union and the United States) is dominated by petroleum. Various Chinese construction companies are working on public housing and infrastructure projects in Angola, funded by oil. This important bilateral relationship is likely to remain strong as long as the oil keeps flowing. Although China has been accused of exploitative activities in some parts of Africa, its relationship with Angola is fairly evenhanded, not least because Luanda has become more skilled over the years in extracting favorable business terms for itself. Angola views its international partnerships pragmatically, and the government is seeking to balance its international relations without relying too much on any one partner.

One of the harmful consequences of Angola's oil dependence is that other potentially productive sectors of its economy remain unexploited. The country is forced to import essential goods, including a large proportion of its food. Agriculture is a crucial dimension of a more diversified economy with the potential to provide employment for a greater number of people. The government seems to recognize this, and there are ongoing infrastructure developments to try to open up the country's hinterland for investment. But, though the construction of infrastructure is a precondition for a more diversified, efficient, and vibrant economy, it is not sufficient on its own. There are also tax breaks to promote investment, but these do not yet seem to provide a strong enough incentive to attract significant development outside Luanda.

6. See http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122456.pdf.

7. See <http://minerals.usgs.gov/minerals/pubs/country/2009/myb3-2009-ao.pdf>.

8. "IMF Data Mapper."

Social Unrest

In Angola there is no discernible difference between state, government, and party. The country's political system is very hierarchical and centralized, with power concentrated in the presidential office. Formal hierarchies of power are replicated throughout the state and party levels right into the individual housing complexes within Luanda and other cities. These structures also act as networks of patronage where political favors and other resources are traded. The political decision-making processes follow these hierarchies, making them slow and inefficient because decisions are dependent on approval by multiple levels of superiors. This system undermines the government's ability to implement policy and bring about change, and it is thus likely to be tested in the face of growing public expectations for improved public services. For the moment, it seems as though many people are prepared to wait for the expected benefits to filter through to their lives. But in the long run, unaddressed grievances may boil over into demonstrations and social unrest.

The government is wary of the potential for social unrest in urban areas following the upheavals in North Africa and elsewhere since the start of 2011, but a mixture of repression, subsidies, and the still-recent memories of Angola's war have so far prevented contagion.

The government is wary of the potential for social unrest in urban areas following the upheavals in North Africa and elsewhere since the start of 2011, but a mixture of repression, subsidies, and the still-recent memories of Angola's war have so far prevented contagion. The Angolan media initially reported events in Egypt without interference, but once the protests had resulted in regime change, officials became increasingly nervous. Reporting of riots in Mozambique in 2010 was similarly muted.

Although the sense of frustration felt by urban youth at their limited life prospects is palpable, calls for demonstrations on March 7, 2011, in support of "a new revolution of the Angolan people" and for Dos Santos to resign attracted few supporters. This lack of enthusiasm was partly due to the fact that no one knew who was behind the call to protest. Many of these calls originated from social networking Web sites and blogs based outside Angola, such as Facebook. The primary reasons for the low turnout can be put down to fear of the security services, the weakness of the opposition, and signs of an upturn in the economy in 2011.

Not allowing itself to be caught off guard, the MPLA organized nationwide "patriotic marches for peace" the day before the antigovernment protests were planned, ordering state functionaries and party members to attend. In Luanda, the public was encouraged to participate with promises of free caps and T-shirts, live concerts, and refreshments following the march. In Dundo, in north-eastern Lunda Norte Province, an MPLA-organized march came under attack, causing 28 injuries, 5 of them serious.

These events clearly unnerved the ruling party. The MPLA provincial secretary to Luanda, Bento Bento, accused outside conspirators of being behind the antigovernment protests, while the secretary general of the party, Dino Matross, warned that "anyone who demonstrates . . . we're going to get you."⁹ In a speech at the opening of the first special session of the MPLA Central Committee on April 15, President Dos Santos warned that:

9. "Angola Is Stirred by the Spirit of Revolution," *Guardian*, March 8, 2011, <http://www.guardian.co.uk/commentisfree/2011/mar/08/angola-spirit-revolution>.

in the so-called social networks organized via the Internet and in some of the other media there have been talk of revolution but nothing has been said about democratic alternation. To those people, revolution means bringing people together and staging demonstrations, even when they are authorized with the aim of insulting, denigrating, and causing disturbances as well as confusion with the aim of forcing police to act so that they can claim there is no freedom of expression and no respect for rights. That is a provocative route they have chosen to try to bring down elected governments that are in office. Those people do not want the principle of democratic alternation to be implemented in our country because they are afraid of the upcoming elections in 2012 seeing that they are aware that the majority of voters will not vote for them.

The Angolan Parliament also in April and May 2011 debated a bill to tighten control over the use of information technology in the country. This law, and the draconian sentences it proposed of up to eight years imprisonment for those who contravened it, was another indicator of paranoia following the events in North Africa in 2011. The law would have allowed the authorities to intercept or block communications and retain data from Web servers and any other personal computers without prior authorization from a court. It would also have outlawed the electronic dissemination of pictures, video, or recordings of a person's public speech without authorization, even if the material was produced legally. However, in a rare retreat, the government withdrew the bill from Parliament at the end of May, moments before it was due to be voted into law. Minister of State Carlos Feijo told reporters in Luanda that a decision had been made instead to insert special clauses about Internet crimes into the new penal code currently under revision.

Little is known about a new militant group, the Angolan Autochthon Resistance for Change, which, claiming inspiration from the events in North Africa, has announced its intention to use all

The internal security and intelligence services reach deep into Angolan society; they are often congruent with party structures and can act with impunity.

means, political and military, to bring about a “revolution” to end the dominance of the MPLA. Given this group's uncertain origins and capabilities, its threats to use armed violence should be viewed skeptically. Its main effect in the short term may be to provoke a further tightening of security by the government.

The Security Sector

Angola has one of the largest militaries in Africa, with 107,000 troops in active service.¹⁰ This capability is enhanced by a 10,000-person paramilitary force, charged with protecting the president, as well as a 10,000-person Rapid-Reaction Police force responsible for internal security, known as the Ninjas. The Angolan security sector is well resourced and includes intelligence services like the Internal Information Services, the Directorate for Information and State Security, Military Intelligence, and External Intelligence, among others.

The security services are loyal to the ruling MPLA and are often called upon to act in the defense of its interest. The internal security and intelligence services reach deep into Angolan society; they are often congruent with party structures and can act with impunity. Although the secu-

10. This is broken down into a 100,000-strong Army, a 6,000-strong Air Force, and a Navy of 1,000.

rity services are important for the maintenance of power by the MPLA and the president, they are also a potential source of instability. Power struggles within the security services have the potential to unsettle and upset the balance of power in Angola. For example, the ex-director of external intelligence, Fernando Miala, was sentenced to four years in prison for insurrection in 2007 but was released in 2009 with a presidential pardon. One theory behind his incarceration is that Miala had become too popular and was viewed as a potential political threat to the president.

Power struggles within the security services have the potential to unsettle and upset the balance of power in Angola.

The Angolan National Police are a demoralized force, and there is a question mark over their willingness to act on orders to quell protests or violence. The police had threatened to strike over poor pay and working conditions in February 2011, and although the force's most senior officers were promoted en masse in September 2010, junior officers have not seen their salaries increase. Residents in Luanda regularly complain about corrupt practices by the police. Public disenchantment with the police has the potential to fuel other grievances over high food prices, public transportation costs, and poor employment prospects—issues that in 2008 triggered riots in a number of African states and are partly behind the ongoing upheavals in North Africa.

Angola's security sector therefore poses a twin threat to stability because of its politicized oversight structures and the lack of credible outlets for recourse and accountability if abuses of authority occur. It is both a potential source of unrest and a focal point of public grievances.

The Legislative Elections in 2012

The next legislative elections are due to be held in September 2012, and there are indications that the country's first municipal elections will take place at the same time. These events will create a window of vulnerability. Already, the MPLA is preparing for the elections and it looks as though President Dos Santos is positioning himself to remain in charge up to and beyond the polls. The MPLA's sweeping victory in the 2008 elections is unlikely to recur, but because UNITA seems increasingly unable to influence the domestic agenda, the MPLA will probably retain an absolute majority in Parliament, with other smaller opposition parties picking up some extra seats. The New Democracy coalition is, for instance, seeking to absorb a number of smaller parties that were dissolved by Angola's Constitutional Court, and the PRS is expected to do well in the Lundas, its traditional heartland. UNITA faces the long task of rebuilding the party from the grassroots upward and is therefore likely to focus its efforts on the elections for *autarquias*, the local municipal councils. Although the MPLA has little to fear from the opposition, it will still seek to secure a resounding victory, and the opposition will almost inevitably complain of fraud. Another landslide MPLA victory in 2012 would encourage further complacency within the party and once again deprive Angola of the pluralist government it needs to make policy decisionmaking more accountable and efficient.

Leadership Succession

The key variable that could have an impact on Angola's stability in the short term is the future of President Dos Santos himself. There have been rumors for years of his ill health, but they have

always been denied. An unexpectedly rapid exit by Dos Santos without a clear-cut succession process could trigger a period of instability as factions in the MPLA position themselves for succession.

The focus of speculation and attention will center on the identity of the next vice president, who is due to be nominated by the president after the 2012 legislative election. There are some who believe that President Dos Santos will resign some time during his likely next term, allowing the vice president to succeed him. Various names of possible successors have been rumored, led by the current vice president, Fernando “Nando” da Piedade Dias Dos Santos (who is no relation to President Dos Santos). A member of the dos Santos family is less likely, following the controversy over President Hosni Mubarak’s alleged attempts to install his son as his successor in Egypt, which helped mobilize that country’s revolution. President Dos Santos has deliberately avoided grooming a clear successor, giving himself plenty of room to maneuver and keeping his rivals unaware of his intentions. Public discussion of the succession is a taboo subject in the MPLA, but President Dos Santos’ speech at the opening of the latest MPLA Central Committee meeting—where he condemned people who intended to place “puppets in power that will kowtow to the whims of foreign powers”—has been interpreted as his wish to remain in control of succession.

President Dos Santos is respected by many in Angola for the role he played in bringing independence and peace to the country. He is a highly skilled political operator who is able to balance various interests and who is adept at undermining any political power bases that may threaten his own rule. Two past secretaries-general of the MPLA, João Lourenço and Marcolino Moco, were cut down to size after having become too ambitious in public. Any successor would have to be equally adept at understanding and managing Angola’s arcane politics. A new Angolan leader would usher in a new patronage network, but it is possible that a less dominant president might provide space for greater input into key policy decisions by the MPLA, key ministries, and even the National Assembly.

Internal Conflict and Regional Tensions

The long-running separatist conflict in oil-rich Cabinda Province (an exclave of Angola bordering the Atlantic Ocean, Republic of Congo, and the Democratic Republic of Congo) is the government’s most important domestic security challenge. Angola’s security services are engaged in a counterinsurgency against various factions of the Front for the Liberation of the Enclave of Cabinda (FLEC). FLEC is ostensibly fighting for the independence of Cabinda and received its greatest exposure in recent years when it attacked the Togolese soccer team, which was traveling by bus from Point Noire in Congo to Cabinda for the African Cup of Nations in January 2010. The team included well-known European-based players, and the incident was broadcast globally.

Isolated incidents of violence in Cabinda are likely to continue in the coming years, although several factions have sought peace talks with the government. One of them, the Cabinda Forum for Dialogue, signed a memorandum of understanding for peace in Cabinda with the government in 2006. Unlike UNITA during its fighting days, FLEC’s leadership is badly factionalized, making negotiations a complex and frustrating task. A reminder of FLEC’s disruptive potential came in early 2011, when FLEC secretary-general Kiala Pascoal warned that he might take the armed conflict into towns in the exclave and attack foreign assets, saying “oil barrels also explode.” Cabinda’s low-intensity conflict will remain a source of domestic insecurity, but it is not likely to have an impact on the overall stability of Angola.

Turning to Angola's dealings with its neighbors, the most difficult bilateral relationship to manage is with the Democratic Republic of Congo. The main source of recent friction has been the heavy-handed expulsions of illegal workers carried out by both countries. The UN special representative on sexual violence in conflict, Margot Walström, has called on Angola to investigate allegations that 500 Congolese women were systematically raped during deportation by Angolan Security Forces. Angola denies the substance of these allegations, admitting only one rape claim. It has accused the DRC of trying to manipulate the issue for political gain. This dispute will not result in conflict, but it has raised tensions between Kinshasa and Luanda and had an impact on Angola's commitments to assist with security-sector reform in the DRC. In addition to this spat, Angola and the DRC have been locked in negotiations to delineate their oil-rich maritime border, and there has been additional tension in northeastern Angola, where parts of the frontiers of the diamond-rich provinces of Lunda Norte and Malange are disputed.

By contrast, Angola's relationship with the main regional power, South Africa, has improved. It is no coincidence that the first foreign policy priority of Jacob Zuma as president was to greatly improve bilateral relations with Angola, and certainly the restoration of good relations has the potential to enhance regional mediation efforts. Angola supported South Africa's African National Congress in its fight against apartheid, and the countries remained on good terms after Nelson Mandela became president. However, relations went from good to bad after Thabo Mbeki became president in 1999, partly because of Mbeki's efforts to seek a mediated outcome to the Angolan civil war. In August 2009, Angola was the first country that Zuma visited as head of state, together with a 170-strong delegation. Zuma also visited Luanda again in January 2010 to attend the opening of the Africa Cup of Nations football tournament, and Dos Santos visited South Africa on his first ever state visit in December 2010.

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Scenarios

Continued Economic Growth

Under a best-case scenario, Angola will continue to record dramatic growth rates for the next five years, which will only begin to slow toward the second part of the decade as existing oil fields reach maturity. This growth will open up a range of economic opportunities, provided that the government commits itself to reforming the business environment for non-oil investment and tackling social inequality. On the political front, a positive signal would be sent if President Dos Santos, following his party's inevitable victory in the 2012 legislative elections, soon afterward began an orderly process to hand power over to the vice president. An organized transition would not only be welcomed by investors but would also usher in fresh ideas and open up the political system to additional reform.

In the best-case scenario, economic diversification and growth of the non-oil sector, particularly in agriculture, would be combined with prudent policy measures by the central bank. This

will reduce inflation, which in turn will stabilize the purchasing power of ordinary Angolans, creating greater economic opportunity and contributing to a more robust social peace.

In such a scenario, Angola would continue to grow in its role as significant regional power, with continental ambitions backed by one of the continent's largest standing militaries. Although it would remain handicapped by a skills deficit in the next two decades, investment in education would begin to be felt and a growing number of underperforming civil servants would reach retirement.

Collapse in Oil Prices

Angola remains overly reliant on oil, which exposes its economy to serious risk. A fall in global oil prices, the rapid maturity of its oil assets, and the absence of major new finds would put severe strains on the government, its budget, and particularly its public works program. It would also reduce the flow of funds that sustains networks

of patronage upon which many political alliances and relations in the country depend. The risk of instability is accentuated if low oil prices persist.

Reduced oil revenues would likely lead to a reduction in government expenditures, with a subsequent effect on public service delivery. This is likely to increase public discontent and raise the possibility of strikes and protests.

At the same time, a slump in the oil price is unlikely to result in major political change. The full effects of an economic deterioration would not be felt until after the 2012 elections. The MPLA would likely lose some ground in the election but would still secure

a comfortable majority. Opposition parties would likely do better, but they pose no threat either to the MPLA's hegemony or to the reappointment of Dos Santos as president. In the absence of real alternatives to the MPLA, the proportion of nonvoters is likely to be high.

The most important effects of a prolonged dip in oil prices would be felt on the streets, among ordinary Angolans. Reduced oil revenues would likely lead to a reduction in government expenditures, with a subsequent effect on public service delivery. This is likely to increase public discontent and raise the possibility of strikes and protests. Public expressions of discontent might make Dos Santos more fearful of stepping down, making him more likely to consider seeing his new term through in the belief that his departure could be even more destabilizing for the country.

A Botched Political Succession

The structure of the Angolan political system is heavily reliant on the president to run effectively. Although the current framework has served the MPLA well for 31 years, it is very dependent on the ability of the president to function effectively in office. As Dos Santos ages, the risk increases that a sudden health crisis will weaken him. This would pose a serious challenge to this system. In such a scenario, the incapacitation of the president would probably usher in a period of instability and uncertainty, such as was seen in Nigeria in late 2009 and early 2010, when President Umaru Yar'Adua's ill health triggered a political and constitutional crisis that did not end until his death in May 2010. Although the vice president would technically take over power, such a situation would

provide an opportunity for various factions to position themselves, and could put strains on the internal coherence of the MPLA. The potential for political instability would be heightened further if Dos Santos was suddenly incapacitated. Though a predicted or expected crisis of leadership would be destabilizing in the short to medium terms, it is very unlikely that it would pose a mortal threat to the MPLA itself. Even in the event of a disorderly transition, the party would ultimately reach a consensus on a successor to Dos Santos.

Analysis

The Angolan political system is predictable and based on one simple objective: the maintenance of power by Dos Santos and the MPLA. The elite realize that to maintain power they need to permit gradual, controlled reforms and seek more equitable economic growth in the long term. Several anticorruption efforts are part of this endeavor to make the political system more efficient. The rebuilding of infrastructure is seen as a means to diversify and grow the economy.

To continue to expand the economy and to include more Angolans in this growth, there need to be some fundamental shifts in the country's political economy. The role of the state in the economy will need to be reduced, and the responsiveness and accountability of government will need to be increased. This will include reducing corruption by turning the public sector into a more meritocratic system, and introducing public financial management systems that will provide a better foundation for macroeconomic and fiscal stability and predictability. It will also include opening up the political system to allow for more diverse opinions, resulting ultimately in greater legitimacy and accountability toward its citizens. The provision of high-quality education at all levels is also crucial in this respect. Ultimately, the future growth of the Angolan economy is tied to governance reforms.

In the short term, the Angolan government can increase the chances of prolonging stability in the country by preparing successful elections in 2012 that are internationally recognized as free and fair. This is important, because free and fair elections provide legitimacy for the next government and tamp down the risks of social unrest against the government. In relation to the elections, the police, the other security services, and party youth groups should abstain from being drawn into violent crackdowns against protesters, opposition rallies, and/or anyone who voices opinions that deviate from the official MPLA party line. Any violence by state institutions against Angolan citizens in the period before the elections will be seen as partisan and will undermine the legitimacy of the electoral process.

In the medium term, the main priority for the MPLA will be to manage the leadership transition to maintain stability and confidence in the Angolan system. This will require the strengthening of functioning institutions outside the presidency, such as the central bank and other government bodies engaged in macroeconomic and fiscal policies. It will be important to control inflation and continue to peg the kwanza to the dollar during any transition. It will also be important that service delivery to peri-urban areas and the rural poor be improved.

In the long term, governance reforms are unavoidable if the Angolan economy is to be diversified and if the non-oil sector is to grow at a significant rate. The growth of the non-oil sector has the potential to create jobs for a greater number of people and will reduce the risk of instability. Governance reforms will need to include reducing corruption, public-sector and civil service reform, public financial management systems, and decentralization. An important element of such

reforms will be the successful implementation of *autarquias*, or local elections. Access to high-quality education at all levels will also be a crucial element for Angola in the long term and will form the backbone for other reforms.

Conclusion

Angola has made enormous progress in the nine years since the end of its civil war. It is today one of Africa's wealthiest nations in terms of natural resources, and it is an emerging regional power in Africa. President José Eduardo Dos Santos has ruled since 1979, and his party, the MPLA, remains the dominant political force in Angolan politics, emboldened by a neo-patrimonial system based on the redistribution of mainly oil rents. A key uncertainty is about Dos Santos' succession plans. Given the dominance of the MPLA, a disorderly transition could usher in a short period

of uncertainty. This process could begin in 2012, following an inevitable MPLA victory in the legislative elections. More threatening are external shocks, especially a collapse in oil prices, because stability in the near term requires using oil rents to pay for goods, services, and patronage to offset rampant poverty and withstand the strain of a rapidly expanding urbanized population.

Urban poverty remains Angola's biggest challenge, and it should be a key focus of U.S. development and governance efforts.

Urban poverty remains Angola's biggest challenge, and it should be a key focus of U.S. development and governance efforts. It is unlikely to provoke large-scale unrest in the short term, but the threat will increase as the younger generation matures. This age group will have no memory of the horrors of the civil war and will be less inclined than their parents' generation to moderate their demands for better life opportunities. If the government fails to respond constructively to their demands for social and economic advancement, the risks of instability will increase.



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