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Africa Summary

Uncovering African Agency: Angola's Management of China's Credit Lines

Lucy Corkin

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Discussant: Ricardo Soares de Oliveira

Oxford University

Chair: Elisabete Azevedo-Harman

Chatham House

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INTRODUCTION

This document provides a summary of a meeting held at Chatham House on 25 July 2013. Lucy Corkin discussed her book *Uncovering African Agency: Angola's Management of China's Credit Lines* (Ashgate, 2013).

Some African countries have been able to use China's involvement in the region to expand their economies and solicit renewed interest from previously disengaged foreign powers, using their relationship with China to bolster political capital. Lucy Corkin's book argues that a wide range of different countries have demonstrated very different capabilities and experiences of engagement with China, and that Angola has been among the most successful in this. By examining China's involvement in Angola, she assessed how different African states exploit this relationship to their advantage.

The meeting consisted of a presentation followed by a discussion, both of which were held on the record. The following summary is intended to serve as an *aide-mémoire* for those who took part and to provide a general summary of discussions for those who did not.

LUCY CORKIN

Ms Corkin explained that her book explores specific factors rather than following the usual China-Africa assessment and challenges the prevailing view about China exploiting Africa for natural resources, arguing that the African side is ignored.

She stated that African political elites have been effectively exploiting China's involvement in Africa. This theme has been studied with regards to global intervention in the continent, but not to China specifically. Ms Corkin clarified that she was referring to benefits for African elites and not for the average African citizen. In the case of Angola, negotiation has been the strongest stage of interaction with China, but implementing contracts was more problematic.

Three key misconceptions were identified with regards to the 'Angola model'. The first misconception noted was that the Export-Import Bank of China has no regard for commercial risk, bulldozing its way into Africa for political purposes. In reality, commercial considerations are seen as important to Chinese companies.

The next misconception addressed was that China now owns most of the oil equity in Angola through the use of loans. This may have been true in 2004 with the case of Sinopec but it was not the case by 2007. By 2009, a combined bid of two Chinese oil companies failed to win a contract with the government.

The last misconception identified was that China has garnered untoward privileges as an investment partner. In fact, when the price of oil plummeted in 2008 and 2009, construction projects were stopped and Chinese contractors were forced to deport Chinese workers due to a lack of employment. China has been treated similarly to other investment partners in Angola. The country has a choice of partners and has sought to diversify, given that many other countries have taken an interest in Angola.

China's credit lines were given as a good example of how Angolan elites have been able to adapt to various circumstances. Ms Corkin stated that the Angolan elite should not be underestimated. A key theme of the book is the mismatch between the Angolan government's national reconstruction rhetoric with regards to China and how this has been implemented.

Another theme of the book is the 'war of words' regarding Western, Chinese and African media rhetoric surrounding relations between China and Africa. Ms Corkin used sources from all three areas in her research.

Ms Corkin discussed the misconception that the Chinese do business anywhere, as well as discrepancies over the numbers of Chinese workers in Angola and the relative importance of China International Fund (CIF). It was noted that there is no one Chinese actor: state-owned and private actors compete with each other. The role of African agency in this process should not be underestimated.

RICARDO SOARES DE OLIVEIRA

Ricardo Soares de Oliveira stated that Ms Corkin's book was important in tackling the accepted China-Africa rhetoric. As the third-largest economy in sub-Saharan Africa, Angola challenges this narrative. The book also explores African agency in action.

He noted that Ms Corkin's book demonstrates that there is no unitary Chinese actor. The Angolan government is admirable for its strategic thinking, and Angolans are increasingly benefitting in their dealings with Chinese agencies. Mr Soares de Oliveira questioned why this was not a more widespread view in the developmental agenda. Mr Soares de Oliveira asked whether Ms Corkin could expand on the importance and role of CIF.

QUESTIONS AND ANSWERS

Questions

Did you look consider the quality of the consumer goods that have ousted other traditional sources on markets all over Africa, including Angola?

There is a concern that the Chinese economic slowdown will affect Africa. What are your views on this?

You mentioned that Angola has a range of potential partners. Are there any new potential partners who are really being given opportunities?

Lucy Corkin

Ms Corkin said that problems related to the quality of Chinese consumer goods are due to poor management of the quality of goods on the African side. Chinese products have often been seen as more appealing than expensive European products; however there has been a huge backlash against Chinese products flooding the markets. Nigerian products sold around Africa have had comparable issues; middlemen have made significant margins by selling these products on in their own countries but at a low quality. There have been issues with construction companies in Angola subcontracting to Chinese companies, thereby reducing the amount of money available for actual construction.

On the question of Angola's potential vulnerability to a Chinese economic downturn, Ms Corkin stated that, while 40 per cent of Angola's exports go to China, it is in fact China which is more vulnerable. Twenty per cent of China's oil comes from Angola. Oil contracts are very important to Angola, but Angola has sought to diversify its export destinations.

Ms Corkin noted that Angola was turned down by the International Monetary Fund in 2003 when it sought development assistance, but it was able to turn to China instead. By 2007 other sources of investment had opened up, such as the Canada Development Bank and various European development agencies providing financial assistance. Many organizations were following in the footsteps of the Export-Import Bank of China.

Questions

As the relationships between the Export-Import Bank of China and other Chinese parties with Angola have matured, has the behavior of the Chinese government changed at all?

Regarding unequal benefits in Angola, what sentiment is there in the Angolan population towards Chinese investments and the local Chinese community?

Is there a risk that, when loans from China come to fruition, Angola will be stuck with projects or borrowing that are not in the interests of the country?

The relationship with China has strengthened the Angolan government domestically, but what about regionally? What exactly is the CIF?

What is a 'developmental agenda'? Is it Westerners expecting a particular type of development which coincides with Western elites' vision?

What is the reason behind the Angolan government's disclosure about Chinese credit lines and projects?

Lucy Corkin

Ms Corkin stated that China initially raced to forge relationships and secure projects in Africa, but now there is a lot more consideration from Chinese companies and the government. There was a realization that vested interests have hindered bilateral relations. China has been trying hard to redefine its reputation; not by changing what it does in Africa but how it operates.

Ms Corkin noted that many Africans have criticized their own governments more than Chinese companies because they feel their governments should be responsible for development. Anti-Chinese sentiment in Angola is less than in other African countries. However, despite foreign investment in infrastructure, many Angolans think that the social and spiritual rebuilding of the country has not been addressed.

Ms Corkin stated that the Export-Import Bank of China has offered Angola a revolving credit facility backed by oil. Angola is obliged to provide certain quantities of oil on an on-going basis. The key issue in later years will be whether the $15 billion loan for development has been spent correctly and sustainably.

Ms Corkin noted that regionally, South Africa and Angola have always had a rivalry. The Angolan president harbours huge ambitions, and being at peace, Angola can focus on development and external relations. US Secretary of State Hillary Clinton stated that Angola is a 'linchpin' of regional stability.

Ricardo Soares de Oliveira

Mr Soares de Oliveira noted that there is no prescriptive definition of development, but there are many successful means towards development. However, the issue discussed is specific to Angola, including the governmental focus on infrastructure, which has been to the detriment of the Angolan people.

Questions

What does China do when it finishes building infrastructure in Angola?

Do Chinese companies really compete or just carve up regions in Angola?

Can you comment on African diversification to engage in business with Asian countries aside from China and on South-South cooperation more generally?

Lucy Corkin

Regarding South-South cooperation, Ms Corkin stated that China looks after its own interests like any state. The recent BRICS talks showed that South Africa does not represent a broader African agenda; China dominated the outcome. Outsourcing to elsewhere in the South is common, with sectors like manufacturing looking to circumvent China completely, while in sectors such as telecommunications China has the edge.

Ms Corkin stated that the notion of 'Chinatowns' being set up after completion of development projects in Africa has been exaggerated; most of those who have stayed did not arrive as labourers. However, private citizens may follow in the path of state workers, either as relatives or to strengthen family businesses. It was pointed out that fears of the 'Sinification' of Africa actually date back to the 1900s.

Ms Corkin noted that there has not been widespread collusion between large Chinese companies, because companies must first secure supervision by the state council in Beijing before being allowed to operate abroad. This supervision thus determines geographical reach of Chinese companies. However, provincial level companies, private citizens and entrepreneurs have more agency as they are slightly removed from this scrutiny.

Ms Corkin stated that most of the information on Angola and China has been based on rumour. The supposed close relationship between the Angolan president and the CIF chairman cannot be confirmed, as the role of CIF is unclear. However CIF appears to be a conduit for investors to fund overseas projects while avoiding strict exchange controls.

CIF arrived in Angola in 2005 and funded construction projects. It became clear that the Import-Export Bank of China and CIF held similar roles, except that they dealt with different partners. The Import-Export Bank dealt with the ministry of finance while CIF dealt with the National Office for Reconstruction, which was run by the military. The two actors did not know the full extent of each others' projects; only the Angolan president was aware of the full picture.

Ms Corkin noted that in 2007, CIF ran into trouble when it lacked key funds. The Angolan ministry of finance issued domestic bonds worth $3.5 billion to help fund projects. CIF is part of an enormous group of around 35 companies, overlapping with one another and frequently being renamed. There have been suspicions that CIF, through a sister company, gets its Angolan oil shipments at a set price from a Chinese oil company and then sells them on the daily spot price thereby guaranteeing a profit. Researching CIF is complex, as records and operations are globally dispersed, being filed in Hong Kong and Singapore. There are a range of conspiracy theories surrounding the role and organization of CIF.