Promoting Partnership: The UK in Angola and Nigeria

Speaker: David Heath MP
UK Trade Envoy to Angola and Nigeria

Chair: John Flynn
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16 July 2014
Introduction

This document provides a summary of a meeting and question and answer session held at Chatham House on 16 July 2014 on the United Kingdom’s trade relations with Angola and Nigeria. David Heath, MP, UK Trade Envoy to Angola and Nigeria, discussed the need for increased engagement by the United Kingdom with Angola and Nigeria. The two African countries are both experiencing high levels of economic growth, and present a variety of economic opportunities for British business. Additionally, they are important regional players. The speaker described how there are difficulties of conducting business in the two countries, but the potential for increased bilateral trade remains high in spite of the challenges.

The meeting was 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. For more information, including recordings, transcripts, summaries, and further resources on this and other related topic, please visit www.chathamhouse.org/research/africa.

David Heath

The speaker began by describing how the United Kingdom’s relations with Angola and Nigeria were often neglected. He explained that he had been tasked with expanding the United Kingdom’s network of trade envoys for these two countries, as they are too important not to be engaging with them. The speaker examined the case of Nigeria, which is Africa’s biggest economy. He explained that although the country’s economic growth was not exclusive to the oil-and-gas sector, the Nigerian government is very aware that the current level of reliance on hydrocarbon revenue is not sustainable. Nigeria also has an important regional role, as the gateway to western Africa and as a major player in the Economic Community of West African States (ECOWAS). He argued that Nigeria’s large population is a prime target for bilateral trade, with its expanding middle class leading to a growth in consumer demand. The country has high levels of entrepreneurialism, and further opportunity for UK businesses is found in the high regard for UK products and the British business system. However, the speaker detailed how British companies often found Nigeria to be a difficult working environment. There have been some improvements though, leading to an increased ease of doing business. He specified that the United Kingdom’s aim to double bilateral trade with Nigeria was easily achievable, and there was potential for further trade, particularly in the oil-and-gas sector, but also in the agricultural and education sectors. He explained that these higher levels of trade were to be achieved through the establishment of direct business contacts and joint operations.

The speaker examined the importance of developing stronger trade relations with Angola. It is the third largest economy in sub-Saharan Africa and its oil revenues are approaching those of Nigeria. However after years of civil war, Angola requires infrastructure development, the diversification of its economy away from oil and gas, and skills training for its relatively young and illiterate population. He highlighted how this need for further growth was particularly true for the agricultural sector, as Luanda, Angola’s capital city, currently has the highest global food costs. Angola has the potential to develop this sector, with a small population and a large amount of land suitable for agricultural production.

The speaker described how Angola’s trade relations have tended to be focused on other Lusophone countries, notably Brazil and Portugal, although China has also successfully developed a presence in the country. He indicated that the Angolan government was looking to move beyond its historical Lusophone partners and form trade relations with other countries, including the United States and the United Kingdom. However, he emphasized the need for UK companies to appreciate the different manner in which business was conducted in Angola. The Angolan government retains a crucial role in directing the
economy, and business profit-making activities must be supportive of the government’s objectives. Additionally, Mr Heath stressed the importance of British companies proactively offering solutions to the Angolan government’s objectives, rather than waiting for the government to advertise specific contracts.

The speaker acknowledged that businesses faced difficulties when operating in Angola due to corruption, a lack of rule of business law, excessive bureaucracy and little available capital due to the inadequate banking system. He suggested that British companies could find it easier to establish a presence in Angola through joint ventures with Brazilian companies. Despite these issues, he explained, President José Eduardo dos Santos’s goals would be transformative for Angola’s infrastructure. These were driven by a desire to share and expand the country’s oil revenues, and the need to create jobs for the large number of unemployed youths, who could otherwise create a potentially difficult electoral situation, and a security challenge in the longer term. He noted that Angola wishes to play a more active role in the region, an ambition that corresponds with the government’s desire to demonstrate Angola’s ability to provide the necessary business infrastructure for continued economic growth. He concluded by stressing that Nigeria and Angola have enormous trade potential despite their various challenges, and he stated that it is important for the United Kingdom to increase its business with them.

Summary of questions and answers

Question

Does the speaker agree that British businesses are unaware of the underlying relationships created by the large number of Angolan and Nigerian visitors to the United Kingdom, and as a result business is not taking advantage of these?

David Heath

The speaker agreed that this relationship between the United Kingdom and Angolans was hidden, but he stated that this was not the case for Nigeria. He noted how there was a large Nigerian diaspora in the United Kingdom, and that many UK-based Nigerians have been successful in business. He described how members of the diaspora were interested in establishing economic and trade links with family and friends back in Nigeria. Many people in the Nigerian diaspora are proud of the progress Nigeria has made and wish to contribute to it.

Question

Could the speaker describe what measures will be used to overcome the impediments to British business in Angola which have been caused by anti-UK prejudice, based on historical grievances, particularly the United Kingdom’s historical support to the National Union for the Total Independence of Angola (UNITA)?

David Heath

The speaker stated that he had not noticed an anti-UK feeling in Angola. Instead, he explained that there was a mutual lack of understanding between the two countries about their different methods of doing business. He emphasized the importance for British companies to adjust their business methods when working in Angola, and to employ Portuguese speakers as Angolans do not conduct business in English. Additionally, British companies need to better understand how Angola’s institutions work, and the need to proactively offer development projects rather than reacting to offered tenders.
Question

Given the difficulties of operating in Angola and Nigeria, what support can UK Trade and Investment (UKTI) offer British companies?

David Heath

The speaker specified that there were good levels of support in Nigeria. He explained that there had been a rapid growth of Nigeria’s infrastructure and services sectors, as international oil companies now focused on offshore oil operations while onshore production had become indigenized. He highlighted how there were security issues for the country’s infrastructure, particularly for onshore oil operations. He explained that the United Kingdom was considering measures to help the Nigerian authorities protect against oil bunkering, as the theft of oil has resulted in an enormous loss of revenue for the Nigerian government. He described how methods of conducting business in Nigeria had changed, and acknowledged an increasing need for foreign companies to work in partnership with Nigerians and incorporate local skills training. He highlighted how Angola differed from Nigeria. Multinational oil companies operating in Angola prefer to use their own suppliers rather than rely on local service providers. However, he suggested that Angola’s new Liquefied Natural Gas (LNG) facility in Soyo may change the nature of this trade.

Question

Is the British government offering support to companies?

David Heath

The speaker replied that the government would like to offer support. He described how there was a good team in Nigeria that was providing support in the country. He explained that the UKTI team in Angola was smaller and lacked sector specialists in the region. However, he emphasized, this was still an improvement from when there was no such presence in Angola, and the United Kingdom was gradually increasing its support in the country.

Question

Is the top level of United Kingdom government interested in, and committed to, the prosperity partnerships?

David Heath

The speaker said that there was a high level of buy-in by the British government; however he explained that the government had other regions to work on, which prevented Foreign Office ministers from visiting Angola and Nigeria more frequently. He emphasized the importance of ministerial level contact and stated that there was no substitute for relationship building between the governments. In a semi-command economy like Angola’s, business can only be undertaken through the development of mutual trust between the governments.

John Flynn

The United Kingdom was the only permanent member of the United Nations Security Council who remained neutral and did not support any of the rebel movements during Angola’s civil war.
Question

Could the speaker comment on whether he was able to meet ministers from both the federal and state governments in Nigeria and whether he detected any differences between their messages?

David Heath

The speaker said that he managed to visit federal and state ministers, and highlighted his meeting with the governor of Lagos state. He noted that there was a degree of tension between some state governors and Nigeria’s federal government, and explained that his role required him to remain on good terms with both sets of governments. The speaker stated that he would also visit Abuja during his next trip to Nigeria, which would allow him to see some of the ministers that he was unable to meet in Lagos.

Question

Angola’s extraction of oil from the Democratic Republic of the Congo’s (DRC) territory is creating issues amongst the Congolese diaspora. How will this affect British and Angolan trading interests in the long term?

David Heath

The speaker noted that there were difficulties on Angola’s northern border with the DRC. He described how the Angolan government has a clear ambition to enhance its regional security position, as well as aspirations to become a non-permanent member of the UN Security Council. The speaker explained that for Angola to become a strong regional player, a trajectory that the UK government supported, it was necessary for the country to maintain good relations with its neighbors.

Question

What advice would the speaker give to British companies in terms of dealing with corruption in Angola and Nigeria?

David Heath

Corruption exists in both of the countries, although the speaker indicated that Nigeria had made some progress to counter this. The UK government has continued to call for greater transparency and the avoidance of corruption in Angola. He described how British companies benefited from the United Kingdom’s own anti-corruption legislation when conducting business abroad. This legislation provides British companies with a stronger position when asked to partake in corruption, as the companies can now highlight how they would risk prosecution in the United Kingdom. The speaker indicated that the UK government’s advice remained the same: do not participate in corruption.

John Flynn

The passing of the United Kingdom’s bribery act was very beneficial, and the Foreign Office fought to get the legislation through.
Question

A lot of Angolan and Nigerian communities complain about the difficulty and lengthy process for obtaining UK visas, so are any improvements to be expected in the granting of these visas?

David Heath

The speaker signaled that this issue was regularly discussed by the UK government, and he noted that a lot of departments were frustrated with the difficulty of facilitating the movement of people, particularly for business and education purposes. He said that there were gradual, but very slow changes. While a lot of countries are impatient for further changes, he explained, bespoke solutions could not be developed for individual countries. Instead, more realistic visa regimes need to be created to encourage the right people to enter the United Kingdom for the right reasons, and the administration needs to be much faster. He clarified though that this process worked both ways, which placed some onus on the countries of origin.

John Flynn

These issues were the result of the previous UK administration’s decision to shift visa applications from its embassies to save £100 million. The United Kingdom is now losing billions of pounds.

Question

What risk management advice can be given to British companies in terms of dealing with the potential loss of Nigerian federal government support for Nigeria’s economic power bases after the next elections?

David Heath

The speaker clarified that the economic power bases were not currently in favour, and he noted that most analysts did not anticipate big changes following the Nigerian elections. He described how a bigger concern was the outcome for northern Nigeria, and whether the government would recognize that the current drawdown of economic activity in the region was unsustainable. He explained that a number of Nigerian businesses in Lagos expressed their worry over the lack of economic activity in the north, which is both caused by and furthering the security situation. Some of these businesses are actively investing in the northern provinces in an attempt to better economically tie together the disparate parts of Nigeria. He said that he hoped the federal government had also realized that it was not sustainable to concentrate all business in one region.

John Flynn

There is currently a drought in northern Nigeria. Industry in the north has been in serious decline since the 1960s, and sugar is currently the only major industry in the region, employing around 16,000 people. The rest of the population is reliant on subsistence farming.

Question

What is UKTI doing to stimulate partnerships between British businesses in the small and medium-sized sector and the Nigerian diaspora?
David Heath

The speaker explained that a lot of economic activity begins outside of UKTI, to which the department reacts, rather than instigating itself. Programmes like Destination Africa are important, and the speaker stated that the relationship required continued development. UKTI tends to operate on the regional level to bring together individuals with business interests in Nigeria, as coordination on the national level is more difficult. A lot of the Nigerian diaspora’s activity originates outside of Nigeria.

Comment

British businesses are not necessarily enthusiastic about working with Nigerians with business interests due to prejudices against Africa.

David Heath

The speaker agreed and he noted that this was not only true in terms of connecting different companies in different sectors, but also for the banking sector. British banks are less likely to respond positively to entrepreneurialism focused on Nigeria, so the Nigerian banking sector is crucial for providing finance for such initiatives.

Question

Is Angola interested in joining the Commonwealth, and is the British Council aiding this through educating more English speakers, or is there cultural pressure within Angola to remain Lusophone?

David Heath

Portuguese is the primary language of Angola, and English is rarely spoken. The Angolan government does recognize that conducting more business in English would be beneficial to the economy though, and the speaker highlighted how he had discussed this with the Angolan minister of higher education. The speaker suggested that the United Kingdom could play a significant role in providing education. He stated that he was very supportive of the possible extension of the British Council to Angola, which he indicated would be a big enhancement for British trade. He admitted that he was uncertain about Angola’s desire to join the Commonwealth, but noted that the Commonwealth was not the only body through which trade relations could be established. While Angola’s relationship with Portugal and Brazil is very strong, the speaker highlighted how in its present economic position, Portugal could not always deliver what Angola wanted, and he explained that this was one of the reasons for Angola looking to the United Kingdom and the United States.

John Flynn

While Angola joining the Commonwealth has been discussed for some time, Angolan ministers continue to indicate that they are not ready. There are certain standards within the Commonwealth to which Angola does not wish to comply, but the issue should not be pushed too hard. Angola will join when it sees an advantage in doing so.