Chinese Construction Companies in Angola: A Social Responsibility Perspective

Lucy Corkin, March 2012
Introduction

From having one of the most protracted conflicts in Africa, Angola has now become one of fastest growing sub-Saharan economies. Fuelled by record-high international oil prices leading to robust growth in both the oil and non-oil sectors, Angola has experienced burgeoning GDP growth in recent years. A priority for the Angolan government since the end of civil conflict in 2002 has been the reconstruction of country, devastated by more than three decades of civil war. Unable to attract the necessary funds from the international financial institutions, Luanda turned to Beijing. China’s relationship with Angola quickly shifted gear when in March 2004, the state-owned Export-Import Bank of China (Exim Bank) pledged the first $2-billion oil-backed loan to Angola to fund the reconstruction of shattered infrastructure throughout the country, with the bulk of the contracts to be undertaken by Chinese construction companies. China has since become an important financier for Angola, with loans from China Exim Bank alone reported to be some US$ 10.5 billion (Corkin, 2011b).

However, this relationship has not progressed without considerable challenges despite official pronouncements to the contrary. A number of concerns regarding Chinese companies’ engagement in Angola have come to the fore. While the physical rebuilding of the country is well under way, a number of social concerns relating to Chinese companies’ presence in Angola remain overlooked, and if unresolved could have negative consequences for continued Chinese economic engagement in Angola. This has to do particularly with Chinese companies’ corporate social responsibility programmes (CSR), or perceived lack thereof. This paper seeks to shed light on some of these contentious issues with a view to drawing them into the broader debate surrounding China’s engagement with Angola and other African countries.

Fieldwork was undertaken in Luanda, Angola between 18-25 October 2011 and in Cape Town and Johannesburg, South Africa between 26 and 29 October. Thirty-five in-depth semi-structured interviews were conducted in English, Mandarin Chinese and Portuguese. While some government officials were consulted, the majority of the respondents were from private businesses and non-governmental organisations, in order to tap into the perceptions held by stakeholders outside of direct official bilateral relations between China and Angola. Chinese companies were also engaged with. Appropriate respondents from South Africa were sought out for comparative and bench-marking purposes. Due to the sensitive nature of the research, most of the interviews were conducted anonymously. While the small sample size and brevity of time in the field prevents the research findings from being generalizable, the paper seeks to raise some issues that may be taken forward in further, more in-depth research.
The findings of this fieldwork are briefly contextualised by a synopsis of contemporary China-Angola relations. The body of this paper discusses and analyses the principal themes that emerged from the interviews conducted. This is followed by recommendations for the Chinese government, the Angolan government and Chinese companies.

China-Angola Relations in Context

Prior to decolonisation and in the years following, during Angola’s subsequent civil war, China did at various times support several of Angola’s political movements including the now ruling Movimento Popular para a Libertação de Angola (MPLA), the Frente Nacional para a Libertação de Angola (FNLA) and the União Nacional para a Independência Total de Angola (UNITA) (Taylor, 2006). Taylor (2006: 81) places some importance on China’s earlier role in Angola, as support of UNITA in unwitting alliance with apartheid South Africa cost China dearly in diplomatic terms. Desphande and Gupta (1986:46), concur that China’s early intervention in Angola was calamitous for China’s relations with African countries in the 1960’s. Apart from violating China’s sacrosanct principle of non-interference, China’s de facto alliance with a racist white-minority government drew heavy criticism from even China’s closest allies on the continent. China severely misjudged the impact of its disastrous involvement in Angola’s protracted civil war and was only able to normalise relations in 1983. This historical background added impetus to the Chinese government’s willingness to reach an economic agreement in favour of Angola years later, in order to make up for China’s messy involvement in Angola’s civil war.1

Snow (1986:77) however, draws attention to the fact that despite China’s infamy in supporting UNITA, the MPLA’s first crucial, albeit limited, funding came from China. The existence of prior early links allows Chinese and Angolan officials to gloss over China’s rather inconvenient support of the Angolan incumbent regime’s mortal enemy, UNITA, over a period of time. Politicians from both countries also liberally refer to a long ‘history of relations’ between the two countries, despite the fact that Angola’s official bilateral contact with China has not been as extensive as that of other African states.

The MPLA established official relations with the CCP in 1980, three years prior to China’s official recognition of the new Angolan government on 1 January 1983 (Davies et al, 2009:7). A bilateral commission between the two countries was set-up in 1988. The end of Angola’s civil war in 2002 provided an opportunity for closer interaction between China and Angola. The end of the Cold War had lost Angola its earlier strategic significance, resulting in a lack of interest by the parties that has previously been so involved in Angola’s political landscape. The IMF, on the

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1 Interview, Chinese Ministry of Foreign Affairs, Beijing, 29 October 2009
other hand, while prepared to offer loans, was insistent on increased transparency and a macro-economic stabilization policy, aimed at reducing inflation by cutting public expenditure. Consequently, on their watch, any large-scale infrastructure reconstruction programme would have to wait until Angola had achieved a healthier fiscal situation (Lee and Shalmon: 124). Neither condition was acceptable to Angola, so President dos Santos appealed to China. Bilateral relations reached a new height when on 26 November 2003, the Chinese Ministry of Foreign Trade and Economic Co-operation (MOFTEC) signed a framework agreement with the Angolan Ministry of Finance that would form the basis of Chinese state lending to the Angolan government (ERA, 2009:91). The following year, during a visit of Vice Premier Zeng Peiyan to Angola, it was announced that China Exim Bank would lend US$ 2 billion to the Angolan government to finance the country’s reconstruction efforts. An Angolan Ministry of Foreign Affairs official called the credit lines the ‘key point’ of the relations between the two countries.

The early 21st century marked a new phase of bilateral interaction, focusing on the increasingly economically driven and pragmatic relations between China and Angola as described by Campos and Vines (2007) and Corkin (2008a), particularly as regards Angola’s plans for post-war reconstruction (Burke & Corkin 2006). Most analyses assume that a deepening of engagement with Angola is a direct result of China’s need to secure oil resources, preferably at source (Alves, 2010; Vines et al, 2009; Chen et al, 2008). Indeed, Angola is currently China’s largest African trading partner, primarily due to China’s hunger for crude oil. According to the Angolan Ministry of Petroleum’s (2010:29) latest available statistics, 39 percent of Angola’s crude exports went to China, accounting for 15.7 percent of China’s total oil imports (EIA, 2010). Angola is reportedly the fifth largest African market for Chinese exports (CAITEC, 2010: 10), but these are dwarfed by Chinese imports of crude oil resulting in China running a large trade deficit with Angola. Indeed, the ruling party now has strong ties to Beijing due to China Exim Bank and several other Chinese financial institutions’ sizeable loans to the Angolan government, emblematic of the so-called ‘new type of China-Africa strategic partnership’ (He, 2006:5) This notwithstanding, China has only been a serious commercial actor in Angola since approximately 2004 (Corkin, 2008b: 110).

The majority of projects undertaken by Chinese companies in Angola are funded through the concessional loans extended to the Angolan government by the Chinese government through China Exim Bank. According to the conditions stipulated by China Exim Bank, in principle, a Chinese company will undertake the projects to be paid for by the concessional loan and in

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2 Interview, Beijing, 28 October 2009
3 MOFTEC was later restructured that year to become the Ministry of Commerce (MOFCOM) (Brautigam, 2009:107) and will subsequently be referred to as such.
4 According to ERA (2009:81) it was stipulated that the loan could reach up to US$ 10 billion, ‘until the of the reconstruction period.’
5 Interview, Angolan Ministry of Foreign Affairs, Beijing, 11 May 2010
principle no less than 50 percent of the project procurement will be sourced in China. However, in the Angolan case it was negotiated that 30 percent of the contract may be subcontracted to Angolan firms. Thus it appears that some policy space may exist for African governments to negotiate as regards the terms of the local labour and procurement chains for China Exim Bank financed contracts. However, the China Exim Bank lending remains relatively prescriptive, given that the Bank’s primary function is to stimulate demand for Chinese goods and services.

Many Angolans initially expressed outrage at this minority percentage set aside as a local content quota. However, it is arguably a realistic condition, given the acknowledged paucity of skilled labour and local industries to support the material requirements of projects of this scale. Indeed there is little evidence to show that local Angolan companies can cope with this volume of business. A Ministry of Finance official confirmed that this condition was only upheld if it ‘did not compromise project deadlines’. What is more concerning is the fact that from observations in the field, few mechanisms seem to be in place to foster local capacity to fulfil this quota in the long term or indeed facilitate further integration between Chinese companies and local communities.

Social Concerns in the Context of Chinese Economic Engagement in Angola

Chinese engagement in Angola has attracted controversy for the past decade, in a large instance because of the rapidity with which it has occurred. Few respondents were unreservedly hostile towards Chinese companies’ role in Angola. Several respondents commented diplomatically on the visible impact Chinese construction companies have had on Angola; one describing it as a kind of ‘Marshall Plan’ for Angola’s post-war reconstruction. While the benefits of Chinese companies’ engagement in Angola are thus recognised, there is a negative sentiment towards the manner in which this engagement has occurred, with the feeling that it could have been managed in a way that would bring wider-reaching trickle-down effects to the population at large, rather than to a select few. Most respondents were thus of the opinion that Chinese engagement in Angola was not in and of itself a bad thing, more that the mechanism through which it was implemented was lacking. There was recognition that potential existed for Chinese engagement to render wider benefits and ‘make a difference’ to Angolan’s lives if regulated differently.

The unstructured nature of the field research interviews allowed themes that the respondents deemed important to come to the fore. Chief among these was the lack of integration of

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7 A notable exception is the oil industry, see Soares de Oliveira (2007:602)
8 Interview, Ministry of Finance, Luanda, 6 July 2010
9 Interview, Angolan businessman, Luanda, 19 October 2011
Chinese companies with Angolan communities and service providers. The relative lack of Chinese companies’ local content and local linkages has been discussed in detail elsewhere (Tang, 2010; Corkin, 2011b). Less focus has been placed on the social impact this has. The following aspects were identified by respondents:

**Lack of Structural Provision for Local Content**

Large Chinese SOEs rely on government-arranged financing and networks to penetrate markets, preferring to use known procurement networks (often their own subsidiaries) in their home provinces in China rather than investigating local capacity and potential in their overseas target markets. This is especially the case in Angola, where the Chinese companies have entered through the Chinese Exim Bank credit line and as such have guaranteed contracts and Chinese procurement requirements. The state-owned enterprises brought to Angola through the China Exim Bank credit line have not integrated into the local context relying instead heavily on high-level bilateral government connections to provide market space. As pointed out by one respondent, while close connections with the Angolan President’s office has opened doors, such a relationship is also extremely isolating in terms of developing broader networks outside of high-level government influence, such as with smaller-scale providers and local communities.

This isolationism that is now considered characteristic of Chinese companies has given rise to an unfavourable reputation among Angolans. This is compounded by the perceived unwillingness of Chinese companies to implement the 30 percent local quota originally mandated for Angolan participation. One Angolan respondent expressing this opinion suggested that ‘… both sides realised, as did the companies, that firstly, there were no [local] companies with the necessary experience and experts, and secondly, the Chinese were not prepared to work with other companies.’ As a consequence, despite an acknowledgement of the difficulty in locating adequate local partners, there is a feeling that Chinese companies do not seek to integrate enough with local suppliers and service providers.

The lack of integration of Chinese companies into the Angolan economy implies other limitations. One private Angolan businessman complained that many Chinese companies, protected under the bilateral agreement have not registered in Angola, but choose to operate out of China, particularly as the payments for the credit-line projects are reimbursed directly by China Exim Bank in Beijing, rather than in Angola. This practice ring-fences these foreign entities

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10 Interview, NGO activist, Luanda, 20 October 2011
11 Interview, Angolan think tank, Luanda, 13 May 2010
12 Interview, Angolan businessman, Luanda, 19 October 2011
13 Interview, Angolan businessman, Luanda, 19 October 2011
from having to pay local taxes and other contributions. Not only does this further limit Chinese companies from integration into the local economy, it also limits the amount of locally available information on their operations to Angolan civil society. Local tax records would be an important resource for accountability lobbies.\(^\text{14}\)

However, the cost of importing all required materials and labour is an increasingly expensive process. Several Chinese policy-makers have already recognized the theoretical advantages of using local labour given the cost of importing Chinese workers (air travel, visa, accommodation) conceding that local labour would be a solution to this expense, as well as rising labour tensions.\(^\text{15}\) Nevertheless, it seems that this would require something of a paradigm shift among Chinese companies and while some are using higher levels of local labour\(^\text{16}\), particularly for unskilled work, this practice is not known to be wide-spread (Corkin, 2011b).

Several Chinese companies, having faced the difficulties of importing materials into Angola, have begun to establish factories locally. According to its website, Chinese construction company Golden Nest International has five separate factories producing steel, concrete blocks, sand products, paint and alnico.\(^\text{17}\) The localisation of various inputs from China to Angola is an encouraging trend. However, it once again depends on the manner in which this is carried out. A Chinese brick-making factory has reportedly replaced Angolan brick-manufacturers in the market.\(^\text{18}\) As a result, local producers are generally only used in an emergency to make up a short-fall, if material quantities were under-estimated.\(^\text{19}\) This also extends to basic consumables such as vegetables. It appears that one Chinese vegetable garden, initiated to supply the labour force of large-scale construction projects in Luanda actually supplies urban households in Luanda as well, actively expanding beyond a purely subsistence basis.\(^\text{20}\) An NGO director noting that social relations were ‘very important’ in the context of Angola, described the perception that there was little room for Angolans in Chinese projects.\(^\text{21}\) As another respondent pointed out: ‘Chinese companies are beginning to compete with locals. If they don’t incorporate the locals, Angolans will lose out and this may lead to clashes.’\(^\text{22}\) A lack of sensitivity to the

\(^\text{14}\) Interview, Angolan businessman, Luanda, 19 October 2011, Interview, academic, Luanda, 20 October 2011  
\(^\text{15}\) Zeng Qiang, Research Professor, CICIR, ‘Challenges to the Further Development of Sino-Africa Economic Co-operation and Some Reflections’ at IWAAS conference, Beijing, 13 October 2009; Interview, Beijing, 21 October 2009  
\(^\text{16}\) A Chinese-owned brick factory located a few hours outside of Luanda was visited during the fieldwork. The manager reported that 90 percent of the workers were Angolans and that of the vegetable plantations, 65% of the workers were locals. See also Tang (2010).  
\(^\text{18}\) Interview, foreign diplomat, Luanda, 27 April 2010  
\(^\text{19}\) As an example, in November 2009, the market price on cement in Angola was US$ 220 per tonne. The company sourced cement at US$ 160 per tonne from China but at short notice had to make up the shortfall with cement from a local supplier sourced through Turkey at US$ 240. (Interview, vice-president, Chinese private company, Luanda, 7 July 2010) The researcher during fieldwork came across a flyer advertising a range of vegetables (in Chinese and English, but interestingly not in Portuguese – suggesting an expatriate market) with contact details for orders and delivery.  
\(^\text{20}\) Interview, Angolan NGO director, Luanda, 24 October 2011  
\(^\text{21}\) Interview, Angolan NGO director, Luanda, 24 October 2011
implications of developments may threaten the long-term sustainability (and hence profit) of these companies’ operations.

**Lack of Corporate Social Responsibility (CSR) Culture**

Although seen by more radical activist of civil society as ‘corporate white-washing’\(^{23}\), CSR was recognised by all respondents as a fundamental element of all foreign investment. However, there was a lack of consensus among respondents generally as to what CSR should actually entail. CSR is a well-established concept in the oil industry in Angola, with most oil majors engaged in health and education programmes as well as training for local participation in the sector.\(^{24}\) By contrast, there does not seem to be as much clarity in the construction sector as regards CSR. Most respondents felt that appropriate initiatives should include local integration, such as management training, job creation and the transfer of technology.\(^{25}\) Few respondents were aware of any Chinese companies engaging in social initiatives that fall under an umbrella assumption of CSR activities.

It was apparent that most Chinese companies\(^{26}\) view CSR projects as stand-alone donations, such as the building of a school or hospital for the local community, rather than an integrated approach to the management of their operations in Angola, or any other country. This conception of CSR was deemed by many respondents as being ‘too narrowly defined’\(^{27}\), representing an out-dated view of CSR. As one South African CSR manager noted: ‘It is not how you spend money, it is how you make it’.\(^{28}\) This indicates the extent to which, on an international best-practice level, CSR practices are now expected to be embedded in a company’s global investment strategy, in terms of corporate policies on local beneficiation.

By contrast, there was concern as to Chinese contractors’ adherence to labour conditions, labour laws and labour rights in Angola. The perception was that Chinese companies were ‘exporting their weaknesses’\(^{29}\), referring to Chinese companies domestic challenges concerning occupational health and safety.

Interestingly, a South African mining company representative suggested that generally CSR is much more critical in overseas markets than in domestic ones, as it is an opportunity to build the company’s brand in a new or foreign market.\(^{30}\) Again, at a policy-making level in Beijing,

\(^{23}\) Interview, South African labour union representative, Cape Town, 28 October 2011
\(^{24}\) Interview, Sonangol, Luanda, 21 October 2011
\(^{25}\) Interview, Sonangol, Luanda, 21 October 2011
\(^{26}\) Interview, Chinese company management, Luanda, 22 October 2011
\(^{27}\) Interview, NGO activist, Luanda, 20 October 2011
\(^{28}\) Interview, South African mining company, Johannesburg, 26 October 2011
\(^{29}\) Interview, NGO activist, Luanda, 20 October 2011
\(^{30}\) Interview, South African academic, Johannesburg, 26 October 2011
there are indications that the importance of CSR in promoting ‘China Inc’ has been recognised; but appear to have yet to filter down to an operational level (Corkin, 2011b).

One respondent pointed out that a lack of CSR was not necessarily exclusively the fault of the Chinese companies as: ‘… the Angolan government was not so good at it themselves.’ Outside of the oil industry, little in the way of CSR regulations exists, rendering it difficult to benchmark Chinese companies’ compliance to local legislation in this regard. The respondent explained that the resentment felt by Angolan planners at not being included in the initial stages of the construction projects is directed not at the Chinese companies, but at the client, the Presidency, whose priority should be thinking about this kind of integration. This respondent had had some contact with Chinese professionals and planners and was aware that they had recognised the importance of local integration for the future success of the Chinese companies in overseas markets. China, he felt, was also sensitive to the need to measure up to international best practices. However, he suggested that as the Chinese could see the need for these kinds of programmes, they should take the initiative as: ‘…someone had to!’ This kind of sentiment expressed the general lack of faith of civil society in the Angolan government implementing policies that would foster CSR.

Accountability and Transparency

Chinese companies’ entry into Angola was brokered by a high-level government-to-government agreement. A decade later, many respondents expressed frustration that little business or interaction between China and Angola is conducted outside of the bilateral framework, ensuring a virtual government monopoly of the relationship. One academic who commented on this suggested that investment should be ‘out of the control of the government.’

The dominance of government-to-government relations has rendered a perception that the state-owned Chinese companies were ‘protected by the government’ in that they did not have to adhere to the normal set of regulations and quality inspections, or incentives for CSR programmes. This has placed severe limitations on the ability for civil society to hold Chinese companies’ operations to account. Indeed, a theme that came through strongly from several NGO commentators was the lack of transparency surrounding the policies governing the Chinese construction companies’ public projects and that they were not subject to a public

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31 Interview, NGO director, Luanda, 21 October 2011
32 Interview, NGO director, Luanda, 21 October 2011
33 Interview, Angolan businessman, Luanda, 19 October 2011, interview, academic, Luanda, 20 October 2011
34 Interview, NGO activist, Luanda, 20 October 2011
35 Interview, Sonangol, Luanda, 21 October 2011
policy framework. One went as far as to say that ‘public interests have been privatised by specific interests’. Furthermore, the exclusionary nature of the Chinese project tenders limits the physical participation of private Angolan service providers. In addition, the marginalisation of Angolans from participating in their country’s reconstruction may retard national reconciliation and recovery from the psychological effects of the drawn out civil war (Marques de Morais, 2011).

There is a consensus that the Angolan government bears considerable responsibility for the circumstances under which Chinese companies have entered and continue to operate in Angola. This is compounded by the Angolan construction sector’s notorious lack of transparency.

However, respondents had also observed kind of isolationism amongst both Chinese diplomats and Chinese companies – a lack of willingness to engage with the diplomatic community and other interested stakeholders. This, many felt, had an impact on the transparency of the China-Angola agreements as they as civil society were unaware of the structures and legislation governing the agreements, as these did not seem the same as those governing other foreign economic engagement.

An NGO activist commented that the lack of transparency on the Chinese part was also detrimental to their image in Angola as the lack of any channels of communication meant that ‘any information even if made up, will stick.’ He suggested that the Chinese government was doing itself a disservice by not clarifying its role and dispelling some of the urban myths surrounding its engagement in Angola and thus initiating a process of serious dialogue.

An NGO director further pointed out that if there was a perceived problem with Western companies in Angola, NGO networks could put pressure on these companies domestically in order to generate a solution to the issue. However, Angolan NGOs had no contact with their Chinese counterparts, such that existed, in order have an influence on the Chinese companies. He said that efforts to engage with the Angolan government had not been met with a response. As a consequence, it was deemed very difficult to bring to bear the kind of pressure on China required to make an impact.

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36 Interview, academic, Luanda, 20 October 2011, NGO activist, 20 October 2011
37 Interview, academic, Luanda, 20 October 2011
38 Interview, academic, 20 October 2011
39 Interview, Angolan NGO director, Luanda, 24 October 2011
40 Interview, Western diplomats, Luanda, 19 October; 21 October 2011
41 Interview, NGO activist, Luanda, 20 October 2011
42 Interview, NGO activist, Luanda, 24 October 2011
43 Interview, NGO activist, Luanda, 24 October 2011
44 Interview, Angolan NGO activist, Luanda, 24 October 2011
45 Interview, South African labour union representative, Cape Town, 28 October 2011
Maintenance/Quality of Chinese Companies’ Workmanship

Several respondents spoke to the concerns about the workmanship of Chinese companies. These concerns are not unique to Angola, in terms of Chinese overseas projects. While many respondents concur that high-quality Chinese constructions do exist, the consensus was that poor workmanship in Angola was generally due to a lack of quality monitoring during the execution of the construction. However, in certain instances, the required pre-feasibility studies have been absent from some of the projects, leading to serious challenges during and after project execution. An example is the General Hospital in Luanda, built as a gift to the Angolan government from the Chinese government and completed by China Overseas Engineering Group (COVEC) in 2005. In 2010, the building had to be evacuated for fear that it would collapse. The structure had been built on ground with a high water table, causing the foundations to crumble (Marques de Morais, 2011).

The overriding perception is that Chinese companies have been employed to construct infrastructure quickly and cheaply, to a political calendar in order for the ruling party MPLA to garner the maximum benefit during elections time. This has often led to the compromising of quality control measures as a result. Some respondents felt that the Chinese companies have relied on high-level government relations rather than comprehensive bids in order to secure tenders. This ultimately affected their public image and ‘brand China’ in the eyes of ordinary Angolans, many of whose impressions of the Chinese presence in Angola are formed through observation of their construction projects.

A Lack of Understanding of the Local Context

Matters of considerable social consequence have been affected due to Chinese companies’ lack of knowledge of cultural context. For example, a key issue that has been much over-looked in the context of Chinese investment in Angola is the issue of land tenure and ownership, and how new investments have put pressure on a sensitive matter that has yet to be satisfactorily resolved in Angola. The assumption of land for investment affects the legitimacy of the investment in the eyes of local communities, particularly if the investment is not perceived to be beneficial to them in terms of value-adding and employment creation. Put by one respondent who is heavily involved with such concerns, investors like the Chinese ‘...only see the viability of the investment through an economic matrix, they don’t see the social issues’.

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46 Interview, Sonangol, Luanda, 21 October, 2011; Interview, NGO activist, Luanda, 24 October 2011
47 Interview, Angolan NGO activist, Luanda, 20 October 2011
48 Interview, Angolan NGO director, Luanda, 24 October 2011
49 Interview, Angolan NGO director, Luanda, 24 October 2011
50 Interview, Angolan NGO director, 24 October 2011
He stressed that companies, including Chinese firms, needed to give opportunities to locals in order to harmonise their interests with those of the surrounding communities and seize the chance to build a good relationship with them. This would ensure the sustainability of their investment.

Conclusions

The apparent lack of official support for Chinese companies’ integration into Angola’s local context outside of government control is a symptom of Angola’s wider economic structure. That Chinese credit-line-financed projects rely on a bilateral agreement without grounding in a legal precedent and regulatory framework mean that they are ‘too dependent on a handful of individuals.’

An NGO activist cynically pointed out that whereas China’s motive for engagement with Angola was remarkably similar to that of the US (business, predicated on oil), that the US ‘pretended to support civil society’ ensured that the Western country’s reputation was generally better perceived than that of China’s.

While there are arguably benefits from the physical infrastructure provided as a result of the Chinese contracts, the monitoring of the project execution is questionable. Furthermore, Chinese companies’ interaction with Angolans on a commercial level is very weak, limiting opportunities for broader economic stimulation through the reconstruction process itself. This is due to a number of factors: the nature of the Chinese government loans which are specifically a mechanism to ensure that a large proportion of the procurement comes from China (thus reducing China’s trade deficit with Angola) and attempted risk mitigation due to Chinese companies’ lack of local market knowledge.

In many cases the Chinese companies’ competitive advantage lies in their ability to deliver projects faster and cheaper than their competitors, encouraging quick builds to maximum cost and time efficiency. This leaves little room for local content development. Loans from foreign governments, linked to purchasing their national companies’ goods and services, especially such as those from China, further reduces the ability of local firms to enter the value chain. A dire lack of training and capacity in a working population that has just emerged from more than three decades of civil war worsens the situation. However, this situation is exacerbated by Angola’s weak institutional framework, lack of political will on the Angolan government’s part, vested interests preventing local content policy implementation and lack of capacity in the local market.

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51 Interview, NGO activist, Luanda, 24 October 2011
52 Interview, NGO activist, Luanda, 24 October 2011
On the domestic front, in the early years following the end of the civil war, China Exim Bank’s loans provided the means to begin national reconstruction. Aside from its practical necessity following the destruction of the civil war, the MPLA government has utilised Chinese financial assistance to kick-start a state-building process through which the government, controlled by the ruling party, could consolidate political and economic power, rendering a challenge to the ruling party’s dominant position unlikely. It also lent credence to the narrative of national reconstruction employed by the government controlled by the ruling party. This was essential from the perspective of political survival and proved successful, given the MPLA’s landslide victory in the legislative elections of 2008. This is what Hodges (2004: 169) calls ‘manufactured legitimacy’. The ruling parties’ continued control of the credit lines ensured a monopolisation of both the process and the economic rents it implies. Despite a rash of policies and public overtures concerning economic diversification and local participation, the economy’s fundamental structural contradictions have not been addressed. Anti-government protests although only in their infancy, are appearing in unprecedented fashion. This underlines the social tensions that have been exacerbated by processes that exclude Angolan participation in the rebuilding of their nation.

**Policy Recommendations**

For the Chinese Government:

*Strengthen Chinese Market Research Capacity and Risk Analysis*

It is clear that many Chinese companies have little understanding of specific African countries’ contexts and what little market research exists treats Africa as a whole. The Chinese government has at least recognised the importance of their companies being more informed. In a newspaper interview, Wei Jianguo, Secretary-General of China International Economic Exchange Center and former Vice Minister of the Ministry of Commerce, exhorted Chinese companies to conduct feasibility studies on the local laws, markets, raw materials, costs, and utilities (*21st Century Business Herald*, 2010).

China Development Bank (CDB), whose engagement in Africa is much more recent than China Exim Bank’s, sent out ‘working teams’ to various African countries prior to the bank’s engagement with the continent. The teams stayed approximately two years in country ‘...in order to get working relations with the banks and to understand the local regulatory framework as well as to generate project information to present to companies in China.’ Efforts such as these should be built upon.
Encourage academic and NGO exchanges
It is clear that Chinese company employees’ perceptions of the good work they are doing are not shared by many Angolans. This lack of consensus is largely due to insufficient opportunities to share each others’ views. While several academic conferences have been organized in Luanda to discuss the China-Angola relationship in the past few years; these have largely been done so by external organizations from a third country, albeit with an Angolan partner. The Chinese government should organise a workshop with the express purpose of bringing together NGOs, GONGOs and other civil society practitioners from both China and Angola in order to facilitate the networking and exchange of ideas that would break down the social barriers currently experienced. While third party participation should possibly be limited, the conference could perhaps take place in a third country venue, in order to encourage a more open discussion of the issues at hand.

For Chinese Companies:

Engage with Angolan service-providers
The China Chamber of Commerce in Angola and the Angola-China Chamber of Commerce⁵³ appear not to co-ordinate with each other, much less their Angolan counterparts. These Chinese organisations should develop a clear vision with regards to local content policy and how it could be implemented. This should not be seen as a bolt-on charity project or a public relations expense to be written off. Rather it should be seen as an opportunity to organically develop a new generation of Angolan skilled labour that could further benefit their ability to operate in Angola.

For the Angolan Government:

Local Content Enforcement Specific to the Construction Industry
Despite the effects of the financial crisis, the construction industry is the most dynamic non-oil sector in Angola’s economy. Furthermore, it is still largely driven by public spending through the Public Investment Programme (PIP). The Angolan government should reformulate policies to reflect the development potential of PIP in terms of skills and technology transfer rather than simply the reconstruction of the national infrastructure. This would entail monitoring and then enforcing the 30 percent subcontracting concession for Angolan companies made available in the China Exim Bank loans and legislating and monitoring a training component that stipulates employment for trainees with the Chinese company following training completion.

⁵³ Distinguished by their Chinese names as 中国驻安哥拉企业商会 and 安哥拉中国商会 respectively
In addition, local content subcontracting regulations should be tightened to prevent shell Angolan companies from winning a sub-contracting tender only to re-sub-contract to a cheaper Chinese firm and pocket the difference, as has occurred. A Chinese contractor estimated that the Angolan government was losing 40-45 percent of the real value of the China Exim bank loan due to ‘different layers of sub-contracting (Horizon Consulting, 2007:124).

**Extension of Contract Maintenance Period**

The maintenance contracts, where they exist, are sometime as short as 18-24 months on large-scale infrastructure projects. These periods should be extended, encouraging contractors to take responsibility for the durability of their work. Maintenance periods should also be legislated to double up as probation periods for local workers who have been trained by the company to maintain the project under the guidance of the Chinese contractor. The Angolan trainees should be educated specifically to handle the maintenance of the project following its completion, resulting in sustainable local management of the project.

**Emphasis on Technical training schools**

It was clear from previous research that the courses offered in many of the universities in Angola did not match market demand (Corkin, 2011b). More of the higher education budget should be directed to development in this form of education which could be offered in more affordable and shorter diplomas. Companies should be encouraged to contribute to the establishment of, and form partnerships with, technical schools and research units through tax break incentives. Graduates of the schools could then be given company placements and contracted for a fixed period in order to complete their diploma requirements, enabling them to receive practical experience. The companies would in turn receive local employees for a fixed contract period, avoiding the market pressures on skilled local labour salaries.

**Monitor Students trained by Chinese companies**

While it has been documented that some of the larger Chinese companies have provided training courses for Angolans, both locally in abroad (usually in China), it is unclear whether this is linked to job placement upon graduation or even if these students are systematically monitored and kept track of on their return (Corkin, 2011b). The Ministry of Education should have a register of all Angolans trained by Chinese companies, particularly those trained in China, as it is likely that they have developed some competency in Mandarin Chinese. Scholarship recipients should be contracted as part of their obligation either to Chinese companies working on PIP projects in Angola or seconded to the Angolan government to assist with the monitoring and administration of the PIP programme itself and the necessary liaison with Chinese companies.
Re-Align Policies To Complement And Reinforce Local Content Legislation
Economic diversification has been highlighted as a key priority by the government, but, as a recent study by the Centre for Strategic Studies at Catholic University shows, little of concrete importance has been done to encourage this (CEIC, 2009). As pointed out, although the Angolan government has local content legislation, this is in practice undermined by the structure of the economy and conflicting policies that among others issues, encourage imports while retarding local industrial development. The Angolan government needs to streamline policies and realign them to encourage local industrial development sustainably and in the long-term, rather than opting for short-term quick fixes. Creating economic incentives for companies to invest in their supply chain, such as special programmes to build up suppliers’ skills could go a long way to ensuring that the Angolan market has the capacity to provide what local content stipulations require.

For Angolan Civil Society:

Pursue contact with Chinese civil society counterparts
There is currently almost no contact between Angolan and Chinese NGOs. Communication between these groups would open channels of communication in terms of addressing the same concerns as regards Chinese companies corporate social responsibility records.

About the author

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