

Energy ties and the China-Angola strategic partnership



China and Angola made a historic breakthrough in their relations on 20 November 2010, symbolized by the release of the Joint Communiqué on the Strategic Partnership between the People's Republic of China and the Republic of Angola during Chinese Vice President Xi Jinping's state visit to Angola. China has established a strategic partnership with many foreign countries, but very few in Africa. The release of the joint communiqué indicates that China-Angola relations have been elevated to a new status in terms of strategic cooperation.

Chen Mo

DURING RECENT DECADES, a number of bilateral interests have been developed between China and Angola and the contents of their strategic mutual cooperation have expanded rapidly. These interests can be classified according to three aspects: initially, relations were developed around mutual political support; this was followed by closer economic ties between the two countries and mutual benefits from economic and trade exchanges; most recently, this has also evolved into the mutual protection of energy security. These three pillars of strategic partnership – politics, energy, and economic and trade relations – lay a solid foundation for continued bilateral relations between China and Angola. In the new century, increased energy relations have played an increasingly important role and, indeed, have become the key factor in propelling the development of the strategic partnership.

Political cooperation

Developing countries such as Angola form the basis of China's diplomacy. Supporting African national liberation movements and establishing diplomatic relations with newly independent African countries is an important part of China's diplomatic strategy. China's support for Angola's national liberation movement forged a deep political friendship and mutual trust between the two states. China provided support to all the major parties that fought against Portuguese colonialism during the Angolan civil war. Also, when Angola started economic reconstruction after the civil war, it faced challenges in terms of choosing a development path. China, who has always insisted on a policy of non-interference, helped Angola to resist the pressures exerted by the IMF, by showing its respect for Angola's development path choices and providing loans to the country.

When Wu Bangguo, Chairman of the Standing Committee of the National People's Congress, met with Antonio Paulo Kassom, President of the National Assembly of Angola, in May 2011, Wu restated that China firmly supports the development path chosen by the Angolan people according to their own national conditions. In turn, Angola has shown its explicit support on important issues relating to China's state sovereignty and territorial integrity, in particular relating to the issue of Taiwan.

Oil cooperation

Oil cooperation has played a crucial role in promoting the development of political relations between China and Angola, and has added new and important content to their bilateral relations. When Chinese Vice President Xi Jinping visited Angola in November 2010, he signed the Joint Communiqué on the Strategic Partnership between the People's Republic of China and the Republic of Angola in Luanda. It is true that both states are willing to implement cooperation projects and continue to encourage and support the enterprises and financial institutions of the two countries, as well as to expand trade and investment that will strengthen mutually beneficial cooperation in key sectors, including agriculture, industry, infrastructure construction, urban construction and exploration for energy and mineral resources.

In 1996, China changed from a net exporter of oil to a net importer, as its domestic oil output could no longer meet the demands of rapid economic development. Consequently, seeking out oil suppliers is of great importance to China's economic security. Angola, as an emerging oil exporter, has provided good opportunities in this respect due to the concerns of China's oil import security strategy. For Angola, an emerging oil exporter with oil as its pillar industry, oil economy contributes about half of its GDP, and oil exports account for more than 90 percent of its total export value. Long-term security of oil exports is of strategic importance to the country's post-war reconstruction and development. China's economic growth and its soaring imports of oil undoubtedly provide a potentially huge market and a strategic choice for Angola's long-term oil export. China's energy import security and Angola's oil export strategy are mutually complementary, which is an important driving force behind the two countries' oil trade.

Another important aspect of China-Angola oil cooperation is oil exploration and drilling. In order to develop, Angola's oil industry needs cooperation with international oil companies. At the same time, Chinese oil companies, keen to expand their overseas business, want to invest in and exploit oil resources in overseas oil production bases. However, Angola's oil exploration business is largely controlled by its own oil companies as well as Western oil giants, and generally speaking, Chinese oil companies' share in Angolan oil exploration is very limited. Hence, there is huge potential for Chinese oil companies' direct investment in the Angolan oil industry, though it will unlikely change the fact that China-Angola bilateral energy relations are dominated by China's purchase of Angolan oil.

China and Angola have also tried to cooperate in the downstream oil industry, although no real progress has been made. There is only one refinery in Angola, but its gasoline production is inadequate in the face of the huge demand for post-war reconstruction. Queuing for gasoline is a common phenomenon in Angola and there is an urgent need to set up new refineries in the country. Due to the large local demand in Angola, it is still possible that the two sides may in the future strike a deal in the downstream oil field.

In summary, China-Angola cooperation has a bright future. The countries are strategically complementary in terms of economic security and oil cooperation plays a vital role in establishing the strategic partnership and further enriches the content of their bilateral cooperation in the new century.

Oil behind the curtain

As developing countries, the major task for both China and Angola is to boost economic development. Realizing common economic development on the basis of mutual benefit is a solid foundation for their strategic partnership. In the context of China-Angola relations, oil supply remains China's main strategic interest, while infrastructure construction is, without doubt, the top priority for Angola's post-war reconstruction. The cooperation between China and Angola in terms of infrastructure construction further enriches the content of their strategic partnership and offers new points of growth for bilateral relations.

Big dump trucks with Chinese drivers can be seen everywhere in Angola. Photo reproduced courtesy Creative Commons/Flickr.

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In 2002, the 27-year-long civil war ended in Angola and the country started rebuilding its economy and society. Consequently, Angola's top priority in the post-war period is to rebuild its infrastructure. This includes the restoration and reconstruction of transportation facilities as well as social public service installations such as hospitals and schools. China embarked on overseas construction and engineering business in the late 1970s and it has an experienced overseas construction team capable of providing general contracts and complete sets of equipment, as well as providing low-cost labor and equipment after more than 20 years of practice in regions such as the Middle East and Africa. China has since become a major contractor in the international construction and engineering market. The huge demand for post-war infrastructure construction provided new business opportunities for Chinese engineering companies. To take advantage of these opportunities, Chinese companies immediately moved into Angola and became the backbone for Angola's post-war reconstruction. The war had led to enormous damage to infrastructure projects such as airports, harbors, roads, housing and railways. The participating Chinese companies also incurred huge losses, but in the face of the sweeping financial crisis,

most of the Chinese companies chose to pull through the hard times together with the Angolans. In the most critical period of the Angolan economic recession, none of the large Chinese state-owned enterprises walked away from their original contracts. Just like cooperation in the oil industry, construction and engineering has become an important part of the strategic partnership between China and Angola in the new century.

It is worth mentioning that the financing model supporting China's large-scale participation in Angola's post-war reconstruction is closely related to oil. To a large extent, oil is the pillar that safeguards China's participation in Angola's post-war reconstruction and many of the projects are financed by loans from the Export-Import Bank of China. Providing favorable loans is a fundamental form of Chinese government support to Angola. These loans are guaranteed by Angola's oil income. The China-Angola loan mode has some new features, including that the loan is secured, protected against capital abuse, guaranteed by government and under rigorous supervision.

To date, China has already provided loans to Angola in three phases. Angola welcomes Chinese loans as they have no political strings attached. In the meantime, there has never been an issue of Angola-related bad debts for the Export-Import Bank of China as the loans are guaranteed by oil income. Both sides are very pleased with the 'oil-for-loans' cooperation model, which supports Angola's post-war reconstruction. They believe this cooperation is mutually beneficial. It is safe to assume that cooperation, guaranteed by oil, between China and Angola will continue and expand.

Summary

China-Angola relations, and the strategic partnership, are not confined to energy relations. The sound relations between China and Angola are built on long-term mutual trust and support on the political front, and are based on mutual support and reliance in terms of development. Mutual benefit, win-win outcome and common development are long-standing characteristics of China-Angola relations. As Wang Qishan, Vice Premier of the State Council of China, has stated, cooperation between China and Angola is the backbone of bilateral relations. In recent years, both sides, by bringing their advantages into full play, have cooperated in the fields of economy and trade, investment, energy and finance, making enormous contributions to the national construction and economic development of both countries, and to promoting regional peace and prosperity. As Joao Bernardo, Ambassador of Angola to China, said, China has participated in developing Angola's resources and brought development to Angola, and it was mutually beneficial in that the Angolans were able to enjoy the rich natural resources of their own country. The significance of energy as a new element in bilateral relations in the new century lies in that it expands the base of political and economic cooperation and plays a key role in promoting strategic bilateral relations.

Chen Mo is associate professor at the Institute of West Asian and African Studies, Chinese Academy of Social Sciences (IWAAS CASS) (chenmo@cass.org.cn)