Premier Li Keqiang in Africa: The Importance of Angola for China

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Research Director, Area Studies and International Law; Head, Africa Programme
Chinese Prime Minister Li Keqiang gives a speech to an African Union delegation on 5 May 2014 in Addis Ababa. Photo by Zacharias Abubeker/AFP/Getty Images.

Li Keqiang's first official trip to sub-Saharan Africa as Chinese premier from 4-11 May 2014 is a reminder that China is a major player in Africa today. The trade figures speak for themselves: in 2009, China overtook the United States as Africa's biggest trading partner, and some 2,500 Chinese firms operate on the continent. Bilateral trade between China and African countries reached $210 billion in 2013 and Angola was also for China the second largest source of imported oil after Saudi Arabia.

Angola aside, these figures hide though that Africa accounts for only 5 per cent ($198.4 billion) of China's global trade ($3.867 trillion) and $3 billion less than 4 per cent of foreign direct investment (FDI) globally in 2012 ($77.2 billion). Africa remains a low priority for Chinese policy makers currently, but not so for African governments who keenly seek Chinese trade and investment. China also finds that its actions in Africa have attracted a disproportionate level of international attention.

Premier Li is leading a high-powered 129-member delegation that visits Ethiopia (and the African Union headquarters), Nigeria, Angola and Kenya. This visit emphasizes that China continues to invest in Africa, is a long-term predictable partner and offers 'win-win' partnerships for African governments without conditionality

China's expanding investments in Africa though carry political headaches for Beijing as they grow. Not all Chinese companies represent, or even respect, China's official policy toward Africa. There are an increasing number of disputes about Chinese companies, ranging from poor labour conditions and pay to lack of respect for social and environmental regulations.

In a statement released before his departure to Africa, Premier Li urged Chinese companies in Africa to abide by local laws and regulations and take responsibility to protect the interests of local communities and the environment. He also called on relevant African countries to strengthen market regulation and protect the lawful rights and interests of Chinese companies and the safety of their employees.

The visit to Luanda from 9 May is the most important on this trip for Premier Li as Angola is one of China's biggest oil suppliers, with crude deliveries rising 9.9 percent to 10.66 million tons in the first quarter of 2014, second only to Saudi Arabia.

China was the largest importer of crude oil from Angola in 2013 and is one of only four strategic partners that Angola maintains according to President José Eduardo dos Santos. Chinese officials acknowledge their relationship is not what it was but are anxious to keep oil imports from Angola growing. There are also more than 258,000 Chinese working in Angola currently which is why Premier Li holds a seminar with Chinese companies and Chinese expatriates during his Angola visit.

A 2004 Chinese Exim Bank loan to Angola kick-started deepened Sino-Angola diplomatic and trade ties that had been formally established in 1983. On the back of this loan large state-owned Chinese companies decided to enter Angola, as infrastructure contracts were guaranteed by oil repayments. These oil repayments provide China with a long-term secure supply of oil, although the Angolans successfully negotiated it at market prices. This oil-for-infrastructure deal has been dubbed 'Angola Mode' by the World Bank, but actually it is an adaptation of what Japan practised in the past.

Originally this loan was intended to also facilitate the entry of Chinese national oil companies into Angola but this has failed due to the Angolan governments' preference for a joint-venture model that accommodated Angolan elite interests. This Exim loan did have strings attached and was actually a facilitator mechanism for the Angolan government to convert oil revenues directly into construction contracts undertaken specifically by Chinese companies, essentially via a revolving credit facility. An outcome is that the Exim Bank and others have had to refine their Angolan strategy, and the greatest beneficiaries have been Chinese construction companies. Many Chinese companies entered the Angolan market through this Exim Bank facility but are now pursuing their own contracts.

In 2010 at least 50 Chinese contractors were in Angola and in 2011 the Angolan government admitted that more than 258,000 work visas had been issued to people from China. Taking into account that Angola has a population of around 19 million and a significant unemployment problem such large numbers of Chinese workers in Angola are not sustainable long term. That the main import by Angola from China in 2010 was cement is deeply troubling.

After the end of the civil war in 2003, rapid infrastructural development was an Angolan government priority and Chinese construction was faster and cheaper. The trouble for China is that its oil-for-infrastructure model is not sustainable long-term in Angola and so if Beijing is to continue to lock in oil supplies, a new type of partnership not reliant on Chinese construction contractors will need to be established. Premier Li's visit to Angola is therefore important for China but also for the Angolan government as it considers what type of partnership it wants with China.