

# Angola 'Failed' yet 'Successful'



David Sogge

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# Angola 'Failed' yet 'Successful'

David Sogge

April 2009

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## Executive summary

This paper considers the case of Angola as an institutionally weak state. It is intended to contribute to the research project *Institutionally Weak States: Context, Responsibilities and Responses*, undertaken by the Peace, Security and Human Rights department of FRIDE.

The analysis seeks to respond to key questions about Angola posed in the project's guiding purposes and methodology. These appear in three clusters:

1. What are the historical taproots of conflict in Angola, and of its weak uneven state and political institutions?
2. What formal and informal forces and incentives are at work in Angola's territorial political economy that affect state and political resilience or weakness?
3. What aspects of the integration of Angola's political economy into international systems may help explain the persistence of weak state and political institutions?

After addressing these questions, the paper suggests ways European and other international decision-makers might look afresh at notions of state weakness in general, and at the case of Angola in particular.

Studying the Angolan case may contribute to policy about weak states, but perhaps not along customary lines.

First, the Angolan case suggests the limited value of scoring and ranking states, as if they were commodities or football clubs. For example, influential think-tanks in the USA have classified post-war Angola as a completely 'failed state',<sup>1</sup> a 'severe' case of a low-

income country under stress<sup>2</sup> and most recently as a 'critically weak' state, 11<sup>th</sup> of the world's current worst cases.<sup>3</sup> Yet another high-profile forum, *Foreign Policy* magazine, has for years rated Angola as well outside the ranks of the seriously weak and unstable. Given appeals for clarity and consensus among Western policy elites, this discord and confusion about an important client state is noteworthy.

Second, the Angolan case suggests that confining attention to politics 'onshore' leads to explanatory dead-ends. That is because Angola's political economy is extraverted. Key processes take place 'offshore', in supra-national realms. Drawing attention to the extraversion of places like Angola is all the more important because influential 'expert' organisations like the World Bank consistently fail to do so.<sup>4</sup>

Third, Angola's case suggests the need to probe common assumptions like the 'resource curse'. Many hold that oil revenues trigger bad politics and instability; among cruder versions is that of a pundit of the *Financial Times*: 'The very presence of oil turns law-abiders into thugs, and pushes nations backwards into chaos.'<sup>5</sup> Yet recent comparative research finds that oil wealth, on the contrary, tends to *stabilise* regimes. Hence pursuit of general 'laws of petro-politics' is a dead end; it is more useful to look for patterns case by case in their social and historical settings. Angola may show signs of 'path dependence', but oil was only one factor laying down the path.

Fourth, and perhaps most urgently, the case of Angola calls attention to democratic deficits generated by the hydrocarbon industry not only in fragile peripheral states but also in advanced industrialised countries. It

<sup>1</sup> USAID/Iris Center 2004, *Proposed Typology in Order to Classify Countries Based on Performance and State Capacity*, College Park: Iris Center, University of Maryland

<sup>2</sup> World Bank IEG 2006, *Engaging with Fragile States. An Independent Evaluation Group Review of World Bank Support to Low-Income Countries Under Stress*, Washington, D.C: World Bank

<sup>3</sup> Rice, S. and S. Patrick 2008, *Index of State Weakness in the Developing World*, Washington DC: Brookings Institution

<sup>4</sup> See for example Harrison, G. 2005, 'The World Bank, Governance and Theories of Political Action in Africa', *British Journal of Politics and International Relations*, 7, 240–260

<sup>5</sup> Amity Shlaes, 'In Poorer Nations, Oil Resources Can Be a Curse Upon the People', *Financial Times*, 20 June 2004

illustrates the power of the oil industry – and the national elites who depend on it – to corrupt and undermine the legitimacy of whatever political system it touches. Yet rules and institutions governing global financial flows, tax regimes and the environment continue being shaped to suit corporate interests, especially those of the hydrocarbon industry. The risks to democracies young and old are serious.

This paper draws on research and commentary by others, and on information and views obtained in 2008 by the author in interviews with Angolans, and specialists working on issues such as revenue transparency and human rights.

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# Globalised Angola – the past

What forces have driven Angola's emergence as a nation and polity? How have they shaped its economy, social identities and politics? This chapter offers a short overview, laying out the background to later chapters focused on the main research questions.

Conventional wisdom holds that state fragility in Africa stems chiefly from the inner drives of elites themselves. They are in the dock as greedy, corrupt, scornful of sound policy and driven by primitive ethnic rivalries. Yet in a political economy like Angola's, where Western interests have set the ground rules and incentives for five hundred years, the power of such essentialist views to explain anything is not great. Angola's polity may be better understood by assessing the interplay of a number of factors:

- unremitting violence, both overt and structural;
- an economy geared to serve outside interests;
- a state apparatus and politics based on generations of dependent, territorially weak, militarised, centralised and corrupted processes designed for colonial purposes and thus *ipso facto* anti-democratic;
- inequalities generated by uneven and extraverted development;
- public goods and services provided chiefly in response to elites, and lacking any grounding in transparent, democratic processes;
- a political space for associational life ('civil society') that is severely confined and largely de-politicised.

## Overt and structural violence

In the twentieth century, Angola enjoyed only about twenty years without war. This was the period 1941 to 1961, between the last colonial military campaigns and the first open anti-colonial revolts. However, Angolans in daily life have for generations

faced less overt forms of violence: repression, alienation and preventable poverty. Such violence helped subordinate colonial subjects and organise a predatory economy.

In the four decades following 1960, Angola went through spasms of open warfare, reaching crescendos in the 1980s and 1990s. Against such violence and chaos, Angolan citizens had few defenses; most hunkered down, pursued survival strategies, especially taking flight across borders or to urban areas. Elites faced few incentives to end this disorder and many to turn it to their own advantage.

Angola's emergence to self-determination took place amidst geo-political contention. First, facing setbacks in Vietnam and insurgencies elsewhere, the United States sought to contain and roll back communism. It found itself typically wrong-footed when in 1974 its Portuguese client regime collapsed, largely under the burden of its wars in Africa. Second, facing new and successful assertiveness among oil producing countries, the US government had few hesitations about using force to set the terms of access to Angolan oil. Foreshadowing its invasion of Iraq three decades later, it opened a covert war in Angola, making use of regional proxies in Zaire and South Africa.

Yet throughout this assault, corporate power took a different position. American corporations pumped and re-sold Angolan oil, furnished Angola with Boeing airliners and facilitated capital flight to Wall Street and tax havens. By trading with the Angolan enemy, they easily recouped the hundreds of millions spent on making war against it.

Today that US-led covert war to 'roll back' communism is referred to as a civil war — thus airbrushing away its geopolitical drivers. While contentious politics in the post-independence period were probably inevitable in Angola (as in many other African polities), the duration and destructive force of the conflict can only be understood by factoring in the geopolitics of the time.

## Economic discontinuity and polarisation

The hasty and vengeful departure of most Portuguese settlers in 1975 and the onset of expanded warfare triggered the collapse of most formal industry and commerce. From a high degree of self-reliance, Angola began to import food and other basic goods, mainly those needed by city dwellers. Small farmers faced a 'goods famine', thereby reducing incentives and means to produce surpluses. The war, and resulting forced urbanisation, were the final blows to a sophisticated commercial agrarian economy. The post-colonial period might just as accurately be termed the 'post-agrarian' period.

Turbulence and discontinuity have been Angola's fate. Its leading exports (slaves, rubber, sisal, coffee) have boomed, then gone bust. Its development strategies (captive dependency, import-substitution, settlement schemes, Soviet-style planning) have come and gone. These cycles left behind few capacities, traditions, infrastructure or institutions for periods that followed. There was little Schumpeterian 'creative destruction', as the losses swamped out the gains. What has remained constant, however, is the commanding position of foreign capital, allied with repressive and administrative powers of the state.

## Weak and illegitimate political institutions

Angola's systems of administration developed according to Portuguese law, custom and organisational capacities. Those systems were weak. Under more than forty years of dictatorship and a bizarre creed that the colonial order was legitimate and sustainable, government became more rigid, centralised and corrupted. In rural areas the state was present in only rudimentary ways, if it was present at all. Alongside formal institutions were many informal norms of the Portuguese police state, claims of privilege by petty officials and grand corruption by senior officials including the military. Apart from

churches, sports clubs and a few charities, there was no formal associational life. Political activism in civil society was outlawed.

Organised expressions of nationalism emerged among intellectuals in Luanda and provincial towns. Violent Portuguese counter-measures following spontaneous upheavals in 1960 and 1961 sent many nationalists into exile. Nationalist parties themselves showed little internal coherence or anchoring among Angolan citizens broadly. One Angolan political analyst put it as follows:

'Although [national parties'] programmes proclaimed democratic liberties as objectives of the struggle, none of them conducted themselves in ways that would guarantee pluralism. [...] Within each organisation, conditions of tolerance and openness to political debate [were] nonexistent.'<sup>6</sup>

In these and other ways, Angolan anti-colonial politics foreshadowed the autocratic and violent political order of the post-colony. The nationalist leadership inherited no institutions or traditions on which to build a responsive bond or social contract between citizens and the state. Even if economic collapse and war had not occurred, building such a new political order would have posed immense challenges. But that positive scenario was eliminated from the outset; Angola's institutional fragility was in this sense 'over-determined'.

## Social identities and inequalities

Until the late 1800s, Angola was not a country but merely a string of coastal enclaves. Only in the 20<sup>th</sup> century did its inland territory gain political boundaries and infrastructure. Several distinct zones arose around crop and labour systems, transport corridors and marketing networks. Out of fragmented socio-linguistic groupings, major ethnic blocs crystallised as follows (Portuguese estimates of each

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<sup>6</sup> Gonçalves, J. 2003, *O descontínuo processo de desenvolvimento democrático em Angola*, paper presented at CODESRIA Conference, Gaborone, Botswana, 18/19 October 2003 [trans. D.S.]

one's proportion of the country's population in 1960 are given in parentheses):

- a) in coffee-exporting north-western zones and the Cabinda enclave, a diverse range of peoples speaking dialects of ki-Kongo (13 %);
- b) in a north-central band running from Luanda to the east, where cotton was grown for export, peoples speaking dialects of ki-Mbundu with increasing admixtures of Portuguese (22 %);
- c) in a mixed farming (maize, beans etc) zone extending from the central coast into the central highlands, peoples speaking dialects of umBundu (37 %).

As elsewhere in Africa, missionaries transcribed and codified languages and other cultural markers, thereby 'inventing' tribal identities. Through their churches, schools, health posts and charitable works, Protestant missions quietly competed with the dominant Catholic system, which colluded with Portuguese colonial order. The churches' resulting social networks strongly shaped Angola's regionalised and ethnically-charged politics. Leaderships of the three main nationalist parties – the FNLA in the Northwest, the MPLA in Luanda and the north-central zone and UNITA in the central highlands - emerged from respectively Baptist, Methodist and Congregationalist institutions.<sup>7</sup>

Apart from these 'horizontal' divisions, there was marked 'vertical' segregation. Foreign-based *rentiers*, followed by various strata of settlers, formed the top of the social pyramid. African hierarchies were dominated by a longstanding Creole merchant elite. Most members of that elite were categorised as *assimilados* (with minor privileges and subaltern status as colonial citizens) distinguishing them from the *indigenas*, the caste of permanently excluded Africans. There was further stratification in rural areas, where the Portuguese had arbitrarily created 'advanced' farmers, local policemen, straw bosses and 'traditional' authorities — although their popular legitimacy was often in question.

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<sup>7</sup> Birmingham, D. 1992, *Frontline Nationalism in Angola and Mozambique*, London: James Currey

Late in the colonial period, driven by government taxation, forced labour systems, settler land-grabs and the growth of commercial agriculture, most Angolans had been absorbed into capitalism's cash nexus as full or part-time proletarians and petty producers. In several agrarian zones, African strata of accumulating smallholders had emerged, among them some of Africa's most advanced rural producers at the time. Yet further advances for Angolans were blocked by denial of education and by further confiscations of land by settlers and corporations.

## Conclusion

Over hundreds of years, Angola's foreign overlords had put in place a political economy based on overt and structural violence, an ever-changing but lucrative order serving chiefly a *rentier* class in the colonial metropole and consumers in the USA and Western Europe. Foreign interests built up a 'limited access order' that restricted privileges and rents to a narrow elite.<sup>8</sup> The state mirrored social hierarchies based on the restricted allocation of assets, economic predation and a coercive, militarised approach to public order.

Colonial and post-colonial elites showed no interest in creating an 'open access order' based on citizenship for all and competitive markets. A path was laid down around a weak but autocratic colonial state dependent on outside powers. Mediocre institutions and under-skilled people were additional legacies. Angolan nationalist movements, their leaders imbued with norms of a 'limited access order', and habituated to the use of armed force, had no ready alternatives when they assumed power.

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<sup>8</sup> The terms 'limited access order' and 'open access order' are discussed in North, D.C. and others 2007, *Limited Access Orders in the Developing World: A New Approach to the Problems of Development*, Working Paper 4359, Independent Evaluation Group, Washington DC: The World Bank

# Globalised Angola – the present

What forces entwine Angola in the world economic, social, military and political order? To what incentives do Angolan elites mainly respond? How do those elites assert themselves in regional and global settings? These are among the main questions addressed in this chapter.

## Oil and geopolitics

### *In the short run*

Oil became Angola's top revenue-earner in 1973, a mere five years after its first appearance in export statistics and some 18 years after pumping began at the country's first commercial well. Oil radically raised the political stakes. It led impoverished Portugal to cling more violently to her colonies. It encouraged the United States to promote a devastating war against Angola and at the same time make money from it. The combined impact of those conflicts, rising revenues and the massive political influence of the oil industry in Western democracies have made oil decisive in Angola's political economy.

Angola's case illustrates the oil industry's geo-political privileges. It gets a *laissez-passer* across even the best-guarded ideological boundaries. Until 1974, western oil firms' revenues bankrolled the Portuguese war effort. Yet when the Portuguese departed, those same oil firms effortlessly switched their allegiance to the triumphant African leadership in Luanda. The White House worked hard to stop the sharing of oil revenues with the 'Marxist Leninists', yet American oil companies easily sidestepped those pressures and had no qualms about cultivating cordial and profitable relations with the new 'leftist' government. Indeed, before the US Congress, a senior American oil company executive defended its tax and royalty

payments on grounds that they enabled the Angolan government to improve popular living conditions, the very claim the 'Marxist Leninists' made to legitimate their struggle.<sup>9</sup>

Five of the world's eight largest corporations – Chevron, BP, Exxon/Mobil, Royal Dutch Shell, and Total - created the hydrocarbon sector in Angola. They continue to expand their stakes there to the present day. Alongside some smaller ones such as the Italian ENI/AGIP (27<sup>th</sup> largest corporation in the world), they wield not only technical but also financial and political power in Angola and in geo-political spheres in which Angola is embedded.

Angola's case can be understood in light of the commanding influence the hydrocarbon industry holds over the political classes in many Western democracies, especially the United States. That industry finances political parties, fields thousands of lobbyists and shapes public debate and opinion through the media and think tanks.<sup>10</sup> Also in Western capitals, hydrocarbon-exporting dictatorships and sheikdoms make their presence felt in spending power and in regiments of public relations operatives. For their part, western politicians pay close attention to the wishes of those autocracies, sometimes blocking probes into their corrupting influence in Western public life. According to a leading former oil executive, Western governments subsidise the hydrocarbon industry to the tune of \$200 billion a year.<sup>11</sup>

Oil industry power affects geopolitics via national governments, but also via the scaffolds of global governance. The industry codifies and enforces international financial and legal mechanisms matching corporate requirements. Among crucial mechanisms are offshore financial centres that shield oil revenues and personal wealth from taxation. National governments also promote hydrocarbon

<sup>9</sup> Oliveira, R. S. 2007, *Oil and Politics in the Gulf of Guinea*, New York: Columbia Univ Press, p. 182

<sup>10</sup> See for example: Oil Change International. <http://priceofoil.org>

<sup>11</sup> Former British Petroleum CEO Lord Browne, cited in Fiona Harvey 'Axe fossil-fuel handouts, says Browne' *Financial Times*, 2 November 2008

investments with World Bank loans. They deploy naval, air and ground forces to secure oil shipments and to protect oil-producing client states. Western governments have regularly promoted oil interests through covert action or open invasions. In Angola's case, the United States provided very few of its own forces, opting instead for a covert war by way of national and regional proxies.

In Angola, the political class resides onshore but is anchored financially offshore. Its power depends on its partnership with oil corporations and the technical, financial, diplomatic and military resources they provide directly or effectively guarantee. Yet the partnership is not one of equal risks and benefits. For example, the terms of Production Sharing Contracts cushion oil corporations against price fluctuations, thereby exposing Angola to most risks of income volatility.<sup>12</sup>

Companies' technical and financial control prevents outsiders, Angolan authorities included, from knowing with any precision what actual oil output and profits are. Shielded by national and supra-national rules crafted through massive lobbying, oil corporations use transfer pricing and bank secrecy to put their revenue beyond anyone's tax jurisdiction. An industry expert notes: 'In the Gulf of Guinea, the foreigners pump the oil, and sell it to themselves (often keeping two sets of books, and squirreling away the difference in Swiss bank accounts).'<sup>13</sup> An IMF report estimates that Gulf of Guinea oil exporting governments lose about half the value of oil actually exported.<sup>14</sup> A report on tax losses to mineral exporting poor countries concludes that 'there is plenty of evidence that through a combination of hard-nosed negotiating tactics and the use of sophisticated offshore financial products and services,

royalty payments for such resources to developing countries, particularly in sub-Saharan Africa, have been far lower than they should be.'<sup>15</sup>

In short, Angola may be as much sinned against as sinning. Its treasury, just as treasuries elsewhere, including those of richer countries where oil companies are headquartered, is not receiving a fair share.

In international domains today, corporations effectively face only 'soft law' - that is, moral pressures to operate transparently; whereas in Angola itself they are legally forbidden to reveal key information. Angola remains outside the Extractive Industries Transparency Initiative, although in 2004 it began to release somewhat more information on oil revenues.<sup>16</sup> The largest operators in Angola are among the industry's worst performers when it comes to publishing what their operations actually yield in profits or what payments they make to the government.<sup>17</sup> This basic bargain among elites thus rests on a mutually assured denial of information to the public.

For their part, oil corporations require a credible sovereign state, one that is solid enough to comply with contracts as enforced by international lawyers, judges and mediators and to exercise a monopoly of coercive power in zones relevant to the corporations. Thanks to oil revenues, the Angolan state has become capable of both. It remains dependent and unevenly developed, but has built alliances with colluding political and corporate actors abroad. As discussed below, Angola's political class has used its partnerships to acquire its own technical capacities in the oil sector, as well as capacities in military, financial and media realms.

<sup>12</sup> Shaxson, N. 2005, 'New approaches to volatility: dealing with the "resource curse" in sub-Saharan Africa', *International Affairs*, 81:2

<sup>13</sup> Yates, D. 2004, 'Changing Patterns of Foreign Direct Investment in the Oil-Economies of the Gulf of Guinea' in Rudolf Traub-Merz and Douglas Yates (eds) *Oil Policy in the Gulf of Guinea, Security & Conflict, Economic Growth, Social Development*, Berlin: Friedrich-Ebert-Stiftung

<sup>14</sup> Katz, M., and others 2004, *Lifting the Oil Curse. Improving Petroleum Revenue Management in Sub-Saharan Africa*, Washington DC: IMF

<sup>15</sup> ActionAid 2008, *Hole in the pocket. Why unpaid taxes are the missing link in development finance*, London: Action Aid, pp. 17-18

<sup>16</sup> Ferreira, P.M. 2008, *State-Society Relations in Angola: Peace-Building, Democracy and Political Participation*, Initiative for Peacebuilding, Madrid: FRIDE, p. 8

<sup>17</sup> Transparency International 2008, *Promoting Revenue Transparency. 2008 Report on Revenue Transparency of Oil and Gas Companies*, Berlin: Transparency International

### *In the longer run*

Angola's known oil and gas reserves are relatively modest, being far smaller than those of Nigeria or Saudi Arabia. Its oil output is projected to peak in 2010. Between 2015 and 2018, Angola's petrodollar-based national budget could flip from surplus to deficit if no alternative sources of state revenue are found. The hydrocarbon sector currently absorbs around three-quarters of all investment but generates only a fraction of one percent of all new employment. By contrast, the agricultural sector absorbs less than one percent of recorded new investment<sup>18</sup> but could generate massive new employment.

Should Angola persist in its current pattern of elite-centred consumption and hydrocarbon-centred production, it will probably face a serious downturn by around 2020.<sup>19</sup> The revenue shock triggered in 2008 by falling oil and diamond prices (accompanied in all likelihood by accelerated capital flight) provides a foretaste of what may lie ahead. The next decade could see an abrupt end to rising expectations among urban strata who aspire to stable middle class lifestyles. The current development model is thus a ticking political time bomb. The coming decade will reveal whether that bomb will be defused or not.

## **Other extractive industries and land**

Diamonds have linked Angola to world systems since the early 1900s, but with impacts rather different from those of the oil sector. Many diamond-digging firms are active, most employing private or irregular armed forces. In principle a state monopoly managed under formal sector rules, alluvial diamond mining also involves informal trade and labour circuits. As of 2000, an estimated 300 to 350 thousand artisanal

diamond miners or *garimpeiros* were thought to be active; yet even after a brutal government-led campaign to suppress them, there were in 2007 at least as many if not more *garimpeiros*.<sup>20</sup>

All these elements pose political and fiscal challenges both to central authority and to international monitoring. Diamond-trafficking paid Unita's bills during its last nine years of war. In 1994, an abortive peace settlement allocated control over five diamond areas to Unita; in 2002 this elite bargain was renewed, this time with success. Separatist movements in the main diamond zones of Lunda North and Lunda South have emerged, but have been held in check through agreements among political and military elites about each one's shares of diamond revenues. Transparency has been even weaker than in the hydrocarbon sector, although UN and civil society pressures have brought formal diamond trading circuits under a permanent public spotlight. These get attention because they involve major international players, such as the De Beers monopoly.

Other extractive industries such as iron ore, granite and marble are far less lucrative, but control over them is likewise subject to limited access in the service of internationalised elite bargains. The same logic holds for access to land. Upward pressures on global food prices strengthen incentives for foreign corporations such as Lonhro to acquire land suitable for farming or ranching, either for direct use or for speculation. Chinese investors are also among those showing active interest in Angolan farmlands. A land law enacted in 2004 protects small farmers only marginally,<sup>21</sup> instead favouring corporate interests. Such trends cast shadows on the prospects for decent rural livelihoods and an equitable distribution of income and wealth; on the contrary, they set the scene for further socio-economic polarisation and conflict.

<sup>20</sup> PAC 2007, *Diamond Industry Annual Review for Angola 2007*, Ottawa: Partnership Africa-Canada

<sup>21</sup> Discussed in 'A Questão da Terra em Angola. Ontem e Hoje' F. Pacheco (coord.), *Caderno de Estudos Sociais* No. 1, 2005, Luanda: Centro de Estudos Sociais e Desenvolvimento; and ARD, Inc. 2007, *Strengthening Land Tenure and Property Rights in Angola. Land Law and Policy: Overview of Legal Framework*, Washington DC/Burlington VT: USAID/ARD

<sup>18</sup> BPI 2007, *Estudos Económicos e Financeiros – Angola*, Departamento de Estudos Económicos e Financeiros, Outubro, Lisboa: BPI

<sup>19</sup> Mitchell, J. and P. Stevens 2008, *Ending Dependence. Hard Choices for Oil-Exporting States*, London: Chatham House (the Royal Institute of International Affairs)

## Integration in trade and investment

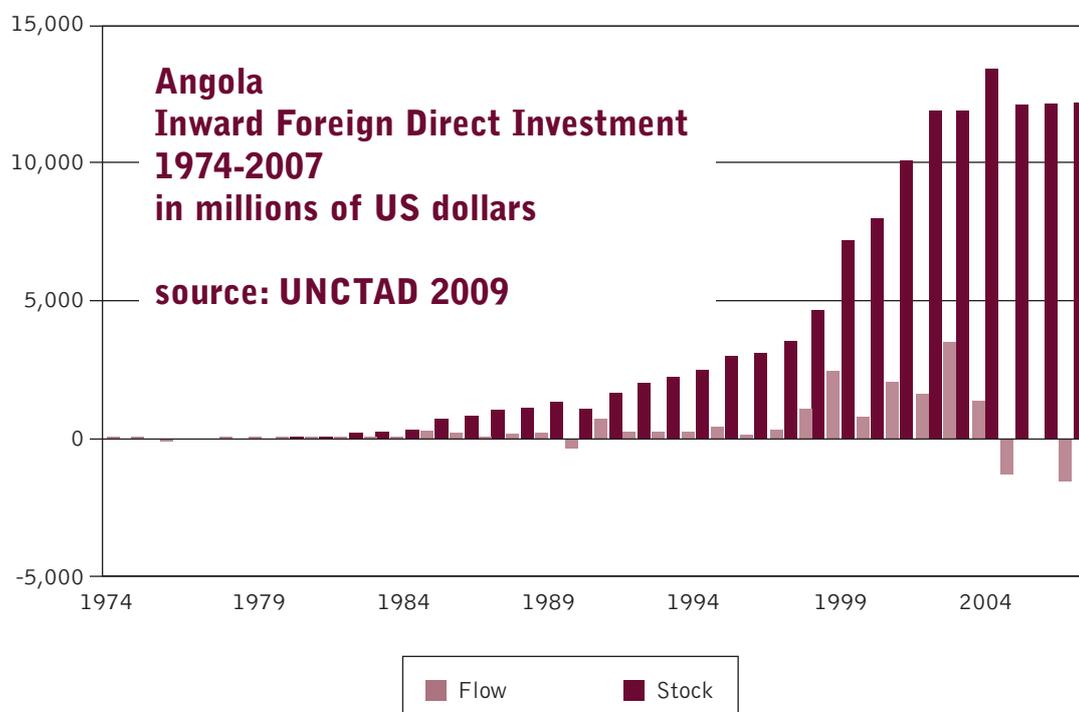
By 1985, ten years into the post-colonial period, Angola faced increasing disorder: more war, further deterioration of basic utilities and infrastructure, a rural economy in collapse and volatility of oil revenues. By 1986 these had shattered the dreams of Luanda's central planners about economic self-reliance, including the substitution of imports with home-made goods. Once a major exporter of food, Angola by 1990 was importing more than half its food needs, as well as many other basic goods.

Trade in imported goods became a key source of profit for rich people and of informal employment for the rest. Licenses to import provided access to hard currency credit; they thus became patronage plums, with military commanders among the first to get the fruit. Informal commerce with Zaire and South Africa flourished. Thousands of Angolans became long-distance traders, importing consumer goods by air from Brazil, Portugal and the Far East.

As illustrated in this chart, foreign direct investment exploded, with profits and other outflows now surpassing inflows in net terms.<sup>22</sup>

Consumer desires and consumer culture have since mushroomed, fed by rapidly-growing publicity and marketing industries in which Brazilian and Portuguese firms dominate. Advertising and consumer images saturate national print and electronic media, whose content is largely imported from Brazil, the US and Portugal. Wants, needs and aspirations are under continual upward pressure as images of Western lifestyles spread and intensify.

Chinese trade and investment have radically shifted the pace and direction of Angola's integration. Total trade volume has grown explosively, reaching US\$ 25.3 billion in 2008, roughly 14 times what it had been in 2000. Angola is now China's number one trading partner in sub-Saharan Africa.<sup>23</sup> Chinese business presence is expanding, driven largely by national loans and lines of credit tied to its national firms and lubricated by elite interchange via trade fairs and semi-



<sup>22</sup> UNCTAD 2009, FDI Statistics, Interactive Database, <http://www.unctad.org/>

<sup>23</sup> In 2008, China's trade with Brazil, whose GDP is about 25 times larger than Angola's, was only twice as large as its trade with Angola.

official trade promotion agencies such as the International Lusophone Markets Business Association (ACIML). Competition among foreign suppliers of goods and services is thus sharpening, affording Angolan government elites yet more negotiating power. Portugal remains, however, Angola's chief commercial supplier, as well as a major investor.

## Financial integration

Few countries are more globalised financially than Angola. As of 1998, it was one of only seven economies whose recorded gross external assets and liabilities exceeded their recorded gross domestic products.<sup>24</sup> Since 2002, thanks to an explosion of loans, credits, capital flight and Angolan investments abroad, its financial integration has only deepened.

Angola's engagement with world capital markets has occurred without the mediation or blessing of the Bretton Woods institutions; Angola has never taken an IMF loan. However, in the late 1980s the government began introducing some standard Washington Consensus policy formulas, showing particular enthusiasm for measures favouring upward redistribution. These included a stop to consumer food subsidies and the sale of public assets – all important signals to domestic and foreign business interests that the era of state socialism was at an end.

Angolan financial surpluses have for decades excited the interest of foreign banks and purveyors of credit – an excitement reciprocated by Angolans seeking to put their monies discretely offshore. Collusion between foreign and national elites has made Angola a net exporter of capital for decades. From 1985 through to 2004 its estimated capital flight totalled 216 percent of recorded GDP, ranking it among the most severe cases of financial haemorrhage in sub-Saharan Africa.<sup>25</sup>

<sup>24</sup> Lane, P. and G. M. Milesi-Ferretti 2001, 'The External Wealth of Nations: Measures of Foreign Assets and Liabilities for Industrial and Developing Nations', *Journal of International Economics*, Vol. 55, pp. 263-394. The data offered may not have included wealth held secretly.

<sup>25</sup> Ndikumana, L. and J.K. Boyce, 2008, *New Estimates of Capital Flight from Sub-Saharan African Countries: Linkages with External*

Outflows take place through a mix of corporate mis-invoicing,<sup>26</sup> bribes and simple transfers by wealthy individuals. Quantities of capital flight and uncollected tax revenues are not known with precision. That massive information deficit is a deliberate outcome of special privileges granted to offshore financial centres by Western governments, in large part thanks to hard lobbying and political contributions by the financial industry. These legal arrangements have helped make the economic life and public governance more fragile not only in Angola, but in many other places including Western democracies.<sup>27</sup>

After 2002 Angola became a hot new destination for the financial industry, backed by enthusiastic officials from Western capitals. In 2007 the US Assistant Secretary of State for Africa projected Angola as one of the continent's three main hubs alongside Nigeria and South Africa. A Western diplomat told a reporter, 'There's a general feeling that if we are not a player in Angola in the next five years we will have missed the best opportunity in Africa.'<sup>28</sup> Official banks and export credit agencies of Brazil, China, France, Germany, Portugal and Spain have scrambled to extend new credit, while Angola has settled old debts. Private banks and insurance companies arrive every year to set up shop.

World Bank assessments of Angola's business climate are not flattering, but pro-market American think tanks give it relatively good ratings, chiefly for its mild

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*Borrowing and Policy Options*, working paper 166, Political Economy Research Institute, Amherst: University of Massachusetts. [www.peri.umass.edu/236/hash/61e07e4377/publication/301/](http://www.peri.umass.edu/236/hash/61e07e4377/publication/301/). Illicit flows from Africa are poorly documented and therefore greatly understated; see Kar, D. and D. Cartwright Smith 2009, *Illicit Financial Flows from Developing Countries: 2002-2006*, Washington DC: Global Financial Integrity

<sup>26</sup> Over-charging on exports to Angola was the main form of trade-based capital flight to the USA from 2000 to 2005. Pak, S. 2006, *Estimates of Capital Movements from African Countries to the U.S. through Trade Mispricing*, Workshop on Tax, Poverty and Finance for Development, University of Essex, 6-7 July 2006, Association for Accountancy and Business Affairs

<sup>27</sup> See documentation available on the websites of the Tax Justice Network ([www.taxjustice.net](http://www.taxjustice.net)) and of Global Financial Integrity ([www.gfip.org](http://www.gfip.org)).

<sup>28</sup> Alec Russell, 'Investors sign up to Angola's miracle' *Financial Times*, 22 August 2007

tax regime<sup>29</sup> and deregulated trade.<sup>30</sup> The US government approves of its financial integration measures, such as easy outward transfer of revenues.<sup>31</sup>

Indeed, more money continues to flow out of Angola than goes in, as shown, for example, in data on foreign direct investment in the period 2005-2007.<sup>32</sup> Where Angola's money actually goes is not publicly known. But if its revenues follow those of other oil exporters, the chief beneficiaries are American. In a study entitled *Recycling Petrodollars*, three economists of the US Federal Reserve conclude, 'Although it is difficult to determine where the funds are first invested, the evidence suggests that the bulk are ending up, directly or indirectly, in the United States.'<sup>33</sup>

Pioneered by Persian Gulf oil exporters, Sovereign Wealth Funds are important new state vehicles for managing petrodollars. In 2004 Angola created such a fund, the Reserve Fund for Oil. However most of Angola's recorded offshore assets are managed by the state holding company Sonangol. That company's core business is oil, including major shares in oil firms in Gabon, Congo and Equatorial Guinea, where it also furnishes security advice. But it has diversified widely, including interests in Portuguese energy and banking firms. It may soon become owner of some major media in Portugal. In Guinea-Bissau, one of its joint ventures, Angola Bauxite, is investing hundreds of millions in mining and port facilities.

Financial integration and self-assertion are thus well-advanced. Even in the face of rising Chinese competition, these arrangements have furnished Western elites with several major desiderata: further diversification of petroleum supplies, increased

revenues to Wall Street and Western-held financial corporations; and a burgeoning market for Western exports and investment opportunities. For collaborating Angolan elites, the rewards have also been considerable. This incentive system is highly geared to the short run and built on precarious ecological and economic premises, but those things have not made it any less compelling for participants.

Having been integrated for a long time, Angola might serve to illustrate the beneficial effects that market fundamentalists claim about globalised finance. But those claims look spurious, and Angola's case is merely one of many. Greater financial integration does *not* improve long-term economic growth of poor countries, as even a recent IMF study - with evident disappointment - had to conclude.<sup>34</sup> Tellingly, that report's data were gathered before poor countries began to feel the impact of the global financial crisis. As that crisis deepens, the damaging effects of uncontrolled financial integration are now becoming clear.

## Political integration

Financial and military power, and seasoned political experience, have enabled Angola's elites to negotiate terms of engagement from positions of growing strength. As European countries jockey for energy security, and for lucrative markets for their goods and services, their attention to Angola has risen.

### *With Western democracies*

The misuse of Angolan oil revenues to advance the interests of politicians and parties in Western Europe and the United States is one of the more notorious expressions of Angola's political integration with foreign political systems. Despite high-level efforts to keep the matter secret, sufficient information leaked out regarding French oil company payoffs to African and European politicians to trigger criminal

<sup>29</sup> Heritage Foundation 2008, *Index of Economic Freedom*. Washington DC: The Wall Street Journal and the Heritage Foundation

<sup>30</sup> Cato Institute 2008, *Economic Freedom of the World: 2008 Annual Report*. Washington DC: Cato Institute

<sup>31</sup> US Department of State 2008, *Investment Climate Statement - Angola* (2007), <http://www.state.gov/e/eeb/ifd/2007/>

<sup>32</sup> UNCTAD 2008, *World Investment Report 2008*, New York and Geneva: UNCTAD, p. 294

<sup>33</sup> Higgins, M., T. Klitgaard, and R. Lerman, 2006, 'Recycling Petrodollars' *Current Issues in Economics and Finance*, 12: 9, New York: Federal Reserve Bank of New York

<sup>34</sup> IMF Research Department 2007, *Reaping the Benefits of Financial Globalisation*, Washington DC: International Monetary Fund

prosecutions in France. Evidence that Angolan oil revenues also taint US politics has been detected, but the matter still awaits full investigation.<sup>35</sup> A close observer of African oil politics underscores what is at stake in the Anglo-Saxon democracies:

'In the rich English-speaking world the corruption is probably not in the form of a grand unified French-style state conspiracy, but a more privatised, decentralised, nebulous rottenness, stemming from those grand, generic offshore temptations which insidiously poison our democracies through lobbying and other, more nefarious schemes. The higher the oil price, the bigger the balloons of cash, and the greater the threat to our democracies. Once again, oil acts like heroin: it feels good, but the final result is catastrophic. This is not just more tedious foreign corruption. This is really dangerous stuff.'<sup>36</sup>

### *With global and regional institutions*

Shortly after independence in 1975, Angola became a member in good standing of the United Nations and its affiliates. Only much later did it join institutions where global economic rules are made: the IMF in 1989 and the GATT/WTO in 1994. In the years immediately after independence Angola participated as a torch-bearer of third-world nationalism in such bodies as the Non-Aligned Movement; today that interest has largely evaporated. There is little enthusiasm for progressive blocs such as Socialist International, despite Angola's having received much financial and diplomatic support from Sweden and other pillars of social democracy.

The government shows only perfunctory interest in formal African institutions such as the African Union, the Southern African Development Community (SADC) and, since 1999, the Economic Community of Central African States (ECCAS), a mainly francophone body, often dormant, that facilitates engagement with donors.

<sup>35</sup> Global Witness 2002, *All The President's Men: The Devastating Story of Oil and Banking in Angola's Privatised War*, London: Global Witness, pp. 24-25

<sup>36</sup> Shaxson, N. 2007, *Poisoned Wells. The Dirty Politics of African Oil*, New York: Palgrave Macmillan, p. 101

Angola has been more visible in international platforms where it has a direct stake. Luanda has become the headquarters of a recently-revived Nigerian initiative, the Gulf of Guinea Commission, with joint economic and security ambitions. However, it shows great enthusiasm for the oil cartel OPEC, in which it became a full member in 2007 and president in January 2009.

In its regional politics, Angola usually acts unilaterally, sometimes with force of arms. Observers note a will to enjoy hegemony over the region and to become a 'kingmaker' rivalling South Africa.<sup>37</sup> These ambitions have not gone unnoticed in Washington DC, where alarm bells began to ring when Angolan armed forces went in to rescue allied regimes in the Congos and elsewhere. While some in Washington once saw Angola as a source of 'regional destabilisation',<sup>38</sup> such anxieties have since given way to benign projections of Angola as a useful regional policeman.

### *With the aid system*

In contrast to most other sub-Saharan African countries, donors and the aid system rarely mediate Angola's political integration. Business and NGO leaders do not see the aid industry as a major developmental force, and deplore the condescension and conditionalities of the aid encounter. One veteran Angolan observer rejects the notion that, before it can be properly aided, the country has to be integrated on terms set by donors. Rather, Angolans wish to be respected, not berated to accept the 'bible' of 'good governance, transparency and accountability', when the preconditions for such things are not present.<sup>39</sup>

Donors have therefore never exercised the kind of power they have elsewhere in Africa. Since the end of the humanitarian emergency, their influence has fallen

<sup>37</sup> For example: Prendergast, J. and J. Bowers 2003, *Angola's Second Chance*, Brussels: International Crisis Group

<sup>38</sup> World Bank 2003, *Transitional Support Strategy for the Republic of Angola*, Washington DC: World Bank, p. 7

<sup>39</sup> Pacheco, F. 2006, *Diplomacia, Cooperação e Negócios a Ajuda ao Desenvolvimento: O Papel dos Agentes Externos em Angola*, paper presented at Conference 'Diplomacia, Cooperação e Negócios. O Papel dos Actores Externos em Angola e Moçambique', Instituto de Estudos Estratégicos e Internacionais (IEEI), Lisbon 27 March 2006

even further. Staff of the European Commission have noted that 'As with other resource rich countries, the scope for influencing the government of Angola in general and on governance issues in particular is limited.'<sup>40</sup> According to one informant, the donors' 'last stand' was in 2003, when the government finished drafting its Anti-Poverty Strategy paper (*Estratégia de Combate à Pobreza*). That official statement of purpose now appears to be a dead letter. A non-official 'observatory' set up with a donor subsidy in 2004 to monitor government anti-poverty work is today dormant.

International agencies hesitate about confronting the government, even when their own institutions are at stake. In 2008 they offered few audible objections to the closure, at government behest, of the Office of the UN High Commissioner for Human Rights in Luanda. There have been exceptions to this timidity; the UN's Special Rapporteur on the right to adequate housing and the UN Special Representative on human rights defenders have published reports critical of government actions.

Only a few international development NGOs can be counted on to express criticism. This was the case in 2007, when government bullying of four Angola human rights NGOs triggered a protest from European organisations. Foreign powers like the United States tend to give the Angolan government the benefit of the doubt; indeed, robust defences of Angolan policy have been heard from US diplomats. In general, however, the 'international community' tends to keep its collective head down and its mouth shut.

Between international agencies and Angolans there is little love lost. Surveys of opinion<sup>41</sup> indicate low levels of public confidence in the United Nations. Its overall political and humanitarian record has been mediocre

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<sup>40</sup> Commission of the European Communities 2007, *Towards an EU response to situations of fragility*, Commission Staff Working Document SEC(2007) 1417, Brussels: CEC, p. 30

<sup>41</sup> BBC World Service Trust 2008, *Elections Study Angola 2008*, London: BBC World Service Trust; Farinha, H., I.S. Emerson and J. Pinto de Andrade 2004, *O Futuro Depende De Nós - Angolanos discutem o seu futuro político - Perspectivas dos Quimbos às Cidades de Angola*, Washington DC: National Democratic Institute

at best, in part because it lacked strong and consistent backing from powerful member states, particularly in the West.<sup>42</sup>

## Military and security integration

Among fighting forces on the continent, Angola's army has had more experience in combat and in rapid interventions. Those facts, plus Angola's enormous spending power, make it an attractive partner for foreign military or security officials and their respective arms industries.

For decades, Angolan military, security and business players have been buying arms and military/security services in both official and shadow markets. Angolan belligerents evaded UN sanctions in their purchases of massive amounts of arms at premium prices. Towards the end of the war, non-governmental and official researchers documented the huge scope of Angolan integration with the global market in military goods and services.<sup>43</sup>

Since the war's end in 2002, the military and security branches have invested more in military training, facilities and other software; in means of surveillance and control over civil unrest; and in the private provision of security services. There are multiple-use goods and multiple users. For example, since 2004 Chevron has used Israeli-made unmanned aerial vehicles (UAVs) for surveillance of territory, in collaboration with Angola's military. There is evidence of increasing competition between Chinese and American military establishments for opportunities to win Angola's favours; both American and Chinese training efforts have increased, and joint Angolan-US military exercises, begun in 1997, have now become routine.

Western military and police training and sales programmes began in the 1990s. Spain's Guardia Civil worked with Angolan police forces from 1992 to 1998,

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<sup>42</sup> Lari, A. and Kevlihan, R. 2004, 'International Human Rights Protection in Situations of Conflict and Post-Conflict. A Case Study of Angola', *African Security Review* 13:4

<sup>43</sup> See for example Human Rights Watch 1999, *Angola Unravels*. New York: HRW, pp. 92-153

followed by Spanish aid for prison services. The US is increasingly involved; in 2007, for example, it supported the regional training (including counter-narcotics) of 35 Angolan police officers. The Pentagon began its first active programmes in 1997; today, joint US-Angolan military exercises have become routine. Talk of 'terrorism' suggests the influence of American security discourse among Angolan security elites.

## Integration – conclusion

In a continent marked by extraverted political economies, Angola's is an extreme case. Its main export is produced increasingly offshore. Most of what it consumes is imported from abroad. Financially it is deeply tied to Western financial markets, and now to Chinese banks as well. Political and military leverage at home and abroad depend on strategic cooperation with foreign suppliers. In short, Angola's political economy is deeply enmeshed with external circuits and actors.

Under Portuguese rule, its economy was geared to global markets thanks chiefly to agrarian exports. That output stimulated consumption, which fed back into investment and further production onshore. Oil and war changed all that. They fuelled politics that destroyed the agrarian economy and displaced the population to urban areas, which are now the demographic centre of gravity. These urban enclaves are poorly linked with local production systems; earnings and investment capital depend on markets driven by consumption (mainly of hydrocarbons) elsewhere in the world, as well as by casino-like speculation.

Domestic politics therefore have little to do with reciprocal relations between citizens as payers of taxes or producers of goods on the one hand, and a political class in need of those taxes and goods on the other. Crucial sources of political power stem from Angola's reliance on global systems that supply revenue, goods and means of coercion - all taking place increasingly under US diplomatic and military protection. Integration offshore thus stabilises and shapes a

'limited access order' onshore, as described in more detail in the following chapter.

# Angola's onshore political economy

In what measure do formal institutions 'onshore' in Angola account for state resilience or fragility? What patterns and rules of power operate informally through or around them? What incentives arise, particularly among elites, to maintain or challenge these rules? How might these incentives evolve in the future? These are among the main questions addressed in this chapter.

## Military and security systems

For generations Angola has been hammered by war, its history 'irrigated by the blood of the victims'.<sup>44</sup> Angolan and non-Angolan actors in pursuit of power and wealth have, before trying anything else, usually taken paths of violence and coercion. The effects have been cumulative. In response to the 'rollback' war launched against it, the MPLA threw together, with East Bloc help,<sup>45</sup> a force that later grew into a competent, battle-hardened army. Thanks to a US-led crusade against it, to a flow of petrodollars and to a free market in military goods and services, Angola is today a highly militarised and 'securitised' place, one capable of deploying forces affecting politics in other African countries.

Relative to the size of its population, Angola's military, police and paramilitary forces are the largest in sub-Saharan Africa, with the probable exception of Eritrea.

<sup>44</sup> Pélissier, R. 1986, *História das Campanhas de Angola. Resistência e Revoltas 1845-1941*, vol II, Lisboa: Imprensa Universitaria, Editorial Estampa, p. 280

<sup>45</sup> Cuba was an important source of military and non-military technical assistance in the period 1976-1990. See 'Cuban intervention in Angola', <http://en.wikipedia.org/>. The Soviet Union, Vietnam and East Germany also contributed technicians, material and funds. With the exception of military capacities, little today remains of their influence.

As of 2005, close to half a million people were on the payroll of the Angolan Armed Forces, although less than a third of them were on active duty. Many tens of thousands<sup>46</sup> more serve in regular and irregular police forces, the Presidential Guard and the secret services.

Alongside those public forces, private security companies have grown. As of 2004, nearly two-hundred private security agencies employed around 36 thousand people, mainly in Luanda and in diamond mining zones. These firms have bought and sold in a shadowy public-private market structured more by political relationships (the leading security companies having been acquired by senior military officers) than by open competition.

In formal terms, civilian politicians have always had the upper hand over the Angolan military and security branches. Informally, however, their authority has depended on pacts with senior military officials. Such pacts have been imperative since 1977, when a violent coup attempt by security branch officials traumatised the political class. That imperative grew in the 1980s as Unita and its foreign backers intensified their war against the government. Effective, disciplined and loyal armed forces became a fundamental project in state-building. Senior figures have paid close attention to the recruitment, training discipline and compensation of military and security officials. They have done so with a close eye for the social make-up of the security branches, in order to reduce risks of dissension and disloyalty. After purging a number of white and *mestiço* officers from the army in the early 1980s, the leadership changed its policy and took an inclusive approach, recruiting officers of ethnic groups from which opposition parties and their insurgent armies drew their adherents.

After the war's end in 2002, the security sector absorbed some of the 130,000 demobilised ex-

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<sup>46</sup> In 2008, a total of 45,544 police staff participated in a training program of some kind, according to the Interior Minister (ANGOP 12 January 2009). Angola's internal security workforce may therefore be nearly twice the sub-Saharan African average of 180 police personnel per 100,000 citizens.

combatants. Incorporation of more than 5000 former Unita soldiers and generals into the national army and police force was an important gesture of reconciliation. Training and upgrading have followed, often with foreign support.

The leadership has worked to cement officer corps' allegiance by cultivating personal loyalties based on both formal benefits such as promotions and pensions and on informal benefits. In the wave of privatisations of the 1990s, senior military figures acquired urban real estate and former state farms.<sup>47</sup> Their routes to accumulation included access to discounted dollars and to commercial brokerage positions, especially quasi-monopolies over flows of certain imports or exports - lucrative privileges obtained through patronage. Backed by substantial spending (some of it off-budget), clientelist systems keep command structures unified and loyal.<sup>48</sup> Sub-streams of patronage branching downward help cement political allegiance in other levels of society. With the important exception of Cabinda, a modest majority of Angolans claim to trust the armed forces.<sup>49</sup>

Otherwise, overt police coercion has been directed chiefly toward those lacking all political protection: migrant workers in diamond zones, low-income residents living on prime urban real estate and episodic protestors such as students. These increasingly face 'hybrid' policing - joint operations of formal police with private security services - a 'privatised' approach in which information is legally unobtainable, complaint procedures become dead ends and no officials can be held to account. Meanwhile, the deployment of secret police and the use of informants seem to be growing, penetrating even local NGO networks.

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<sup>47</sup> Péclard, D. 2008, 'Introduction au Thème. Les Chemins de la "Reconversion Autoritaire" en Angola', *Politique Africaine* 110, p. 15

<sup>48</sup> Elite bargains built on privatisation can be fragile. In Serbia, Georgia and Azerbaijan, the award of privatised assets to favoured clients did not guarantee their political loyalties. See: Gould, J. A. and C. Sickner 2008, 'Making market democracies? The contingent loyalties of post-privatisation elites in Azerbaijan, Georgia and Serbia', *Review of International Political Economy*. 15(5):740-769

<sup>49</sup> BBC World Service Trust 2008, *Elections Study Angola 2008*, London: BBC World Service Trust

Risks to public security in Angola are, at first glance, serious. In successive waves of demobilisation since 1992, many tens of thousands of ex-soldiers have been dumped into labour markets, where very few have found decent jobs. Moreover, Angola is awash with private firearms: 21 per 100 civilians, one of the highest ratios in the non-Western world.<sup>50</sup> Violent crime is certainly present, yet its incidence is well below what might be expected given the unfavourable equation of firearms-plus-jobless youth. A 2007 survey of Angolan businesses showed much lower incidence and effects of theft and other crimes than elsewhere in Africa.<sup>51</sup> In contrast to the slums of Cape Town and some Latin American cities, there are no criminal gangs with monopolies of violence in certain zones.

## Politics onshore

### *Putting formal institutions at the service of informal power*

According to its Constitution, Angola is a parliamentary democracy. It operates through executive, legislative and judicial branches whose separate powers allow for checks and balances among all three. In formal terms, the public can make its voice heard through multiple parties, civil society organisations and public media. However, this formal framework is only loosely related to the ways politics actually work. Informal rules and relationships prevail, usually behind the legitimating façade of formal arrangements.

The reality is that Angolan politics pivot on the President's office, 'Futungo'.<sup>52</sup> It manages clientalist systems through a state apparatus welded together at many points with the dominant party, the MPLA. This monopoly is expressed formally, such as in the

Executive's powers to appoint or dismiss all officials of the judicial branch, from the Supreme Court to the Audit Court (*Tribunal de Contas*). But it also operates informally, such as by stacking key bodies like the National Electoral Commission with ruling party adherents.

Effective powers of the Parliament (*Assembleia Nacional*) are highly circumscribed by its narrow mandates, minimal resources and lack of financial autonomy.<sup>53</sup> Although dissent may be voiced and legislation initiated there, Parliament has served mainly as a platform for the ruling party, a function that in formal terms is today absolute. The country's first elections in 1992 gave the MPLA 59 percent of all seats; those of 2008 gave it 87 percent. For all practical purposes, the status quo of the pre-1992 one-party system has thus been restored. Political debate and checks-and-balances thus take place largely within the precincts of the party/governmental leadership, behind closed doors.

A formal legal system has never been accessible to ordinary Angolans. Today the judicial branch remains weak and subordinated to central authorities. Its deficits in staff and operating systems are gradually being addressed. Courts enjoy a certain amount of public confidence.<sup>54</sup> But there are few precedents of citizens bringing suit against the authorities.<sup>55</sup> Meanwhile government is promoting less formal and binding approaches to dispute settlement. In 2008, its third year of operations, the Judicial Ombudsman's office (*Provedoria de Justiça*) registered 400 citizen complaints. In the same year a senior official proposed the creation of public and private Mediation Centres (*Centros de Arbitragem*). However, such bodies have no mandates to enforce laws or impose legally binding outcomes. Instead they serve to alert the authorities to

<sup>50</sup> Small Arms Survey 2007, Geneva, (online) [www.smallarmssurvey.org](http://www.smallarmssurvey.org)

<sup>51</sup> World Bank 2007 *Angola Investment Climate Assessment*, Washington DC: World Bank, p. 35

<sup>52</sup> Referring to *Futungo de Belas*, the Presidential complex on a seaside hill of Luanda from which the President and other senior personages operate.

<sup>53</sup> Isaksen, J. and others 2007, *Budget, State and People. Budget Process, Civil Society and Transparency in Angola*, Working Paper 2007:7, Bergen: Chr. Michelsen Institute; Amundsen, I. and others 2005, *Accountability on the Move. The Parliament of Angola*. Working Paper 2005:11, Bergen: Chr. Michelsen Institute

<sup>54</sup> BBC World Service Trust 2008, *Elections Study Angola 2008*, London: BBC World Service Trust

<sup>55</sup> Skaar, E. and J. Van-Dúnem 2006, *Courts under Construction in Angola: What can they do for the Poor?* Working Paper 2006:20, Bergen: Chr. Michelsen Institute

problems without requiring them to find solutions. Other semi-formal initiatives, such as provincial human rights committees, are largely dormant.

Through its command of the airwaves and powers to intimidate or buy off critics, the regime controls and colours the information available to most of the public. Self-censorship is rampant. Comparative indexes compiled by Reporters Without Borders and Freedom House commonly rank Angola's press freedoms among the more restricted in Africa, though not among the *most* restricted. A recent analysis by a veteran media and human rights activist paints a somber picture of independent media becoming further confined, drained of staff and eclipsed by state and private media which churn out pro-regime images and frivolous entertainments.<sup>56</sup> The public at large, and probably some in the political class, are kept in the dark about essential political and economic matters. Transparency about official budgets is among the most restricted in the world.<sup>57</sup> In these ways, informed, open politics face major barriers.

### *Sub-national politics*

Territorial government has never been strong; forty years of war weakened it further, even to the point of extinction in some zones. Humiliated for years by the presence of a Unita-led 'republic' in the interior and sensitive to political rumblings in Cabinda and the Lundas, central authorities are hyper-alert to incipient separatism. They have shown political sophistication in keeping provincial elites 'inside the tent', in a broad informal coalition. Central authorities steer and finance sub-national governance in layers down to local levels. They appoint all senior sub-national officials, and create or dissolve institutions (branches of parastatal companies, funds, commissions, programmes, etc.) according to their wishes. While a few may consult residents at local levels, every sub-national government is accountable only upward, ultimately to the top authorities in Luanda.

<sup>56</sup> Marques, R. 2009, 'Mass media in Angola: Hegemonic power or power to be subverted?' *Pambazuka News*, 8 January, <http://www.pambazuka.org/>

<sup>57</sup> Open Budget Initiative 2008, *Open Budget Index 2008*, <http://www.openbudgetindex.org>

Authority is centralised, but provincial deputies have occasionally been granted discretionary powers. In negotiations with Unita, the MPLA expressed willingness to allow the President's choice of provincial governors to be influenced by electoral outcomes. *Futungo* has from time to time suspended provincial leaders known to be corrupt and unpopular, but also those known to be effective and popular (e.g. former Prime Minister Lopo de Nascimento as 'super' authority over three southwestern provinces in the 1980s).

Nevertheless, Luanda is now confident enough to try re-organising the power pyramid again. Since 2005, with Brazilian conceptual and technical advice, a pilot project for 'decentralisation' has been underway in 88 key districts, home to about 70 percent of the population. In 2009, all of Angola's 167 districts are to receive US\$ 5 million each to be spent according to a locally-formulated District Master Plan approved in Luanda. A Decree-Law of 2007 mandates public consultation on local development plans and related issues, thus opening modest official spaces for citizens' voices to be heard at local levels.

However, forums for politics made by citizens themselves are unwelcome. It is far from clear that promised electoral competition at local levels will change that. The MPLA in any case has begun preparing the ground in some detail; for example, to meet gender balances mandated in law, wives of MPLA officials are being groomed (training courses in Brazil, etc.) for elected office. The authorities emphasise gradualism in these kinds of political innovations, just as they leave no doubt that significant powers will remain in their hands.

Much more importance is attached to state administration than to political life. The territorial reach of state agencies remains weak, but performance of some key tasks is growing stronger.<sup>58</sup> The collection of taxes, customs revenues and electricity payments is

<sup>58</sup> Going by LSE Crisis States research programme indicators. See Putzel, J. 2008, *Development as State-Making Research Plans (revised)*, Crisis States Research Centre, manuscript

improving, from a low base. The regime's capacities to get its messages across via radio, and limit alternative messages, are strong, certainly contributing to the MPLA's landslide victory in the September 2008 parliamentary elections. Other public sector tasks have seen uneven advances: road surfaces and water systems have been improved, especially in the urban zones of salaried strata. Indicators of formal schooling - number of students, teachers and classrooms - had by 2008 more than doubled over 2002 levels. Health systems have also expanded, but results have been mixed. Tuberculosis rates are rising and in 2007 cholera hit tens of thousands in Luanda alone.

### *Expanded reproduction of autocratic rule*

For *Futungo*, what is mainly at stake is its monopoly of power. Indispensable to this purpose are its offshore arrangements, chiefly with oil companies and their (mainly American) political and military protectors. Onshore, *Futungo's* chief concern is to block the emergence of any serious domestic challenge to its rule, whether a separatist movement or a major coalition of economic or political interests able to sustain itself independently of central authorities.

During the war years, the MPLA leadership ultimately overpowered domestic rivals with both military coercion and material persuasion. It gained allegiance of former rivals by furnishing access to perks, property and privileged means of extracting rents and access to foreign exchange. These measures neutralised more and more opponents, convincing most to ally themselves to the MPLA government in an ever-broader elite coalition. Those showing too much in-group loyalty or reliance on foreign economic circuits independently of *Futungo* would find themselves suddenly denied official favours and frozen out. In the mid-1990s this was the fate of a then substantial cluster of prosperous Lebanese merchants, most of whom subsequently left the country. Aspiring new business, professional or bureaucratic groups thus face strong incentives to ally themselves vertically rather than laterally, and to frustrate or quash rivals and their proposals.

The state enterprise Sonangol has been a crucial instrument in the leadership's hands. Created in 1976 as the national oil company, it is today a big and successful holding company. Together with Angola's armed forces, it is a competent and robust institution in a wider context of institutional decay and fragility. A close student of oil and politics in the Gulf of Guinea describes Sonangol as 'the centrepiece in the management of Angola's "successful failed state"'.<sup>59</sup>

With its deep pockets and solid backing from powerful military and financial forces abroad, *Futungo's* hands are free – human and organisational capacities permitting – to pursue its clientalist political project on its own terms. However Angola's extraverted economy and the post-war surge in foreign investment big and small are creating new opportunities for accumulation beyond the purview of the ruling party. These range from formal sector business licenses and credit lines to informal sector trading, labour and transport circuits. With external business partnerships multiplying, some observers thus see *Futungo's* control over accumulation onshore as not absolute but relative.<sup>60</sup> Nevertheless, although deals between big Angolan entrepreneurs and foreign businesses occur regularly, central authorities work hard to maintain tight, vertical control over access to main streams of revenue and the assets that underlie them. Hence they act routinely to frustrate horizontal alliances or major enterprises (formal or informal) that might allow funds and political resources to accumulate beyond their control.

Flows via the foreign aid system have created tensions. During the war years, the government had ceded to donors and humanitarian NGOs some control over resources and access to populations. Today the accent is firmly on state control, whether by diplomacy, co-optation, bullying or imitation. Non-state actors and projects receiving foreign aid are kept on a particularly short leash. The MPLA and *Futungo* have advanced

<sup>59</sup> Oliveira, R. S. 2007, 'Business success, Angola-style: postcolonial politics and the rise and rise of Sonangol' *J. of Modern African Studies*, 45:4, p. 596

<sup>60</sup> Vallée, O. 2008, 'Du Palais aux Banques: La Reproduction Élargie du Capital Indigène' *Politique Africaine* 110, p. 26

the 'colonisation' of the civil domain by creating foundations and NGOs answerable to them. Access to benefit streams is also managed through such patronage devices as the 'Specialty Committees' (*Comités do Partido de Especialidade*) created in 2004 as a means of drawing professionals, journalists, technicians and other 'intellectuals' into the Party's orbit.<sup>61</sup>

A test of Angola's elite bargains will be that of presidential succession. As of 2009 there is no evident 'crown prince'. The choice of successor to President dos Santos will fall to a 'selectorate' of senior political and military figures.<sup>62</sup> Toadying, back-stabbing and falls-from-grace have long been part of *Futungo* court politics, but current elite pacts appear to be broadly robust. With no one faction seriously at risk, a smooth succession process seems entirely feasible.

## Economic growth, political sociology and state resilience

Economic growth onshore has accelerated since 2002. It has reproduced some of the polarised and outwardly-oriented patterns of Angola's colonial past. Guiding it are rules, plans and public subsidies reflecting preferences of political elites and foreign investors. The leadership talks frequently of 'sustainable development' but makes its choices mainly according to 'high modernist' development models of dubious sustainability seen in other *rentier* settings such as the Persian Gulf. There has been a surge in the creation of consumer needs, and, for some, the satisfaction of those needs. Beyond the state/party *nomenklatura*, the lucky few include members of business, professional and other advantaged strata whose spending power, thanks to

<sup>61</sup> That patronage system probably contributed to the failure of a political party composed of intellectuals and activists, the FdP, to gain a seat in Parliament in the September 2008 elections.

<sup>62</sup> Studies of succession in autocratic regimes suggest that where a selectorate is not politically dependent on the person in the top position, it can usually nominate his or her successor without losing power. Besley, T. and M. Kudamatsu 2007, *Making Autocracy Work*, Development Economics Discussion Paper 48, London: London School of Economics

higher salaries and access to consumer credit, has increased.

Despite the prosperity of salaried strata, the state's socio-economic base remains narrow and possibly unstable. The post-1975 enclave economy is an artifact of war and petrodollars. The collapse of the agrarian commercial economy put Angola at the mercy of world prices of oil, food and credit. State income and expenditure have generally followed the ups and downs of oil prices. At present, taxes on wages, consumption and non-oil business activity account for only a small part of state revenues. Hence onshore consumption and production are hardly a basis for reciprocal politics binding the political class to citizens.

Oil dependence is commonly thought to make states unstable. The causal chain is roughly as follows: oil dependence -> breakdown of citizen-state reciprocity -> political fragility -> war. But the Angolan case offers no clear confirmation of this hypothesis; on the contrary it is consistent with statistical studies indicating that oil wealth tends to *prolong and stabilise autocratic regimes*.<sup>63</sup> Most *rentier* regimes 'have generally avoided the substitution of oil for statecraft.'<sup>64</sup>

An important part of statecraft is the redistribution of rents to better-off consumers and formal sector businesses. This takes place unobtrusively by way of low charges, and in some cases non-collection of charges, for state-supplied housing, fuels, electricity, water and air transport. Such *de facto* subsidies,

<sup>63</sup> Ross, M. 2008, *But seriously: does oil really hinder democracy?* typescript, UCLA Department of Political Science, Draft October 29, 2008. Comparative statistical research tracking 'resource cursed' regimes over time suggests that oil and mineral dependence does not *cause* autocracy or *preclude* transitions to democracy. See Haber, S. and V. Menaldo 2008, *Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse*. A striking feature of these multiple regression studies and debates, however, is their lack of attention to geopolitics and the role of super-powers in protecting or removing autocratic regimes.

<sup>64</sup> Di John, J. 2008, *Conceptualising the Causes and Consequences of Failed States: A Critical Review of the Literature*, Crisis States Research Centre, working paper nr. 25, London: LSE, citing Smith, B. 2004, 'Oil wealth and regime survival in the developing world, 1960-1999', *American Journal of Political Science*, 48:2. A more plausible causal sequence would be: predatory Western oil interest -> war -> oil dependence.

reinforced by benefit schemes for elites (foreign scholarships, medical treatment abroad, etc.) and choices of investment (shopping malls, multi-lane highways for Luanda, etc.) underpin their vertical allegiances. Some *de facto* subsidies, such as for fuel, also reach low-income urban dwellers, and thus may blunt some hard edges of inequality in cities.

Crucially, the leadership's patronage systems have included elites in peripheral zones. Here, 'horizontal inequalities', ethnic loyalties and grievances against 'Luanda' can form a potent mix, as noted earlier about Cabinda and the Lunda Provinces. The social 'reach' of patronage beyond elites is, however, not unlimited and may risk falling short of rising expectations of the poor majority. Earlier surveys of public opinion suggest that only a minority of people see their lives getting better. Assuming Angolans see things as do citizens elsewhere in Africa, they probably sense that poverty *as they experience it* has worsened.<sup>65</sup>

In mobilising public revenues, onshore production and exchange matter little in formal terms; indeed, many economic circuits operate beyond the reach of the authorities. As in most of sub-Saharan Africa, the unregistered 'informal' economy accounts for most of the labour force and a sizable share of spending, saving and investment.<sup>66</sup> Conventionally seen as made up of self-reliant entrepreneurs, Angola's informal economy is in fact composed of owners, owner-operators and those earning wages or commissions. Only a minority of participants in the informal economy are single, self-employed entrepreneurs.

Angola's formal and informal economies do not exist in separate compartments; they are better seen as two dimensions of one interconnected whole. Most unregistered economic circuits are subordinated to the formal economy. Participants in the informal economy

are not so much excluded from the formal economy as adversely incorporated into it. Close study of goods markets in cities reveals complex hierarchies of informal businesses and workers dependent on formal businesses and agents of the state.<sup>67</sup> Also in the formal economy, entrepreneurs setting up registered businesses come from, or depend on contacts with, the ruling party or its government agents.<sup>68</sup>

Official positions toward the informal economy tend to vary according to the social power of those in question. Poor petty traders, the majority of whom are female, have always faced bullying and shakedowns by the police, particularly the 'economic police' (*Polícia Fiscal*). By contrast, economic agents further up supply chains can expect deference and cooperation. Some of these are owners of formal businesses whose sales and labour depend on unregistered workers, brokers and other agents. Illicit flows managed by elites, such as via invoice mis-pricing or use of tax havens, evidently escape formal regulation.

In official utterances, the authorities are bent on suppressing the informal economy, particularly its expression in sprawling urban marketplaces. Yet for the time being the informal economy's existence is not at risk. There are too many elite interests at stake in its continuation. Its commercial domains are vital to systems that move imported goods from wholesale levels controlled by holders of franchises granted through political patronage to consumers. It serves as a social buffer or sponge to absorb the majority of work-seekers and to curb organised, militant activism arising from workers, whether formal or informal.

Can there emerge a social bloc capable of operating outside the political class's patrimonial systems? The

<sup>65</sup> Mattes, R. 2008, *The Material and Political Bases of Lived Poverty in Africa: Insights from the Afrobarometer*, Working Paper No. 98. <http://www.afrobarometer.org/Papers/Afropaperno98.pdf>

<sup>66</sup> Turnover in Angola's onshore 'shadow' economy of 2003 was estimated to be equivalent to 45 percent of its recorded GDP. Schneider, F. 2007, 'Shadow Economies and Corruption All Over the World: New Estimates for 145 Countries' *Economics: The Open-Access, Open-Assessment E-Journal*, Vol. 1, 2007-9

<sup>67</sup> Ducados, H. 2000, *Género, Raça e Classe - A Feminização da Pobreza: A Estratificação do Sector Informal Urbano de Luanda*, presented at Simposio 'O Desafio da diferença', Universidade Federal de Bahia, Brasil 9-12 April 2000; Pereira, A. 2008, 'Género, Mercado de Trabalho e Sociedade Civil' in N. Vidal and J.P. de Andrade, *Sociedade Civil e Política em Angola*, Coimbra: Centro de Estudos Sociais, Universidade de Coimbra

<sup>68</sup> Grassi, M. 2000, *Género e desenvolvimento em Angola: mulheres empresárias em Luanda e Benguela*, presented at Simposio 'O Desafio da diferença', Universidade Federal de Bahia, Brasil 9-12 April 2000

question is disputed. In the early 1990s, some signs had emerged of autonomous economic actors who had 'taken advantage of vague definitions and small openings in the law.'<sup>69</sup> While some transporters and farmers have indeed prospered, a critical mass of entrepreneurs beyond state/party patronage systems has yet to appear. The veteran Angolan banker Mario Pizzaro concludes:

'Angola's business fabric is fragile and dependent. This fragility and dependence *blocks the existence of a critical mass capable of discussing and influencing government decisions*. A large part of Angolan business people emanate from the ruling power bloc or are directly or indirectly linked to that power.'<sup>70</sup>

The regime discourages business strata from operating independently of its clientalist systems. At the same time it has presided over the emergence of a "'new class'" created in the shadow of dirigisme and étatism.<sup>71</sup> Helping advance its fortunes are formal institutions such as banks. In 2007 the government set up its own development bank, the *Banco de Desenvolvimento de Angola* (BDA), whose first year of operations saw more than half the total value of its loans going to Cabinda province, thus underlining its political purposes.<sup>72</sup> In 2008 the government acquired controlling interests in two Portuguese banks.

On the face of it, such measures may answer prayers by national business people who, in a recent survey of Angola's investment climate, identify lack of access to credit as the most serious problem they face.<sup>73</sup> In 2009 the government launched a modest credit programme

for small commercial farmers, but there are few other signs of official interest in promoting small or medium enterprises. The political class may oppose independent banks not only because they would promote social blocs beyond their control.

Formal rules and informal 'encouragement' by state authorities limit the likelihood that substantial autonomous business strata could emerge. The *Promotion of Angolan Private Entrepreneurs Law* of 2003 adds formal suasion to informal mechanisms coupling business interests with state patronage. The state has taken steps to dominate wholesale commerce, promoting a parastatal supermarket chain built up with Brazilian corporate expertise. Elsewhere in Africa, this sector is lucrative and has given rise to large autonomous business dynasties; perhaps for that reason in Angola the sector is being cornered in order to reinforce state/party power, not compete with it.

The government puts foreign business under particular pressure to engage Angolan nationals as employees, as sources of goods and services and especially as 'partners' in enterprises and projects.<sup>74</sup> In identifying who gets access to these tasks and 'partnerships', official patronage systems are always at hand. Some pressures on foreign investors come from their own ranks. For example, compliance with Angolan formal and informal regulations imposes costs on private businesses, creating incentives for all firms to collaborate on the same terms.<sup>75</sup> In the bargain, patronage systems are further reinforced.

Onshore effects of foreign corporations on state resilience have yet to be studied systematically, but some anecdotal and case material suggests some of the paths of influence. Angolan elites welcome corporations for the formal and informal benefits of

<sup>69</sup> Pestana, N. 2008, *O poder e a diferenciação social em Angola*, Luanda: FdP; citing Filomeno Lopes. See: <http://www.fpd-angola.com/>

<sup>70</sup> Pizzaro, M. 2006, *Diplomacia, Cooperação e Negócios: O Papel dos Actores Externos em Angola, Tendências do Comércio e do Investimento*, Powerpoint presentation for the conference 'Diplomacia, Cooperação e Negócios. O Papel dos Actores Externos em Angola e Moçambique', Instituto de Estudos Estratégicos e Internacionais (IEEI), Lisbon 27 March 2006 [translation D.S.]

<sup>71</sup> Pestana, N. 2008, *O poder e a diferenciação social em Angola*, Luanda: FdP

<sup>72</sup> In Mozambique, donors effectively vetoed a government proposal to set up a similar bank.

<sup>73</sup> World Bank 2007 *Angola Investment Climate Assessment*, Washington DC: World Bank

<sup>74</sup> A vigorous, even aggressive nationalism is detectable among many in the political class. It expresses itself toward foreign interests, thereby, according to one observer, compensating for the narrow political space inside the country. Vallée, O. 2008, 'Du Palais aux Banques: La Reproduction Élargie du Capital Indigène' *Politique Africaine* 110, p. 26

<sup>75</sup> Vines, A., N. Shaxson and L. Rimli 2005, *Angola. Drivers of change: an overview*. London: Chatham House, p. 9

'partnerships'. But strong resentments can arise about their arbitrary powers over hiring, local spending and impacts on the environment and local economies, which in oil extraction zones have suffered severe damage.<sup>76</sup> According to a 2008 survey of public opinion, Angolans have less confidence in major corporations than any other major institution, even less than in political parties.<sup>77</sup>

Both the state and its corporate partners worry about each others' public profiles as well as their own. Displays of corporate philanthropy led the government to levy a special tax on large corporations called the 'social bonus'. Until around 2002 these payments went to Sonangol, thereafter to the central treasury. There are no full public accounts of either sources or ultimate uses of these funds; 'leakage' to clientalist networks cannot be ruled out.

Oil companies like Chevron and Exxon seek to show 'social responsibility' through charitable good works in zones where they operate. Increasingly, however, they are subsidising national programmes of the United Nations, international NGOs and bilateral agencies like USAID. Through such patrimonial largesse, foreign corporations exert influence over agencies mandated to help eliminate corrupt, unequal influence in Angolan governance. Informants to this study with experience of oil company philanthropy in Angola see little value in its approaches or effects. Their negative views are consistent with findings elsewhere in the Gulf of Guinea that cast serious doubt on stories of positive outcomes of oil industry 'social responsibility'.<sup>78</sup>

Like agencies in the official aid system, corporate donors have favoured projects in health care, education, training and infrastructure such as roads - purposes that normally would fall to the public sector.

Corporate philanthropies followed the official and non-governmental aid agencies in usually failing to engage with the public sector in constructive ways.<sup>79</sup> The church and its institutions, and other private service providers, were major beneficiaries of the aid system. Towards the end of the war years, it had become clear that aid agencies had 'played a critical role in the privatisation of the Angolan state and its de-linkage from society.'<sup>80</sup>

Today, despite interesting projects to reinforce public sector capacities, donors (including oil corporations)<sup>81</sup> continue to by-pass and substitute for the public sector. Such initiatives easily win government approval, as no major state outlays are required yet officials will usually get a share of the credit. In the longer term, however, such foreign aid approaches can undermine state resilience. This is especially so where, as in Angola, they are combined with rising privatisation and the commercialisation of health, education and other services. The resulting stratification of services further dissolves any social contract and can contribute to social exclusion and the further hollowing-out of public sector legitimacy.

## Conclusion

After nearly four decades of upheaval, Angola has stabilised. War and rising oil wealth have reconfigured the country's political economy and demography. Offshore flows eclipse onshore economic circuits and reinforce a central autocracy whose politics follow a logic of clientalism legitimised by the rules and procedures of formal democracy. Despite the pacification of politics and the undeniable gains in collective self-esteem, there are signs of continuity, indeed of 'path dependence'. Decades after abandoning Soviet-style central planning, and embracing a

<sup>76</sup> Reed, K. 2007, 'Acordar de um Pesadelo: A vida na Zona Petrolífera no Soyo' in N. Vidal and J.P. de Andrade, *Sociedade Civil e Política em Angola*, Coimbra: Centro de Estudos Sociais, Universidade de Coimbra

<sup>77</sup> BBC World Service Trust 2008, *Elections Study Angola 2008*, London: BBC World Service Trust

<sup>78</sup> Frynas, J. G. 2005, 'The false developmental promise of Corporate Social Responsibility: evidence from multinational oil companies', *International Affairs* 81:3, 581-598

<sup>79</sup> Robson, P. 2003, *The Case of Angola*. Active Learning Network for Accountability and Performance in Humanitarian Action, London: ODI

<sup>80</sup> Ostheimer, A., 2000, 'Aid agencies: providers of essential resources?' in *Angola's war economy – the role of oil and diamonds*, J Cilliers & C. Dietrich (eds) Pretoria: Inst. for Security Studies, p. 134

<sup>81</sup> Tallio, V. 2009, 'Drawing the borders of the common good? The involvement of the oil companies in the public health sector in Angola', presented at World Conference of Humanitarian Studies, Groningen, The Netherlands

supervised but predatory kind of capitalism, the post-colonial regime today replicates the *dirigisme* and external orientation of the colonial era.

In terms of coercive power over national territory, Angola's state is now more resilient than fragile. The political game may be played in part by non-transparent, arbitrary and personalised rules, but there is at present no alternative version of them. The state's monopoly of coercive power is today virtually complete, having marginalised putative separatist movements both militarily and politically. Its public-private police system operates effectively, if sometimes brutally. Leadership of the security forces has been, with only minor exceptions, loyal and unified. Given the absence of serious security threats, the massive size of the military/security apparatus can be explained in part by its politically stabilising powers to provide jobs and income and to discourage dissent.

In terms of control over economic life, the state shows resilience in a number of key respects, although abundant petrodollars may mask structural weaknesses. Its agents effectively supervise the allocation of property and sources of rents, capital inflows and outflows, money supply and inflation, etc. For a variety of economic, political and military purposes, the leadership has built up a large, competent state holding company with a number of 'shadow state' functions.

Over the informal economy, state powers and motivations are mixed. Officially the state seeks to curb and strictly control it in urban areas. But informally the stance is often one of *laissez-faire*, as some of the elite's rent- and profit-making activities depend on informal circuits and the cheap reproduction of a docile labour force surviving in the informal economy. Predatory systems are thus at work in labour markets, but potentially more destabilising is the predatory acquisition of assets, chiefly land, on behalf of local and foreign private interests.

Capping the appearance of state resilience is the regime's political legitimacy. As of 2009 that looks

unassailable. The MPLA's triumph in the parliamentary elections of 2008 was too massive to be attributed only to manipulation of the system and of ignorant and dissenting voters, though those things certainly played a part. For memories of war are still fresh; some people feared a return of instability like that following the last elections in 1992. Many Angolans may also simply prefer a "delegative democracy" where an acquiescent public accepts whatever the regime chooses to supply.<sup>82</sup> All these factors probably helped tip votes toward the ruling party, for want of any credible alternative.

Will state resilience be consolidated? The current petrodollar-based development model is not that of a 'developmental state', being too narrowly geared to satisfying the lifestyle preferences of elites and a few other non-poor strata. The 'elite bargain' underpinning it could be threatened by conjunctural factors, such as the further collapse of oil revenues or severe losses in offshore speculative investments.

But in the longer term it faces structural challenges. New enterprise-based elites only tenuously subservient to regime patronage are likely to emerge. The regime may find it hard to block that development. The political challenge is how to accommodate and absorb those actors – a political art in which the regime has shown great proficiency in the past. Less likely but not impossible, wage- and salary-earners frustrated in their ambitions to better their consumption, including consumption of public services, could find political vehicles in civil society or even a faction in the ruling party. For these kinds of reasons the steering of 'development' entails far more political and social engineering than technical modernisation.

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<sup>82</sup> Mattes, R. 2007, *Democracy Without People: Political Institutions and Citizenship in the New South Africa*, Working Paper No. 82, Afrobarometer, p. 15

## Ways forward

The foregoing pages have looked at state fragility and resilience in Angola in light of the country's deep integration with global systems. External players set the stage for and helped fuel four decades of war and economic upheaval. Yet it was internal ones, including a stronger army and consolidated political control, that finally brought that terrible period to an end. Angola's state and governance are thus a complex amalgam of the weak and the strong, the domestic and the foreign.

Today Angola's politics remain entwined with powerful outside actors and are still politics of limited access to assets and privileges. State/party elites pursue their interests on the basis of understandings with foreign extractive and banking corporations, and with foreign governments, not least for assurances of military protection. Angolan elites harbour social and economic ambitions, but those do not now include a developmental state pursuing a socially inclusive agenda.

Against such a background, and the relative strength and autonomy of key branches of the Angolan state, what options are open to Western and international policy makers?

### Coherence in Western policy and global governance

Adopting a coherent perspective is one place to begin. This paper has presented reasons to see the main issues in Angola as not confined to its territory but deeply entwined with interests and systems at supra-national levels. It has also noted reasons to see Angola's current economic boom as something that, as in earlier episodes in the country's economic history, will go bust.

Lenses to look at Angola's current and future prospects should firstly be wide enough to include

global systems, and secondly be telescopic enough to see beyond the next few years to include the (not-too-distant) era when oil revenues begin to taper off.

### A wider view

A wider perspective would be more coherent to the extent that it includes the array of foreign and domestic incentives facing Angolan elites as well as non-Angolan actors collaborating with them. Such a view would offer a more realistic understanding of power and of who really counts in the 'international community'. As a student of oil and politics in the Gulf of Guinea puts it: 'The oil company executives, bankers, accountants and lawyers who haunt the lobbies of the five-star hotels in the region are as constitutive of today's Gulf of Guinea as local actors. Resources that are criminally siphoned off by incumbents materialise in the West's sensible investment portfolios and tax havens.'<sup>83</sup>

That perspective would pull into focus the structure of incentives facing Angolan elites that stem from international circuits of money, goods and means of repression, and on the institutions making them non-transparent and otherwise resistant to public control. Among other things it would include:

- Offshore financial centres and political arrangements that perpetuate them;
- Capital flight and the mechanisms, such as mis-invoicing, that perpetuate them;
- Disproportionate influence exercised by extractive industries, such as through their subsidisation and spending powers in public life, both in Angola, Western Europe, the USA and perhaps elsewhere;
- Military arrangements, especially with China and the USA,
- Initiatives to make these and other private supra-national flows (also of arms and military services) transparent and subject to public control.

<sup>83</sup> Oliveira, R. S. 2007, *Oil and Politics in the Gulf of Guinea*, New York: Columbia Univ Press, p. 336

The current world economic crisis, with the financial sector at its heart, has exposed the massive regulatory deficit in national and global governance. Some political leaders have raised hopes that this governance deficit is going to be tackled. Yet preferences for 'soft law' and for corporate self-regulation are deeply entrenched. Political classes in the USA and Western Europe are meeting strong push-backs from corporations, tax havens and the financial industry abetted by mainstream media, much of which is in hands of corporations benefiting from non-transparency rules and other forms of global bad governance. Angola's involvement in these politics is not clear, although tough talk from OPEC (of which Angola holds the presidency at present) suggests its collusion in political counter-offensives in global forums.

## A longer-term view

A longer-term perspective would be more coherent to the extent that it looks beyond Angola's current oil boom, which is likely to have passed by 2020. That view would necessarily consider today's development model and its likely consequences in ten years' time against a backdrop of more-or-less clear trends, such as demographic changes, and less predictable but looming risks, such as water stress due to climate change. Among those consequences, particular attention should be given to the pace and direction of change in:

- inequalities, both 'vertical' among social strata, and 'horizontal' among regions and ethno-linguistic groups,
- distribution of productive assets, particularly land;
- domestic markets in domestically-produced goods, as measured against the servicing of foreign markets and reliance on imports;
- distribution of public goods, particularly water, sanitation and health;
- development of means to clarify and settle conflicts and to protect basic rights.

These trends underpin likely political dynamics, including the rise of new social groupings and the political space in which they might develop.

Also needing a longer-term view is Angola as a player in global climate politics and as a probable victim of climate change. The world's current hydrocarbon-intensive development model fosters policy incoherence at many levels. The issue surpasses the scope of this paper, but merits attention in the case of Angola, whose resilience is put at risk in at least two ways: revenue volatility (and possible decline) as petroleum is dethroned from the centre of global energy and investment equations; and environmental stress, particularly related to water supplies, as climate change intensifies. Furthermore, hydrocarbon-based states and their corporate allies have gained powerful, even commanding positions in geo-politics. '[T]he financial muscle of authoritarian states', concludes a leading British newspaper, 'has as much bearing on the direction of the world economy as the wealth of liberal democracies.'<sup>84</sup> That muscle today expresses itself in, among other things, efforts by the hydrocarbon bloc to block strong measures to mitigate climate change.<sup>85</sup> Among oil exporters Angola is a relatively minor player, but does align itself with others, including Saudi Arabia and Russia, in discouraging alternatives to the hydrocarbon-based model. Angola plays a role, albeit a modest one, in the politics of the planet's future.

## Enabling a responsive state

Foreign governments, business oracles, international financial institutions and Washington DC think-tanks express enthusiasm about Angola's 'miracle'. The cautious development economist Paul Collier speculates optimistically about Angola and the autocratic model he sees it exemplifying:

It is quite possible that the next quarter century will see this model of the developmental autocrat ruling a

<sup>84</sup> *The Observer* 2008, 'Democracy triumphs through example, not force' (editorial), 31 August

<sup>85</sup> Barnett, Jon 2008, 'The worst of friends: Opec and G-77 in the climate regime' *Global Environmental Politics* 8:4 pp 1-8

strong state spreading to countries with better opportunities. Angola, with its oil and its Atlantic coastline, could well prove to be another Malaysia.<sup>86</sup>

Angola's state is today stronger than might have been expected. It beat back a serious Cold War effort to overthrow it, widened its political base and consolidated itself as a stable autocracy. But public administration and services remain weak and unevenly spread. Consumption and investment have shot up, but there is no sign of it becoming a 'developmental' state. Of six factors identified by Leftwich<sup>87</sup> as characteristic of developmental states, Angola lacks four important ones, namely:

- a determined elite guided by a modernising vision for the whole nation;
- state autonomy from the interests of powerful cliques;
- a competent economic bureaucracy insulated from special interests;
- the capacity for effective management of private economic interests.

Angola does, however, possess two characteristics of this developmental state model, namely:

- a weak and subordinated civil society; and
- an uneasy mix of repression, poor human rights and legitimacy.

As long as powerful and poorly-regulated offshore incentives continue to shape elite motivations and visions of Angola's future, the prospects for transformation – a broad developmental vision, state autonomy from special interests, an effective bureaucracy and entrepreneurial class – look anything but bright.

This conclusion has three implications:

First, as an extraverted polity, Angola's developmental space extends well beyond the country's territorial

borders. The regime depends overwhelmingly on non-transparent, supranational arrangements in realms of military and corporate power, including the management of financial stocks and flows. That extraverted basis of political power seems likely to continue, even if domestic interest blocs develop. However, beyond 2015, after oil output and revenues have peaked and debt payments begin to fall due, those offshore arrangements could lose their attractions. Angola's historical pattern of economic boom and bust, and of successive development models launched only to end up shipwrecked, appears to be repeating itself. To escape this pernicious cycle, Angolans themselves must gain the widest and best-informed spaces possible for open discussion. Today, at a time of unprecedented economic and ecological crisis, the means and imperatives for an in-depth debate have intensified. Important tenets of capitalist growth are being critically re-visited. Alternative models appear more viable and even necessary. It is time to adopt a new compass and chart another way forward.

Second, and in the meantime, a 'developmental state' along the lines of Vietnam or Malaysia is unlikely to emerge in Angola. A pluralist model – a polity based on many competing forces in an open political arena – is also improbable. More likely therefore is a scenario of inequitable, unsustainable growth shaped by state patronage backed from abroad by US military and economic power. Under these circumstances, a realistic way forward in the short term is to promote a 'minimally responsive state', one that would act as chief duty-bearer toward a rights-holding citizenry. As the government rolls out 'decentralisation', formal spaces for citizen-state interaction may open to some extent. Precedents for state-society engagement are already present in such areas as the co-production of health and education services with church bodies and NGOs, and in consultative platforms of residents and local authorities, or of parents and school officials.

Third, amidst today's economic crisis, unprecedented opportunities are at hand to reform supra-national

<sup>86</sup> Collier, P. 2008, 'Paths of Progress in Africa' *World Policy Journal*, Fall, p. 206

<sup>87</sup> Leftwich, A. 1995, 'Bringing politics back in: towards a model of the developmental state', *Journal of Developmental Studies*, 31:3 p. 400-427

systems and incentives that promote and perpetuate distorted and non-transparent governance both in countries like Angola and Western democracies. There is a need for more active engagement by consuming publics,<sup>88</sup> by academic and think-tank researchers, investigative journalists and media gatekeepers, and by

officials and public watchdogs. As the persistence of institutional weaknesses and dangerous inequities in Angola can be traced to the lack of good public governance at supra-national levels, today's crisis is an opportunity for progressive advances both in Angola and elsewhere.

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<sup>88</sup> As proposed by Benner, T. and R. S. de Oliveira 2007, 'Getting tough with the petro-elites', *International Herald Tribune*, 10 April

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For years, as a former Cold War battleground, Angola has stood out on world league tables of 'failed' or 'failing' states. Yet its army has a formidable record of domestic and foreign combat. Its national oil company is of world class. In recent years its economy has grown at a feverish annual rate of 18 percent. Its government has successfully ended 40 years of violent conflict, consolidated its political base and negotiated profitable deals with major public and private bodies of the United States, Europe and China. For such a country, how valid is the label 'failed state'?

In light of this seeming paradox, this paper addresses several critical questions. What are the historical roots of conflict in Angola, and of its weak and uneven state and political institutions? How deeply is Angola's political economy integrated into international systems, and what aspects of that integration help explain both the weaknesses and strengths of state and political institutions? What formal and informal forces and incentives are at work in Angola's territorial political economy that affect state and political resilience and weakness?

It concludes by suggesting ways European and other international decision-makers might look afresh at notions of state weakness in general, and their relevance to the case of Angola in particular.

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