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   Articles in journals: Paulo Gorjão, "Japan's Foreign Policy and East Timor, 1975–2002" (*Asian Survey*, Vol. 42, No. 5, September/October 2002), pp. 754-771.

   Articles in newspapers: Paulo Gorjão, "UN needs coherent strategy to exit from East Timor" (*Jakarta Post*, 19 May 2004), p. 25.
5. Diagrams and tables should be avoided, or kept to a minimum.

Angola and the Global Economic Downturn

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2009 marks 30 years in power for José Eduardo dos Santos. In his 2009 New Year message, the Angolan president made no reference to this, choosing to highlighted that the parliamentary elections of September 2008, the approval of a new constitution and the holding of presidential elections were the remaining obstacles to "the normalisation of national political life".[1] The announcement that the ruling Movimento Popular de Libertação de Angola (MPLA) has postponed its sixth congress until late 2009 suggests that presidential elections may not be held in 2009 as scheduled. This postponement would be partly due to the global economic downturn which is beginning to have a serious impact on Angola. President dos Santos, in his New Year speech, acknowledged that Angola was not immune to the global economic downturn. He stated that:[2]

"The World economy is going through the worst crisis since the 1930s. The strongest economies in the world are slowing down and showing clear signs of recession, mainly in the United States and Europe, which is affecting the economies of African countries. The revenues of these countries are decreasing significantly because the more developed economies are consuming fewer and fewer raw materials. The supply of these goods on the markets is increasing and the prices are falling.

In our case, the price of oil and diamonds have been falling sharply, requiring action by our government to make adjustments to the general state budget and some tasks in the national plan for 2009. However, this will not change the established economic and social strategy or objectives.

That is to say, the government will do everything it can to maintain political and macroeconomic stability and continue to make substantial investments in the rehabilitation and construction of facilities, creating jobs and conditions for the growth of production."

The global recession is taking a toll on the Angolan economy. After initial GDP growth predictions of 8.2%, announced in January 2009, the government of Angola adjusted the figure to (above) 3% for the year 2009. Further downward revisions are expected throughout 2009. The World Bank office in Luanda predicts negative growth due to low international oil prices and a slowdown in global demand for oil coupled with sluggish growth in the Angolan non-oil sector. Angola's oil output has also fallen, following the imposition of OPEC cuts that came into force on 1 January 2009. Under the cuts, Angola's quota has been reduced from 1.9m barrels/day (b/d) to 1.66m b/d. The Angolan non-oil sector accounts for only 40% of GDP and oil revenues are set to be halved in 2009. The Economist Intelligence Unit predicts that real GDP growth will average -2.3% in 2009, before recovering to 6.2% in 2010. This paper assesses what the impact of the global economic downturn will be on Angola's national reconstruction and development and its ambition of becoming a regional superpower.

Economic Policy

In October 2008, Angola's ministerial council approved the draft 2009 budget, foreseeing an increase of total expenditure to USD$42 billion, some 40% higher than the revised 2008 budget. These changes reflect the government's desire to increase social spending, especially in health and education. Under-execution of budget spending is likely, but, in time, so is an improvement in human development indicators. A 2009 National Plan focuses on improving access to housing, increasing food security, health and creating 320,000 new jobs, although the government admits cutting back on some of its ambitions as a result of lower oil prices and the global recession.

Reinvigorating the agriculture and fishing industries is a priority for the government. Indeed, a commitment of USD$150 million over the next four years has been made to the rehabilitation of Angola's coffee sector. Also, the 2009 Luanda Trade Fair (FILDE) will focus on agriculture and fisheries.

A return to budget deficits in the next few years cannot be ruled out if oil prices continue to decrease. Recently appointed finance minister Severim de Morais has already reduced the benchmark oil price contained in the 2009 budget from an already low USD$65 to USD$55 per barrel, and a renegotiation of contracts signed during the peak of commodity prices cannot be ruled out.[3]

According to the Finance Ministry (MINFIN),[4] any budgetary shortfalls will be compensated through the issuance of short-term treasury bonds - Bilhetes do Tesouro or 'BT' (BTs are to be exclusively used for this purpose). Public investment projects, including infrastructure, will be financed through longer term bonds. The Central Bank will abstain from financing the budget and from directly acquiring treasury bonds. BTs could, however, be bought by Sonangol or the planned Angolan sovereign wealth fund (FSA).

Angola, until quite recently, relied primarily on costly syndicated oil-backed loans from international banks, contracted by the national oil company Sonangol. In recent years this has changed as a result of the availability of external credit. Angola has benefited from some USD$7 billion from China, as well as from new credit lines opened by Western export-credit agencies. In October 2008, the Canadian export credit agency, EDC, announced that it would provide up to USD$1 billion in financing for Angolan infrastructure projects. The fact that much of this financing consists of public guaranteed export-credit finance, with lines already committed, suggests that the global financial crisis has, so far, had a limited impact. President dos Santos did however travel to China, in December 2008, to obtain an additional USD$1 billion credit line.

Table 1: Selected credit lines in 2007

Countries	Amount
China	USD$4.5 bn
Brazil	USD$2.3 bn
Portugal	USD$1.1 bn
Spain	USD$600 m
Belgium	USD$500 m
Israel	USD$500 m

Sources: EIU, Reuters, World Bank

According to a statement issued by the Ministry of Finance in January 2009, the second phase of disbursements under the existing USD$2.5 billion credit line provided by China's Eximbank has started, with USD$1.6 billion in funds available for infrastructure, transport and agricultural projects. According to China's General Administration of Customs, Angola's trade with China expanded at its most rapid rate in 2008, with total bilateral trade reaching USD$25.3 billion in 2008. This was primarily due to high international oil prices and the fact that Angola became China's second major source of imported crude oil. In 2009 trade is likely to fall sharply to 2006 levels. This decrease would constitute a response to the collapse of international oil prices, the expected fall in Angolan crude exports to China, and the possibility of Saudi Arabia and Iran once becoming China's main source of crude imports again.

Banking and Finance

The Banco Nacional de Angola (BNA) - the Central Bank - avoided investing its substantial reserves in (risky) financial instruments sold in international markets. The Angolan banking sector is also characterized by limited (physical) access to banks (and credit), limited lending to the private sector, and limited lending in the non-oil economy (less than 7% of the population holds a bank account). The reasons are perceived risk and perceived lack of lending opportunities.

Limited lending to the private sector is compounded by an unattractive business environment characterized by legal and institutional weakness, excessive regulatory burdens, weak property and contract rights enforcement, high transaction costs in setting up businesses, and other factors highlighted in the World Bank's Doing Business report of 2009.

For these same reasons there is excess liquidity in the banking sector, meaning that there is also virtually no inter-bank lending market in Angola. The country's banks requiring external credit may find it harder to secure it, as international banks may want to conserve capital.

The Angolan financial sector, despite recent improvements, remains relatively shallow, thin and weakly linked to global financial markets. Public debt securities as well as share of bank assets in the global view are low, and the recently established Bolsa de Valores e Derivativos de Angola (BVDA), the Angolan stock market (open since late 2008), had an initial total market capitalization of around USD$6 billion, which is low (under 10% of GDP, and less than the total market capitalization of the Mauritius stock exchange).[5] Angola was not exposed to the sub-prime mortgage crisis or its contagious (toxic) effects.

Given these factors, and the low exposure to financial markets, the global financial crisis (credit crunch) had a lesser effect on Angola than the global economic crisis might have suggested.

Economy and Trade

Angola's booming economy is sustained by high government spending and an increase in oil exports. Currently, Luanda maintains a healthy current account surplus. Also, it has witnessed the highest increase in its oil output between 2004 and 2007 (greater than Russia, Azerbaijan, Brazil, Libya and Kazakhstan, among others). Angola is also a strategic oil supplier to the world's first and third largest oil consumers: in 2008, it was the sixth largest supplier to the United States and China's second largest.

In 2008, Angola also briefly surpassed Nigeria as Africa's leading oil producer and, in 2009, for the first time, chairs the Organization of Petroleum Exporting Countries (OPEC). On 24 October 2008, OPEC decided to reduce its output, thus forcing Angola to reduce its production by 99,000 bpd.

However, oil is finite and peak oil is predicted to occur around 2011, followed by a yearly production decline rate of 7.5%. Although older fields are reaching maturity, new oil fields will boost overall output from 1.9m b/d in 2008 to 2.3m b/d in 2015.

As of yet, there are few signs of a non-oil dependent economy flourishing; indeed, the World Bank's Doing Business 2009 report ranks Angola 168th out of the 181 countries surveyed. According to the survey, the average time required to obtain a business operating licence is a staggering 1,011 days. The main obstacles for small and medium sized businesses include a lack of basic infrastructures such as water and electricity supply, telecommunications, and widespread corruption. These are structural impediments to the development of a non-oil economy, and although there were efforts to decentralize services, and some reforms such as the consolidation of services into a single service point (Guichet Único), reforms must be continued if the desired outcomes are to be achieved.

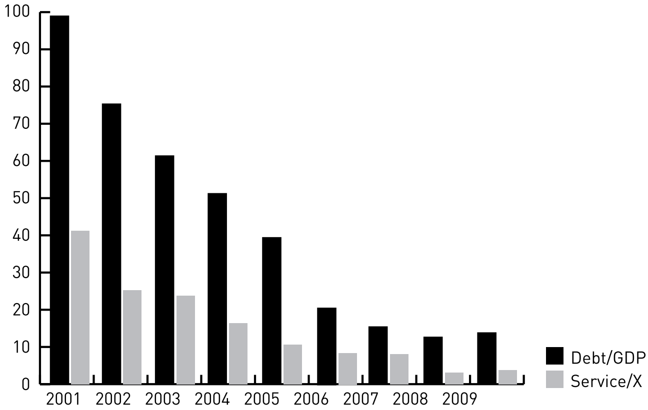
Angolan reliance on the oil industry as a source of revenue has been detrimental to other sectors. Industries which were robust and contributed in important ways to the Angolan economy prior to independence (incl. cereals, coffee, fish, and manufacturing to some extent), remain weak or have slipped into irrelevance. These sectors could have taken up the slack in the economy provoked by a reduction in commodity prices (oil). In the near absence of a diversified economy (i.e. with a strong non-oil sector), and a weak productive base, the options for Angola in the face of reduced commodity prices on the international markets are limited, and the vulnerability of the Angolan economy to external shocks increased. The oil sector accounts for over 60% of Angolan GDP. This fact is a major reason why, given expected low oil prices throughout 2009, the World Bank is predicting negative growth during 2009 - for the first time since 1993.

Crucially, it is not only oil prices that have fallen. Revenues generated by diamonds have also diminished. Plans to expand investment at the largest Catoca kimberlite mine have been suspended indefinitely, while several foreign mining companies have pulled out of exploration projects such as South Africa's Petra Diamonds in the Lunda Norte province. Endiama, the national diamond company, attempted to revive interest by holding a marketing drive, in January 2009, in Paris. But the initiative was met with little interest. The collapse in the diamond market has forced the government to cancel its plans to host the World Diamond Summit, scheduled for November 2009, in Luanda. The much weakened diamond industry places additional pressure on the 2009 Angolan budget.

International Reserves

One key difference relative to earlier periods of oil-price collapse - specifically, 1985-86 -, is that Angola largely paid off its outstanding debt to the Club of Paris creditors and normalized relations with the creditor nations.[6] Debt repayment stood at around 3% of exports in 2008 (see graph below), and is projected to remain at these levels in the medium-term. In addition, due to a low budgeted EPA of USD$65 during a period of high oil prices (above USD$140 per barrel in August 2008) on the international commodity markets, substantial reserves were built up.

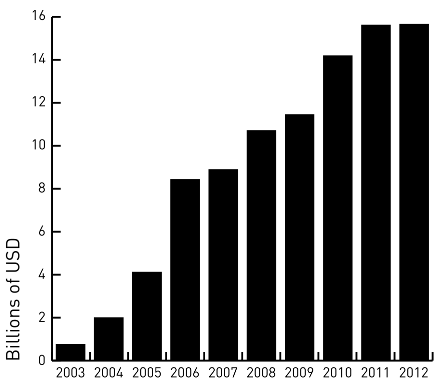
Angolan Debt - Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services



Source: IMF[7]

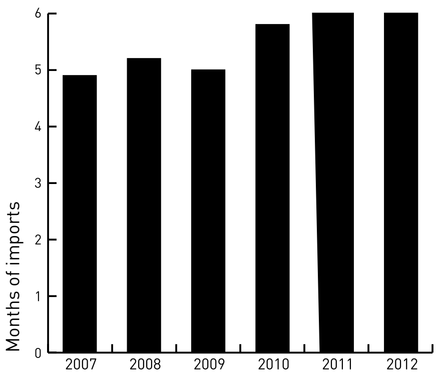
This means that Angola is now under fewer pressures as it responds to the economic crisis. It also has slightly more discretion and options available to respond to the circumstances it faces in the current global economic climate. Nevertheless, the Central Bank's costly policy of stabilizing the kwanza, and its *de facto* pegging to the US dollar, will come under increasing scrutiny as more reserves are tapped into.

Angola - International Reserves



Source: MINFIN

Imports (excel. oil sector)/International Reserves



Source: MINFIN

The Economy of the State?

The MPLA's election manifesto pledged to pursue an even more ambitious second phase of post-war reconstruction. This includes the creation of two new cities, a new costal railway line running from Namibe to the enclave of Cabinda, as well as one million new houses by 2012. Approximately 60% of the state budget will be spent on the rehabilitation and extension of infrastructures. How Angola is going to match this massive investment in physical infrastructure with investment in its citizens and their health and education remains to be seen. Skilled Angolan labour remains at a premium.

While it may be the case that the world recession and low oil prices place additional pressures for the government to deliver on national reconstruction and non-oil sector development, Angola seems to have funds available to bridge the gap until oil-revenues once again increase. However, the extent to which the role of the state in the economy can increase remains to be seen. The state has been the largest employer and economic agent even during periods of high oil prices. The preparations for the African Cup of Nations in 2010 will certainly be an important vehicle for employment, similar to the Olympics in Britain or the World Cup soccer competition in South Africa.[8]

When oil prices were high, the budgeted price per barrel was kept low. This is the main reason why Angola built up substantial reserves. Reductions in world market oil prices therefore produce little impact as long as the price per barrel does not fall below the price in the conservative budgets (except that reserves grow less quickly). This will change, and reserves may have to be tapped for financing governmental infrastructure projects, only in case of further drops and a prolonged period of low oil prices.

Assuming a willingness to allow reserves to grow at a slower rate, any governmental infrastructure projects and similar activities premised on low oil prices will probably not be impacted. Activity, as well as demand for labour and goods (by government projects) should not suffer. Government spending will most probably remain unchanged, although delays may occur on some projects.

The Sovereign Fund of Angola

To acquire an additional tool for controlling and reducing inflation, the Angolan Central Bank is establishing a Sovereign Wealth Fund - the Fundo Soberano Angolano (FSA). The FSA is currently being set up, and a presidential commission has been created to this end.

In theory, asset accumulation for the FSA depends on the price of oil and the ability of the fund's managing authority to rapidly formulate and implement investment plans. But in the case of Angola this may not apply since the role of the FSA has *de facto* been played for some time by Sonangol, the state-owned oil company. This implies that asset investment plans may already be in effect. Typical investments would include diverse instruments such as government bonds, securities, corporate bonds, equities, real estate, derivatives, alternative investments, and foreign direct investment.

Whether the FSA may be considered a tool in the mitigation of falling commodity prices (i.e. similar to foreign reserves), depends on the setup of the fund. Particularly on whether the assets are liquid and marketable, and whether there are legal or administrative requirements allowing (or precluding) assets in the FSA to be used for fiscal balancing - balance of payments by the central bank.

While the transparency of investments by Sonangol is relatively low, it is likely that the FSA will be primarily endowed by oil revenues, equipped to buffer any fiscal deficits due to low commodity (oil) prices on the international markets, and to thus guarantee fiscal stability - i.e. a stabilization fund. This means that, in theory, another instrument is available to the Angolan state for mitigating any challenges arising from low oil prices.[9]

It remains to be seen, however, the extent to which this function of the FSA can realistically perform, given that, due to current low oil prices, any start-up capital will have to be provided by Sonangol. The national oil company is believed to have lost over USD$8 billion. If these are off-loaded into the new FSA, the fund's utility as an instrument for fiscal balancing is undermined.

'Proxy' Effects

Over time, the decline of the non-oil sector leads to fewer locally produced goods, a decline in non-oil exports, and a high reliance on imports (including food). Because there is hardly any local manufacturing or production, there will be effects from a reduction in demand. However, a heavy reliance on imports remains. This is nothing new, and Angola has been exposed to currency exchange rates through its imports in the past.

Still, any currency exchange rate fluctuations due to the global financial and economic crisis will have an effect (not necessarily negative) on imports, and the purchasing power of the kwanza (and the US dollar). If there is a global slump in demand, and prices fall as a result, Angolan imports may increase - especially if Angola continues to grow as predicted. For many firms, Angola may thus be more interesting and profitable, a growing market in an otherwise gloomy global economy.

However, Angola may yet experience volatility in foreign exchange markets as investors opt for safer havens - especially if uncertainty regarding the global crisis persists. This might provoke additional damaging effects for trade and capital flows. These may however be muted as a result of the role of the US dollar in the Angolan economy. Not only is the kwanza de facto pegged to the US dollar, but all major transactions are conducted in the American currency. The US dollar is expected to fall in 2009. The impact of this depends on what falls faster: the dollar or the price of imports.

Inflationary pressures in Angola are a result of high oil and food prices, excess liquidity, and supply bottlenecks - including the notoriously overcrowded port of Luanda, which is due to undergo substantial expansion. Added to this is the possible depreciation of the kwanza due to capital flight and capital repatriation from Angola. Lower oil prices may mitigate these pressures, but might not be enough to balance them entirely.

The case of Nigeria may be informative at this point: The Central Bank of Nigeria admitted that it was governmental policy to devaluate the national currency - the naira - so as to make up for the drop in oil revenue and to maintain governmental spending. The result was a crash of the naira and the closing of foreign exchange markets. Maintaining the kwanza pegged to the US dollar requires high levels of international reserves. If these are strained in the face of the crisis, it means that the scope for maintaining the exchange rate with the dollar is reduced. With a reduced oil price, the growth of Angolan reserves has already slowed down considerably and pressure on the kwanza has increased. The capacity of the Angolan Central Bank to intervene in the currency markets may have been reduced. The extent to which this is the, and what the fallout may be (if any), remains to be seen.

FDI and Credit Lines

If international credit becomes more expensive and scarce, international lending will be restricted. For Angola, this could mean a reduced scope for trade credits and sovereign bond issuance. Angola's credit lines are often backed by oil and are the basis for the financing of investment and imports. Despite these risks, Angola relies heavily on China (and Brazil), and there are yet no indications that those credit lines will be substantially affected. Still, even limited withdrawals by other sources could have significant impacts (price-volatility) due to the relatively small size of the Angolan market.

Global FDI has been reduced by 20% in 2008, and is set to tumble further in 2009. The reasons for this are reduced capability and reduced propensity to invest. Companies are looking to lower their risk exposure for fear of a further deterioration of the global economic climate. This is the case even for markets such as Angola that seek FDI.

Capital Scarcity

With growing risk aversion, capital is being pulled out of Africa by various investors, resulting in currency depreciation. The risk of capital being pulled from Angola may be reduced due to the extensive involvement of the state and para-statal companies in the economy and markets. Furthermore, perceptions are that Angola will continue to show robust growth and good investment opportunities. If, however, there was a large removal of capital from Angola, the exchange rate of the kwanza could suffer, and imports would become more costly as a result.

Capital flight, like capital being legally repatriated, can have detrimental effects on economic stability, growth, and inequality and income disparity. It is also an issue of economic and tax justice. The USD$9 million seized by police throughout 2008 at Luanda airport is merely a tiny fraction of the real problem faced by Angolan tax and revenue authorities.[10] Despite these losses of revenue, Angola's coffers are, at least in the medium-term, not reliant on this lost capital due to flush oil revenues.

However, capital that has left Angola and was invested by Angolans abroad may be affected by the financial and economic crisis. Due to the illicit nature of capital flight, it is very difficult to assess the extent of this. One of the effects may be an inflow of capital and investments back into the country since foreign options seem less attractive in comparison to a relatively bullish Angolan economy. At the same time, some Angolans may see part of their foreign assets shrivel, resulting in a reduction of funds available for investment in Angola. This is one of the unknowns in the exposure of Angola to the current global economic and financial crisis.

Human Capital

According to the International Fund for Agricultural Development (IFAD), in 2006 Angolans living abroad sent back to the country a total of USD$ 969 million - an equivalent of 2.2% of GDP.[11] This flow of income is substantial for the livelihood, entrepreneurship, and economic power of many Angolans and their families.

Due to high levels of informality that senders and receivers of remittances operate in, it is difficult to assess the volumes involved, as well as any impacts resulting from the reduction of transfers. Nevertheless, reductions in remittances will not only have direct effects on part of population of Angola, but, potentially, on the economy as a whole (especially in rural areas).

The likelihood is great that the global financial and economic crisis has effects on the amounts of remittances sent to Angola. Angolans earning in the USA, France, the Netherlands or the UK are exposed to the same risks (or even greater risks) faced by labour forces in those countries. As unemployment in those countries rises due to the recession, remittances will be reduced, or dry up.

In addition, Angolans abroad have lost their jobs and are returning to Angola. This may be seen in the overcrowded Angolan Embassy in Lisbon as nationals arrange their passports to return home. The results for the Angolan economy are uncertain. One possible outcome is increased competition for work, placing additional strains on social spending. On the other hand, entrepreneurial Angolan returnees with savings to invest, or with (scarce) skills, may provide a welcomed boost to the Angolan economy.

Angola in the Region

Angola considers itself as a regional superpower. This view originated in Luanda's conflict with UNITA, which ended in 2002. The conflict required crafting an aggressive policy throughout Africa to erode support of UNITA. This external strategy of isolating UNITA and its leader, Jonas Savimbi, was coupled with a fierce "peace through war" strategy inside Angola.[12]

Since its military victory of February 2002, the Angolan government had also benefited from the commodities boom, and especially from high oil prices. Flush with oil revenues, the Angolan government was able to pursue its strategic goals independently and enabled Angola's leadership to embark upon a 'gradualist policy of domestic change not influenced by external pressures.

This policy is not yet at risk. However, if the effects of the a prolonged international economic crisis hit home, some financial freedom may be lost and Angola may chose to spend a greater share of funds domestically, possibly to the detriment of its strategic goals in the region.

If Angola is 'in peace', it is not yet 'fully at peace'. Armed conflict has ended (with the exception of the separatist conflict in Cabinda) and the dominant party, the MPLA, faces no serious internal competition. Still, the vast majority of the population has not yet reaped the benefits of a 'prosperous peace'. This situation has important implications for Angola's international status. The Angolan government's capabilities abroad and its external image will, in part, be measured by social improvements for the population.

In southern Africa, Angola's main competitor is South Africa. This relationship, at presidential level, has been strained because of former South African president Thabo Mbeki's efforts to mediate during the Angolan conflict. With Mbeki's departure, Angola-South African relations are likely to improve significantly. South Africa has already suffered far more than Angola due to its more open and integrated economy and financial system. This may be aggravated in the future, especially if there is a prolonged world economic and financial downturn.

Apart from being heavily involved in the Congos, a wider Angolan ambition is emerging: being a major power in the Gulf of Guinea. Two forces are at work here - the post-conflict confidence of the Luanda elite and a realistic assessment that Angola can never effectively challenge South Africa's regional hegemony in the SADC. There has been a big push over the last few years of opening or expanding Angolan embassies in West Africa and the Gulf of Guinea. In addition, the Angolan national oil company Sonangol has also played a role by embarking on down-stream joint ventures. In early 2009, Sonangol announced that it had extended the range of its foreign investments after winning a USD$30 million contract from the government of São Tomé and Príncipe to establish on that country a tax-free zone, provide fuel and service ships in the region. It remains to be seen whether the projection of Angolan influence in the region is sustainable or whether it is set to slow in the current global economic climate.

Diversification of Partnerships

Angola's post-conflict behaviour reflects Luanda's pragmatism and desire to avoid any rigid adherence to dogmas. President dos Santos made this point clear in his 2008 New

Year address to the diplomatic corps by stressing the Angolan government's plans to reinforce its bilateral and commercial relationships with other countries: "(...) globalization naturally makes us see the need to diversify international relations and to accept the principle of competition, which has in a dynamic world, replaced the petrified concept of zones of influence that used to characterize the world." Angola's 'diversification' strategy allows it to maintain beneficial economic arrangements with whomever it chooses, such as the US and China, by offering them access to its rich oil fields and not allowing any foreign country to become too influential. China has offered Angola short-term benefits not offered by others, such as rapid post-conflict infrastructural development important to the Angolan government in a pre-election context. A more business-like relationship is emerging with China, although the global economic downturn has resulted in the scaling back of Luanda's 'diversification' efforts.[13] Unusually, President dos Santos, in 2008, visited China twice: for the Olympics and, in mid-December, to procure new lines of credit.

Angola has also made political moves to underpin its regional ambitions. Joining OPEC in 2007 was a significant policy shift. The move was apolitical - a statement of 'non-aligned alliance' -, coupled with a desire to match Nigeria (sub-Saharan Africa's other OPEC member). An economic logic is also at work as Angola wishes to off-set the impact of oil volatility in prices and was already considering a production cap.

A second step is Angola's backing of the Gulf of Guinea Commission, which was launched in October 2006 to mediate disputes in the region over oil exploration and fisheries. Hosted by Angola, the Commission also includes Cameroon, Cong-Brazzaville, Gabon, Equatorial Guinea, Nigeria, the DRC, and São Tomé. In November 2008 a summit of heads of state of the Commission was held in Luanda; a declaration focusing on the conflict in the DRC and the consequences for the region of the world financial crisis and the drop in oil prices was issued. It called for a more robust UN response in the Congo. President dos Santos, in his speech to the Commission as Angola took over the chair of this organization, said that "the Gulf of Guinea sub-region is responsible for 15% of the world's oil production, has the second biggest stretch of water and forests in the world after the Amazon, and has jointly, in terms of population numbers, a market of about 250 million inhabitants." Dos Santos also emphasized that the Commission was there to mediate disputes, especially over natural resource access along common borders.

Likewise, Angola played a leading role in the creation of the African Diamond Producers Association (ADPA), in November 2006. Following Botswana's regional model of improving the local impact of diamond production, the Luanda-based ADPA is focussing on increasing employment and value in the country of origin. The body, which includes Angola, Botswana, South Africa, Namibia and the DRC, has attempted to downplay fears of an OPEC-style cartel. As mentioned above, Angola has cancelled the first World Diamond Summit in Luanda. However, the XVIII Parity Parliamentary

Assembly of the African, Caribbean and Pacific and European Union will go ahead as planned. Angola also sits on the UN Human Rights Commission and will host the 2010 African Cup of Nations football tournament - competing with South Africa's hosting of World Cup soccer.

Opportunities in Adversity

The crisis may open opportunities for Angola. In particular, the new ministry of Economy has a chance to shine by articulating a clear and robust economic strategy. Such a strategy would have to include a clear vision of how to develop the non-oil sector, as well as specific strategies to move away from an import economy. The focus of 2009 on agriculture and fisheries development is a move in the right direction. Equally promising is the planned adoption of a Medium-Term Economic Framework (MTEF), which may lead to increased efficiency and effectiveness of public spending, as well as increased transparency and awareness beyond the status quo.

Angola must also deal with its adverse business environment if it is to develop the private sector - in particular, small and medium-sized businesses. There are opportunities for reform by addressing the issues raised by the 2009 Doing Business Survey. Specifically, the rule of law, control of corruption, reduction of red tape and excessive regulation, access to finance, but also basics such as infrastructure: electricity and water, ports, railway, etc. A particular focus should be placed on the integration of the hinterland and rural areas.

Any such use of public funds should of course not be to the detriment of education or health. Those sectors should be the first priority for Angola since a healthy and educated workforce is the pre-condition for economic or commercial activity. Angola will also need to employ more Angolans, as there has been too much reliance on Chinese workers on large infrastructure projects and not enough transfer of skills to Angolan workers. Mining Minister Makenda Ambroise has suggested that companies cut costs by reducing the number of expatriates on their payroll.

De-concentration of services is another step in the right direction. But ultimately, if Angola is sincere about the development of its regions and population, decentralisation seems unavoidable. The local elections scheduled for 2009 will most likely not be held, at least for the time being. While the MPLA is not adverse to a federal Angola, such a vision is still in the distant future.

The development of a dynamic market economy providing opportunities for the majority or all Angolans instead of the few is within the reach of the newly-elected government. Required are leadership and the political will to make it happen.

Endnotes

1 For a further discussion of the significance of thirty years in power see, Alex Vines and Markus Weimer, "Angola: thirty years of Dos Santos" (*Review of African Political Economy*, forthcoming).

2 President José Eduardo Dos Santos' New Year Message, Luanda, 29 December 2008.

3 The price of oil per barrel was at a five year low of USD$33 on 15 January 2009.

4 See Ministério das Finanças of Angola (MINFIN).

5 See *Afrol News*.

6 Tony Hodges, *Angola: Anatomy of an Oil State*, (Oxford: James Currey, 2004).

7 African Economic Outlook 2008, OECD.

8 The key question here is whether Angolan workers will directly benefit from the public works programme around the African Cup of Nations, or whether they are largely excluded from employment to the benefit of external (mainly Chinese) labour. The latter seems to be the case.

9 Known interests of Sonangol are: a 10% stake in the Millenium BCP Bank (single-biggest shareholder); 17,5% in BAI Angola; Holdings (1,04%) in Banco BIC Angola. Sonangol also commands a 45% stake in Amorim Energia, through Esperanza Holding B.V. which it controls fully. Sonangol also holds a 25% stake in the telecommunications company UNITEL through 'Mercury', another 100% Sonangol controlled company. Through Banco BAI Angola, Sonangol is also involved in Banco BAI Europe (Portugal), which in turn is invested in Banco Internacional de Sao Tome e Principe and BPN Brasil. Banco BAI Angola also holds a 9,5% stake in Nova Cimangola - a cement company. Through Banco BIC Angola, Sonangol is furthermore invested in Banco BIC Portugal. Sonangol is also involved in the Carlyle group, Citibank, and has further interests in Argentina and Indonesia. Sonangol is also in negotiations to expand its portfolio through acquisitions of shares of various other Angolan, Portuguese and Spanish Banks.

10 "*Angola*: National Police Seized Over USD$9 million in 2008" (Angop, 10 January 2009).

11 International Fund for Agricultural Development (IFAD).

12 Phillipe Le Billion, Alex Vines and Assis Malaquias, "Au-delà du pétro-militarisme : la stratégie extérieure angolaise d'après-guerre" (*Politique Africaine*, No.110, June 2008).

13 Indira Campos and Alex Vines, "Angola and China: a pragmatic partnership" (*Center for Strategic and International Studies*, Working Paper, March 2008).