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China's Economic Aid Policies to Angola

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Master in Economics and Public Policy

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Iscte – University Institute of Lisbon

April, 2024



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Abstract

In this master thesis, by analyzing the case of China's economic aid policy, we can see the new ideas in China's Economic Aid to Angola. This policy of economic aid adopted by China - called "Angola Model" - is an innovative way of aid that not only highlights the unique policies and characteristics of China's foreign aid but also shows the differentiation in China's economic aid concept. In brief, China prefers to promote the economic development of the recipient countries by directly fostering economic activities, while also benefiting the donor country itself. Traditional donor countries usually consider institutional building as the key to economic development, whereas China places more emphasis on economic growth itself. Unlike traditional aid, the scope of China's economic aid is broader, covering a wide range of economic activities including investments and trade. This approach of integrating aid with economic activity reflects the close relationship between the government and enterprises.

Although the "Angola Model" has achieved certain successes, it has also attracted widespread criticism, being accused of being China's "neocolonialism" because it lacks technology transfer to Africa while obtaining African resources. Moreover, there are some problems in the actual operation of China's economic aid to Africa.

After receiving China's economic aid, Angola has rapidly risen from one of the least developed countries in Africa to one of the fastest-growing economies in Africa and even the world. Consequently, the "Angola Model" has become a typical model for China's economic aid to other African countries. As this model of aid expands, it has to some extent filled the gaps in the existing international aid system and provided new ideas for the future development.

Keywords: Government policy, Aid to Africa, Angola economic Model

Resumo

Nesta dissertação de mestrado, analisando o caso da política de ajuda econômica da China, podemos ver as novas ideias na Ajuda Econômica da China a Angola. Esta política de ajuda econômica adotada pela China - chamada de "Modelo Angola" - é uma forma inovadora de ajuda que não só destaca as políticas únicas e características da ajuda externa da China, mas também mostra a diferenciação no conceito de ajuda econômica da China. Em resumo, a China prefere promover o desenvolvimento econômico dos países receptores fomentando diretamente as atividades econômicas, ao mesmo tempo em que beneficia o próprio país doador. Os países doadores tradicionais geralmente consideram a construção institucional como a chave para o desenvolvimento econômico, enquanto a China dá mais ênfase ao próprio crescimento econômico. Diferente da ajuda tradicional, o escopo da ajuda econômica da China é mais amplo, cobrindo uma ampla gama de atividades econômicas, incluindo investimentos e comércio. Esta abordagem de integrar a ajuda com a atividade econômica reflete a relação próxima entre o governo e as empresas.

Embora o "Modelo Angola" tenha alcançado certos sucessos, este também atraiu críticas generalizadas, sendo acusado de ser o "neocolonialismo" da China porque carece de transferência de tecnologia para a África enquanto obtém recursos africanos. Além disso, existem alguns problemas na operação real da ajuda econômica da China aos outros países em África.

Depois de receber a ajuda econômica da China, Angola passou rapidamente de um dos países menos desenvolvidos para uma das economias que mais crescem na África e até no mundo. Consequentemente, o "Modelo Angola" tornou-se um modelo típico para a ajuda econômica da China aos outros países africanos. À medida que este modelo de ajuda se expande, o preencheu até certo ponto as lacunas no sistema de ajuda internacional existente e forneceu novas ideias para o desenvolvimento futuro.

Palavras-chave: Política governamental, Ajuda econômica à África, Modelo de Angola

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Glossary of abbreviations

Chinese state-owned enterprises (SOEs)

Forum on China-Africa Cooperation (FOCAC)

U.S. Energy Information Administration (EIA)

London Interbank Offered Rate (LIBOR)

China National Bureau of Statistics (CNBS)

China Gezhouba Group Corporation (CGGC)

Small and medium enterprise (SME)

FDI (foreign direct investment)

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1. INTRODUCTION

1.1 Background and significance of the theme

The reason why Africa has become the most competitive region in terms of aid is twofold: first, the continent's growing reserves of proven resources; and second, China's large-scale resource-guaranteed infrastructure aid to Africa since the 1990s, which was pioneered by China in Angola and has proven so effective that it has come to be known as the "Angola model" of Chinese aid to Africa. This model is known as the "Angola model" of China's economic aid to Africa because it was pioneered by China in Angola and has been effective.

China's economic development is an externally-oriented economy based on low-end manufacturing, and for a long time, China has been adopting a crude mode of economic growth, which means that China's economic development relies heavily on the demand of overseas markets and the supply of resources. As the "factory of the world", China's markets in Europe and the United States are becoming increasingly saturated, while products bearing the "Made in China" label are also flooding into third world countries, and "Made in China" has a significant market share in Africa due to its low prices. In addition, "Made in China" products have remarkable competitiveness in Africa due to their low prices, so the development of the African market has become an inevitable trend of China's economic development. Similarly, since China's industrial production relies on a large number of inputs of production factors, the consumption of energy and resources has expanded significantly, and China is not a large resource-based country, so its domestic reserves are unable to meet the demand for production, which has prompted China to turn to the international market to obtain raw materials. In terms of the overall international landscape, the Middle East, as a major international oil exporter, has always been the strategic focus of Western countries, compared to the late 1990s when competition among countries in Africa was not as intense. Driven by China's economic development, its policy toward Africa has begun to adjust, and aid has become the most important part of this adjustment.

However, the Angolan model is different from traditional donors in terms of management system and behavioral characteristics, thus posing a challenge and supplementing the existing

aid system, as well as providing a reference and guidance for the foreign aid of emerging donors. This paper analyzes the background, formation process, characteristics and management policies of China's "Angola Model" of aid to Africa, in order to explore the impact of China's economic aid to Africa and provide some new ideas for the development of China's economic aid. In this dissertation, 'aid' refers to general financial, technical, or material support provided by international partners, primarily without direct expectations of return. 'Assistance', however, specifically pertains to targeted interventions designed to achieve specific developmental outcomes in Angola, often requiring specific compliance or conditions.

1.2 Literature review

In the study of China's economic aid to Africa, Penny Davis of Sweden suggests that there is a causal relationship between Africa's poverty reduction process and Chinese aid to Africa (Brautigam, 2011).¹ Deborah Brautigam's "The Dragon's Gift: the Real Story of China in Africa" is undoubtedly an authoritative work in academia on Chinese aid to Africa, analyzing and interpreting China's economic aid policies, methods, and practices. It recognizes the effectiveness of Chinese aid to Africa by examining specific cases, criticizes some conspiracy theories about Chinese aid to Africa, and also points out problems with Chinese aid to Africa.²(Lele, 1991); Barry Sautman's research uses a large amount of data to explain that Africa chooses China as an aid partner because it believes that cooperation with China can yield greater benefits. He contrasts Chinese aid with Western aid, noting that Western aid focuses on political and social construction in Africa, while China is more concentrated on building infrastructure on the continent. The African Development Bank's "China and Africa: An Emerging Partnership for Development?" comprehensively evaluates China's development aid to Africa from an African perspective, including aspects such as trade, investment, and aid(Sautman& Hairong, 2007).³ Dambisa Moyo of Zambia has expressed a critical view of the

1 Brautigam, D. (2011). *The dragon's gift: the real story of China in Africa*. oUP oxford.

2 Lele, U. (1991). *Aid to African agriculture. Lessons from two decades of donors' experience*. Johns Hopkins University Press, for World Bank..

3 Sautman, B., & Hairong, Y. (2007). Friends and interests: China's distinctive links with Africa. *African Studies Review*, 50(3), 75-114..

inequitable environment of Western aid, arguing that Africa should completely rid itself of dependence on foreign aid and learn to develop on its own existing foundation(Indra, 2012:94).¹

China's economic aid to Angola and to Africa in general still faces some controversy. The main issues lie in the lack of sufficient transparency in China's economic aid policies to Africa and the absence of effective external oversight. Additionally, scholars focus on different aspects in their research. Some believe that the outcomes of China's economic policies should be examined from a traditional research perspective, while others focus on the specificities of China's economic aid policy to Angola and the constructive achievements that have been made.

¹ Indra Campos, China and Angola, Pambazuka Press,2012,p.94.

1.3 Structure

Apart from the introduction and conclusion sections, the paper is organized into five chapters. Chapter I analyzes the stages of development and characteristics of China's economic aid to Africa. China's economic aid to Africa has roughly gone through four stages, namely, from the founding of New China to the reform and opening-up period, from the reform and opening-up period to 1995, from 1995 to 2000, and from 2000 onwards. China's foreign aid is characterized by the absence of any political conditions and the packaging of aid, investment and trade under the framework of South-South cooperation.

Chapter 2 discusses China's "Angola model" of aid to Africa, and describes the background and formation process of the Angola model, which began with China's trade with Angola in 1983, and after the end of the Angolan civil war in 2002, China began to provide large-scale aid to Angola, thus kicking off a win-win cooperation between the two countries. The Angolan model is a "resource-based" model. The Angola model is a "resource-credit-project" cooperation package, whereby in large infrastructure projects financed by China, the recipient country guarantees a certain resource or investment interest, or uses part of the proceeds from the resource or project to repay the loan directly. This new financing model not only solves the problem of financing difficulties of the recipient countries, but also solves the problem of loan security of the donor countries, and at the same time closely integrates China's national strategy and "going out" strategy.

Chapter 3 analyzes the characteristics of the Angola model, specifically in terms of the management system and the mode of aid. In terms of the management system, the Chinese Ministry of Commerce has changed from a direct leader to an indirect mentor in the Angola Model, and its management of the Angola Model has changed from the Department of Foreign Aid to the Department of Foreign Economic and Investment Cooperation, which has adopted flexible and varied means of expanding the impact of the Angola Model. "The Ministry of Commerce has changed the management of the Angola Model from the Department of Foreign Aid to the Department of Foreign Economic and Investment Cooperation, adopting flexible and diverse means to expand the influence of the Angola Model. In terms of aid modalities, the

Angola Model has increased the autonomy of recipient countries, ensured that aid projects are implemented as planned, and avoided corruption in the process.

Chapter 4 analyzes the impact of the Angolan model on Angola, China and the existing aid system, and identifies the effectiveness of the Angolan model in practice. With the aid of the Angola Model, Angola has achieved economic growth and the first results of national reconstruction; introduced foreign investment and improved the business environment; stabilized the political situation and strengthened diplomatic independence; and benefited people's livelihoods and improved the living environment of Angola's population. China has achieved mutual benefits and win-win results, with rapid growth in bilateral trade; energy security, with the diversified energy strategy beginning to bear fruit; and Chinese enterprises have "gone out" to participate in internationalized market competition.

In Chapter 5, the paper takes as its starting point the challenges of the Angolan model, assesses existing aid modalities and makes recommendations for their development.

1.4 Research Methodology

This master thesis adopts the following research methods in the research process.

First, historical literature analysis. Through reading and organizing relevant literature and information, we sorted out the background, formation process, characteristics and management policies of the "Angola Model".

Second, data analysis method. Collect and summarize the data of China's economic aid to Africa through official data and other databases to analyze the effectiveness and impact of the Angola Model.

Third, comparative research method. On the basis of the above historical literature and data analysis, we analyze and evaluate the "Angola Model" of China's economic aid to Africa by comparing the different stages of China's foreign aid, the traditional donors, the emerging donors, and the different characteristics of China's economic aid to Africa, as well as to provide ideas for the future development of China's economic aid to Africa.

2. The Development History of China's economic aid to Africa

2.1 The Development Stages of Economic Aid Policies to Africa

China has been providing aid to Africa since 1949, with a history that spans over 70 years. Chinese aid to Africa has generally gone through three stages: from the founding of the People's Republic of China to the beginning of the reform and opening-up policy, from the reform and opening-up to the year 2000, and after the year 2000.

Phase I: 1949-1978

The first phase was China's non-reimbursable aid to Africa from the founding of New China to the time of reform and opening up. At the time of the founding of New China, it was faced with a difficult situation of blockade and resistance by the Western world, as well as internal political instability and the need to rebuild the country, so it became a task for New China to make good relations with its neighbors and create a favorable international environment. At the same time, in the 1960s, Africa also witnessed the upsurge of national liberation movements, and both sides needed each other's help during the difficult period of their new independence.

At this stage, China, with its own financial resources stretched to the limit and lacking in materials, and faced with the diplomatic crisis of political friction between the two superpowers, the U.S. and the Soviet Union, expanded the targets of its foreign aid from socialist countries to developing countries in the Third World, and put forward the "Eight Principles" for cooperation with African countries. By the end of 1970, the number of Chinese foreign aid donors had risen to 31, and China had provided a large amount of financial and technical aid to African countries, including Angola, Tanzania, and Mozambique, and its total foreign aid had risen by 144 percent compared to the previous 14 years. After the 1970s, China's investment in Africa began to increase, and in the six years between 1970 and 1976, the amount of Chinese aid to Africa amounted to as much as US\$18.15.³ China's foreign aid to Africa has also been increasing. Since then, the Chinese Government has signed economic and technical cooperation agreements with 31 African countries¹(Brautigam, 1998).

¹¹ Brautigam, D. (1998). Chinese aid and African development. *Exporting Green*, 30.

In terms of the mode of aid, before the reform and opening-up process, China's economic aid to Africa was mainly realized through the provision of interest-free loans or non-reimbursable material aid. The repayment period of interest-free loans provided by China to Africa was long, and most of the loans were forgiven at a later stage in accordance with the specific conditions of the recipient African countries. At this stage, China's unilateral aid was relatively simple, with most of the aid being in the form of construction packages, supplemented by technical aid, material aid and cash aid(Morris, 2005)¹.

In terms of the scope of aid, most of China's economic aid projects to Africa at this stage are large-scale infrastructure construction, such as railroads and highways. The areas of aid involved transportation, water conservancy and hydropower, agricultural production, education and health, and other livelihood sectors. During the first 28 years of reform and opening up, China's economic aid to Africa had little economic effect, but political considerations were more important and achieved outstanding results - through friendly relations with African countries, China resumed its legitimate seat in the United Nations in 1971. This was of great significance to China.

Phase II: 1978 to 2000

The second phase was the rationalization of China's economic aid to Africa after the reform and opening up policy until 1995, when China began to implement the reform and opening up policy in 1978, which was followed by a change in China's foreign aid policy. However, during the period 1979-1982, China's economy experienced serious difficulties and cut back on some of its aid to Africa, and in 1982, when China's economy gradually recovered from the difficulties, China's economic aid to Africa was again expanded.

On the basis of the previous "eight principles", the then Premier put forward the "four principles" for economic and technical cooperation with Africa, emphasizing economic benefits and modes of aid on the basis of equality and mutual benefit, and ensuring two-way aid, which was a sign of change in China's economic aid policy towards Africa. During this period, China provided the bulk of its foreign aid to African countries, making China's economic aid to Africa a consistently high proportion of China's total outward investment.

¹ Morris, "Evaluation of China's economic aid Policy toward Africa", June 2005, p. 14.

In terms of aid modalities, China has increased its aid to Africa in the form of subsidized loans and policy subsidies, and has opened up multilateral aid. Through cooperation with the international financial institutions, the World Bank and others, since 1982 China has pledged a total of US\$486 million to the Open Fund under the World Bank¹(Zhang, 2008).

In terms of the scope of aid, China's economic aid to Africa has become more focused on small and medium-sized projects related to people's livelihoods, an adjustment based on the reality of the country's situation and capacity. The Chinese Government has increased its investment in education, medical care and humanitarian aid, with a view to effectively improving the living standards of the people of African countries. During the period from the reform and opening-up to 2000, China began to think rationally about its own costs in the process of providing aid to Africa. However, a rational and institutionalized aid system with macro-level strategic guidance has yet to be formed.

In terms of aid methods, the Chinese government has added humanitarian aid, debt cancellation, and funding for international multilateral aid organizations to the mature forms of aid previously established, such as grants, interest-free loans, and low-interest loans, thus forming six main avenues for providing aid to African countries. Specific projects have expanded from the initial complete sets of projects to the development of local talents, construction of public welfare and livelihood projects, and production projects.

In terms of the scope of aid, with a focus on infrastructure construction, China's economic aid projects in Africa cover a wide range of fields including industry, agriculture, culture, health, communication, transportation, and energy, significantly promoting the development of many developing countries in Africa.

It is worth noting that in the more than 60 years of China's economic aid to Africa, the forms, scale, and management mechanisms of China's economic aid have been continuously evolving. What remains unchanged is the Chinese government's consistent principle of not attaching any conditions to its aid to Africa, emphasizing the equal status of both sides, and respecting the right of the recipient countries to autonomously choose their own development paths.

¹ Zhang Xiaomin, "Foreign Aid in the Perspective of China's Peaceful Diplomacy Strategy", International Forum, No. 3, 2008, p. 39.

The third stage: from the year 2000 to the present date.

In the year 2000, the first ministerial meeting of the Forum on China-Africa Cooperation was held in Beijing. To date, the forum has expanded to include 50 African member states, covering almost all African countries. The two sides have conducted multiple collaborations in areas such as agriculture, environmental protection, investment promotion, debt reduction, climate change response, scientific and technological cooperation, medical care, education, and cultural exchanges. Cooperation between both parties has matured during this stage. China's development aid to Africa saw accelerated growth in this period, with the total aid and economic support reaching 1.8 billion USD in 2002. By May 2006, the total investment in over 800 Chinese-aided projects in Africa had reached 5.7 billion USD. By 2009, China's economic aid to African countries had doubled compared to 2006.

In terms of management mechanisms, after the establishment of the Forum on China-Africa Cooperation, China's Ministry of Commerce adjusted the work of aid to Africa to be the responsibility of the Department of Foreign Aid, which is in charge of drafting and implementing foreign aid laws and regulations, formulating departmental rules, researching and advancing reforms in foreign aid methods, preparing foreign aid plans, drafting country-specific aid schemes, determining aid projects, and organizing their implementation. ¹ Additionally, China's policy banks play a crucial role, with the China Exim Bank providing loans to 259 Chinese projects in 36 African countries. Nearly 80% of these projects are concentrated on infrastructure construction, such as reservoirs (Ghana's Bui, Mozambique's Nkula, Sudan's Merowe), railways (Benguela and Port), oil facilities (Nigeria), thermal power plants (Nigeria and Sudan), and copper mines (Congo and Zambia). As of the end of March 2007, the loan balance of the China Development Bank in Africa was 1 billion USD, with over 30 projects established on the African continent, valued at 3 billion USD. (Martin, 2008)²In 2006, the China-Africa Development Fund was established. It is an innovation in the process of China-Africa mutually beneficial cooperation, filling the gap between grant aid and loans in

1 Internal Organization of the Foreign Aid Department of the Ministry of Commerce:
<http://yws.mofcom.gov.cn/aarticle/gywm/200203/20020300003745.html>.

2 Martin Davis, "China's economic aid Policies and Evaluation in Africa", op. cit. 2008, p. 41

the traditional model and achieving its own sustainable and healthy development through market-oriented operations, without increasing the debt burden of African countries.

In terms of the method of aid, there has been an improvement in the way that aid projects are provided to Africa. Before the 1980s, China's main form of aid to Africa was to provide complete projects using grant aid or interest-free loans. Starting in 1996, reforms were made to the foreign aid approach with the core goal of increasing the efficiency of aid projects. The concessional loans provided by the Chinese government were comprised of a combination of financial aid funds and bank funds, which expanded the sources and channels of funding.

Africa has become one of the important regions for China to implement its "going out" and "two resources, two markets" strategy. In 2009, affected by the international economic crisis, China's investment in Africa fell to 1.439 billion USD, but then recovered in 2010 to 2.112 billion USD, exceeding the level of 2007 before the economic crisis. In 2011, investment surged to 3.173 billion USD, an increase of 50%. From 2004 to 2011, the annual growth rate of China's investment in Africa was 106.9%, while the annual growth rate of China's total direct investment abroad was 56.5%, with China's annual investment growth in Africa surpassing its investment growth in Asia, Europe, America, and Latin America.

Table 2.1 China's outward FDI (foreign direct investment), Stock by Country and Region 2013-2021; (in ten thousand)

(Millions of USD)									
Country/Region	2013	2014	2015	2016	2017	2018	2019	2020	2021
Africa	26 185. 77	32 350. 06	34 694. 40	39 877. 47	43 296. 50	46 103. 53	44 390. 22	43 399. 20	44 186. 21
Algeria	1 497. 21	2 451. 57	2 531. 55	2 552. 48	1 833. 66	2 062. 86	1 775. 35	1 643. 52	1 716. 02
Egypt	511. 13	657. 11	663. 15	888. 91	834. 84	1 079. 26	1 085. 80	1 191. 72	1 273. 44
Ethiopia	771. 84	914. 62	1 130. 13	2 000. 65	1 975. 56	2 568. 16	2 558. 87	2 992. 80	2 810. 90
Angola	1 634. 74	1 214. 04	1 268. 29	1 633. 21	2 260. 16	2 299. 19	2 890. 73	2 690. 09	2 710. 09
Benin *	49. 91	69. 17	87. 31	102. 51	104. 37	103. 99	91. 44	75. 46	84. 71

Source: 2021 Statistical Bulletin of China's Outward Foreign Direct Investment

2.2 The Characteristics of China's Economic Aid

The White Paper on China's Foreign Aid summarizes the characteristics of Chinese aid as "adhering to equality and mutual benefit, focusing on practical results, advancing with the times, and not attaching any political conditions, thereby forming a model with its own

distinctive features." After extensive practice, the concept of "Aid + Development" has gradually taken shape. Specifically, it includes the following features:

No Political Conditions Attached

Although Western aid claims to be for the purpose of development, it often comes with political conditions as a prerequisite, shifting the focus to political conditions and neglecting the development of the recipient countries. China's economic aid to Africa adheres to the principle of not attaching any political conditions, believing that African countries are capable of independently exploring development paths suitable for their national conditions and respecting their right to choose their own development models, and never using aid as a tool to interfere in the internal affairs of other countries. The principle of not attaching any political conditions to aid is consistent with China's foreign policy of "non-interference in other countries' internal affairs." However, as the most significant feature of China's foreign aid, this policy is also subject to the most questions and criticisms by the international community.

Providing aid with conditions is a common practice among traditional donor countries, reflecting the Western understanding of development issues. Traditional donor countries often attribute the lack of development in developing countries to institutional deficiencies and believe that institutional building is a prerequisite for economic development. As such, they commonly promote reforms in political, economic, legal, and social aspects through conditional aid, with these reforms often benchmarked against the existing systems of Western countries. In other words, the political and economic systems of Western countries are seen as the only models for development, and the conditions attached to aid aim to establish the same neoliberal model in the recipient countries. In contrast, China's policy of "no political conditions" is interpreted by Western media as irresponsible behavior and is seen as hindering Western efforts to promote development in recipient countries.

From China's perspective, first and foremost, this policy is a concrete expression of the diplomatic principle of "non-interference in internal affairs" in the field of aid. This foreign policy principle has remained unchanged since its proposal in 1954. With China's economic rise, its connections with the world have become increasingly extensive and profound, and China's interests are more closely linked to international affairs, leading to a gradual increase in China's engagement and prominence in international affairs. However, compared to Western

traditional powers, China's foreign policy remains relatively conservative. The principle of "non-interference in internal affairs" has helped China avoid excessive international affairs and disputes, and consequently, excessive international responsibilities. Although China has become the world's second-largest economy, it is fundamentally still a developing country. Therefore, the principle of "non-interference in internal affairs" serves as a diplomatic safeguard for China's economic development and is indispensable. Accordingly, the policy of "no attached conditions" is also necessary for China to continue in the field of foreign aid.

Furthermore, unlike Latin American and Eastern European countries, China's development has not fully followed the neoliberal model promoted by Western countries but has continuously explored a unique path that meets its own needs. Therefore, China's economic aid to Africa without conditions signifies a rejection of the only development model advocated by Western countries and encourages recipient countries to choose their own paths of development based on their actual situations. "Aid, investment and trade" - packaged aid

The term "package" refers to the combination of Chinese aid to Africa with other projects that have a commercial nature, making it difficult to clearly distinguish between them. Direct investment and the construction of paid projects have become a part of China's economic aid to Africa, which also reflects the adjustment of the policy of not attaching conditions. In terms of the aid management system, it has already been discussed that China's foreign aid is led by the Ministry of Commerce. The content of China's economic aid to Africa includes debt cancellation, tariff reduction or exemption for African goods, provision of a large number of low-interest flexible loans, and increased investment. These practical actions closely integrate aid with trade and investment as commercial activities. These measures reflect the close link between Chinese aid and commercial activities.

In addition, African countries have continuously expanded their trade surplus with China. In terms of investment, affected by the global financial crisis, countries have reduced their investment in Africa after ¹2009, while China has continuously increased its investment. From 2009 to 2014, China's direct investment in Africa grew by an annual average of 20.5%, with

¹ Source: Database of the National Bureau of Statistics of China.

the stock increasing by 1.3 times. This indicates that the trends reflected in China's trade and investment, as well as aid in Africa, are consistent.

Moreover, African countries have continuously expanded their trade surplus in China-Africa trade. Affected by the global financial crisis, countries around the world reduced their investments in Africa, but China has continuously increased its investments. From 2009 to 2014, China's direct investment in Africa grew by an annual average of 20.5%, with the stock increasing by 1.3 times. This shows that the trends in China's trade and investment, as well as aid in Africa, are aligned.

In terms of trade, China has been increasing its efforts to reduce tariffs for the least developed countries, promoting African countries' export trade, thereby driving the economic development of the recipient countries. In 2011, China announced zero-tariff treatment for 95% of tax items for products from the least developed countries that have diplomatic relations with China. It's noteworthy that there are 49 least developed countries worldwide, with about two-thirds located in Africa¹. Although the Chinese market is relatively open to African export products, the primary products China imports from Africa remain natural resources such as oil and minerals, similar to Africa's exports to traditional donor countries.

The Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) was successfully held in 2018. After 2017, China-Africa trade reversed the two-year downward trend since 2015, and the total trade volume began to rise, with a growth rate of 19.6% in 2018 and an increase of 2.4% in 2019. In 2019, the total import-export trade volume between China and Africa reached \$209.02 billion, with China exporting \$113.21 billion to Africa and importing \$95.8 billion from Africa, a surplus of \$17.41 billion, continuing the surplus trend that China has had since 2015.

Faced with the severe challenge of the COVID-19 pandemic, China-Africa trade volume narrowed in 2020, with a total of \$186.97 billion, a year-on-year decrease of 10.5%. Among these, China imported \$72.75 billion from Africa, down 24.1% year-on-year; and exported \$114.23 billion to Africa, up 0.9% year-on-year, further expanding the China-Africa trade

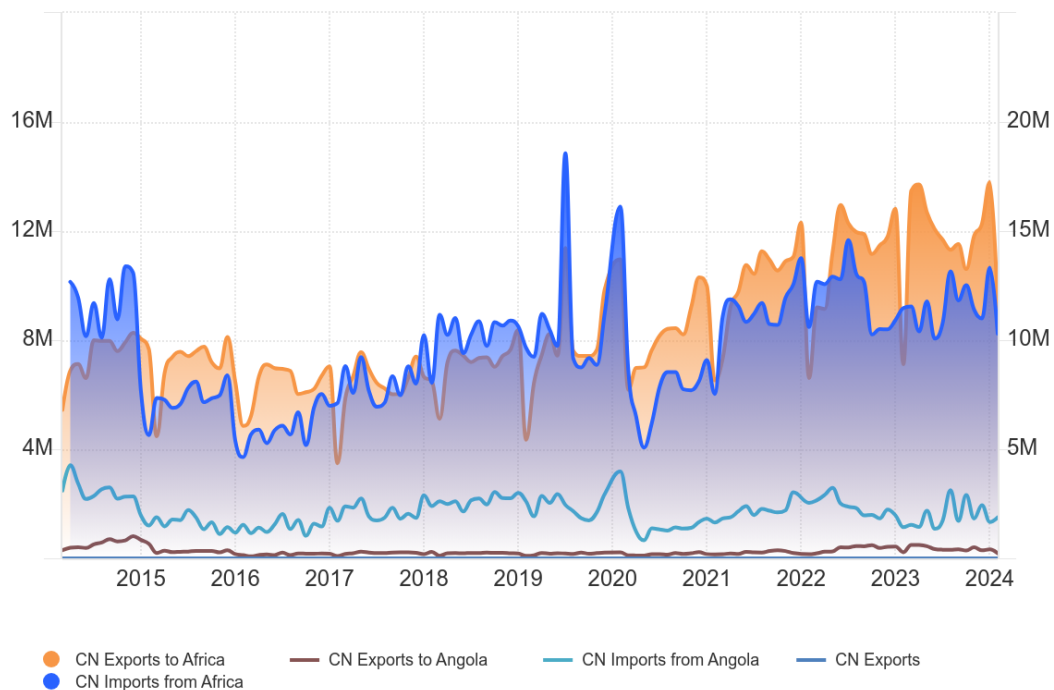
¹ Number of United Nations-approved least developed country statistics worldwide as of 2012, based on criteria established in 1991.

surplus to \$41.48 billion. China continues to maintain its position as Africa's largest trading partner for the 12th consecutive year.

Figure 2.2 Trade Volume Between China and Angola, 2012-2020 (in billions of dollars)

Source:

Source: tradingeconomics.com



Source: Annual Trade Review, 2021. Retrieved from <http://www.exampletrade.com>. Accessed on March 14, 2024.

Beyond tariff reductions, the Chinese government has also made active efforts to promote African goods entering the Chinese market. China established the "African Products Exhibition and Sales Center" to encourage the export of African agricultural products to the Chinese market. In terms of exports to Africa, although both China and traditional donor countries primarily export industrial manufactured goods, there are differences in specific product areas. China's exports to Africa are mainly concentrated in textiles and clothing products, and the proportion of high-tech products is continually increasing. By 2022, the proportion of mechanical and electrical products exceeded 50%, among which telecommunications equipment became a major export product to Africa. In contrast, traditional donor countries' exports to Africa are mainly focused on motor vehicles and civil engineering equipment. In

2022, China's exports to Africa accounted for 4.6% of China's total exports, and Africa's exports to China accounted for nearly 15% of Africa's total exports, making China the largest export destination for Africa. The trade structure is vibrant with many highlights. The trade structure index has been on an overall upward trend, reaching 14.369 billion in 2022. China's main export products to Africa are concentrated in mechanical and electrical products and steel, while the main products China imports from Africa are energy, metallic ores, sand, and agricultural products.¹

Table 2.3 China's main exports to Africa, 2018-2020;

Items	2018	2019	2020
Electromechanical Products	38.14	41.51	40.94
Daily necessities	18.68	20.17	20.51
Textile Raw Materials and Products	18.22	19.81	19.51
Base metals and their products	13.40	14.00	14.64
Chemical Products	5.91	5.99	6.47
Agricultural Products	3.30	3.56	3.27
Mineral Products	1.47	1.63	1.61
		(In billions)	

Source: Global Trade Flow database.

From 2000 to 2021, China provided African countries with loans totaling 159.9 billion USD, spreading across the entire continent, surpassing the World Bank to become the largest lender in the African region and far outpacing other traditional donor countries. Moreover, China offers low-interest rates and flexible repayment methods on loans, without attaching any political conditions.

This kind of "package-style" aid to Africa is largely led by the Chinese government, especially in the early stages of China's involvement in Africa. Chinese state-owned enterprises (SOEs) have played a significant role in this package-style aid, acting both as the executors of China's economic aid to Africa and as pioneers of Chinese businesses expanding into the African market.

¹ General Administration of Customs of the People's Republic of China. (2023). China-Africa Trade Index Released for the First Time.https://www.gov.cn/lianbo/bumen/202306/content_6889116.htm

The main characteristics of Chinese SOEs' activities in Africa include: firstly, due to their government background, these enterprises usually carry out business activities from a long-term strategic perspective, uninhibited by short-term profits, and can even sacrifice short-term gains for long-term interests. Secondly, Chinese SOEs can obtain a significant amount of preferential loans from banks, thus securing the substantial investment needed for projects in the early stages in Africa without worrying about funding sources. Additionally, these enterprises enjoy advantages from policies provided by the Chinese government. These factors together create the competitive edge of Chinese SOEs in the African market. For instance, to develop Angola's iron ore resources, China needs to construct related railways, ports, and power stations—massive investments that are difficult to profit from in the short term, and which Western companies are reluctant to engage in. Thus, Chinese SOEs have successfully secured these projects by leveraging their advantages. Incorporating SOEs into China's overall strategy for aid to Africa, the government directs both diplomatic and commercial actions, which has shaped the characteristic of "package-style" aid.

Up to now, China has employed a variety of specific methods and means in its aid to Africa. These include the "Angola Model" of economic aid, trade and economic cooperation zone models, aid and cooperation models, engineering aid plus investment and development models, and agricultural investment cooperation models¹, among others. The "Angola Model" is a comprehensive cooperative approach encompassing resources, credit, and projects. In this model, recipient countries use certain resources or investment rights as collateral within large infrastructure projects invested in and developed by the Chinese side, or they directly use a portion of the project's profits to repay loans. This innovative financing model not only addresses the recipient countries' financing difficulties but also ensures the loan safety for the donor country, closely integrating China's national strategy and "going out" strategy.

Recent trends in China's economic policies show an increased influence on Angola's developmental strategies. As of 2023, bilateral trade has grown by 15% year-over-year, driven by China's focused investments in infrastructure and renewable energy sectors within Angola.

¹ Institute of International Trade and Economic Cooperation, Ministry of Commerce of China, ed., Report on China-Africa Economic and Trade Relations (2012), in-house printing, p. 7.

This shift is part of China's broader strategy to enhance its economic presence in Africa, aligning with its Belt and Road Initiative.

The "Angola Model," having been successfully implemented in resource-rich countries like Angola and attracting widespread attention in Africa and the international community, is termed as such. It represents a strategic and innovative cooperative model in China's economic aid practices in Africa. Therefore, this paper will focus on discussing the "Angola Model" of Chinese aid to Africa.

This chapter discussed the historical development of China's economic aid to Africa. The following chapter (Chapter 3) will delve into the formation of the 'Angola Model' and its profound impact on bilateral relations.

3. Evolution of the Angola Model: A Paradigm of Resource-backed Development

Following the discussion on the history of China's aid to Africa in the previous chapter, this chapter will analyze in depth the formation process of the 'Angola Model' and its unique position and influence in China's strategy of economic aid to Africa.

3.1 Background and Strategic Implications of the Angola Model

The cooperative relationship between China and Angola, known as the "Angola Model," is built on solid political and diplomatic relations, aligned developmental strategies and policies, and long-standing trade and investment ties, all of which constitute the foundation of cooperation. The two countries share similar historical experiences, and interactions between their political leaders, especially active engagement in the Forum on China-Africa Cooperation (FOCAC), lay the political groundwork for cooperation. After the end of the Angolan civil war in 2002, the country urgently needed to rebuild its economy, and its cornerstone oil and petrochemical industry was severely damaged. Angola sought funding from various aid agencies to revitalize its economy, but negotiations often stalled due to the political conditions attached. Meanwhile, China faced a shortage of energy and resources, limiting its economic growth and creating an urgent need to seek new energy markets globally to meet its substantial domestic demands. China not only had the capability for infrastructure development but also had significant financial reserves. At the same time, Angola, despite its great potential in oil development, was progressing slowly due to a lack of funding, technology, and expertise. Against this backdrop, in 2004, China began to implement comprehensive aid to Angola, giving rise to the "Angola Model."

The Development History of Bilateral Relations

Angola, located on the West African coastline, controls key sea routes to the region and central Africa, serving as the primary gateway to these areas. Despite the geographical distance, China and Angola have established a profound traditional friendship. Their shared colonial history, particularly the long-term Portuguese colonial rule over both nations-similar to the history of Macau in China and Angola-further solidified this bond. Angola began its national independence movement against colonial rule in the 1960s, during which China provided small-scale aid to Angola, including military supplies and training. On January 12, 1983, China

and Angola officially established diplomatic relations. Subsequently, Angola received various forms of aid from China, including food, medicine, and military support, especially during economic hardships and external threats. For example, in June 1986, during an external invasion and severe economic challenges, Angola accepted 2,000 tons of maize aid from China; in April 1993, it received pharmaceuticals valued at 200,000 RMB from the Chinese Red Cross.¹; In October 1997, Angola received military logistics support valued at 2 million RMB provided by the Chinese government. China has always adhered to the principle of meeting the needs of the Angolan people, providing aid to alleviate their burdens and improve their self-recovery abilities, thus promoting Angola's economic and social development.

China and Angola have maintained long-term mutual support and cooperation in international affairs. Since the 1960s, China has explicitly expressed support for the Angolan independence movement. In turn, Angola has supported China's stance on various issues, including the China-India border dispute, China's nuclear testing, and China's status in the United Nations. Since the establishment of diplomatic relations in January 1983, China-Angola relations have continued to develop amicably. China has firmly supported Angola's unification efforts and actively promoted the peace process, including voting in the UN Security Council to sanction armed forces opposing the Angolan government. Similarly, Angola has provided China with steadfast support on issues involving Taiwan and human rights.

After the end of the Angolan civil war in 2002, China provided Angola with aid for reconstruction efforts. High-level visits between the two sides became more frequent, and bilateral cooperation on major international issues and regional affairs was further strengthened. Through a series of high-level visits, in March 2023, Angolan President Lourenço visited China again, which not only solidified the existing friendly relations between China and Angola but also deepened mutual understanding between the two sides. This played an important role in expanding mutually beneficial cooperation between the two countries in political, economic, cultural, and other fields.

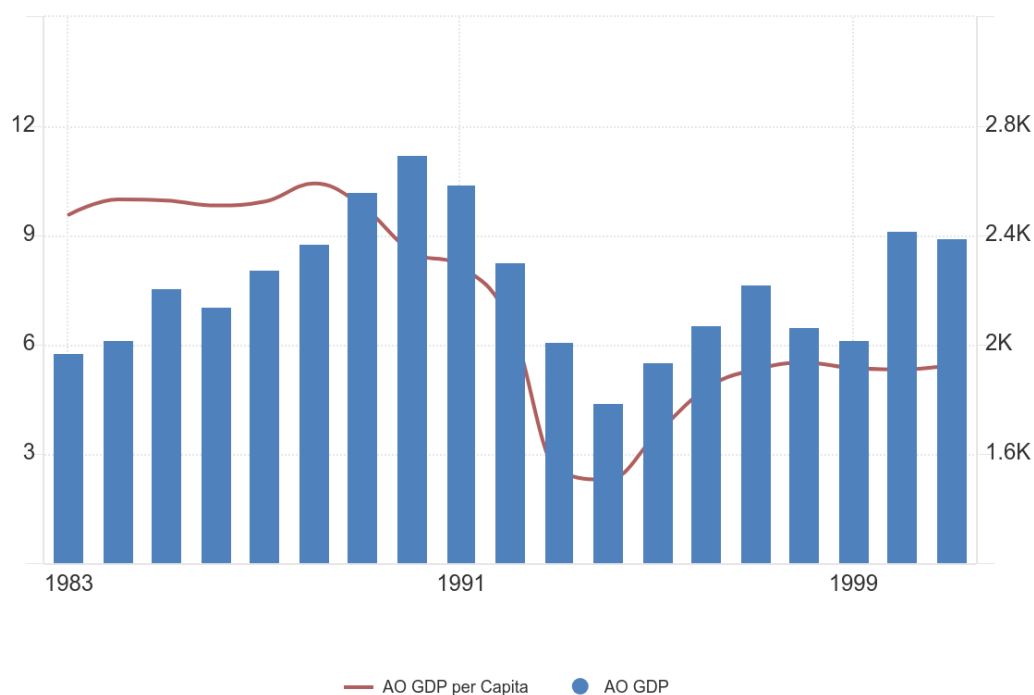
Angola's Economic Development and Aid Needs

¹ Powers Mohan and Tan Mullins, *China's Resource Diplomacy in Africa: Powering Development*, Basingstoke: Palgrave Macmillan, 2012, p.63.

The shortage of funds has always been a major obstacle to the development of African countries. The 27-year-long civil war severely damaged Angola's national infrastructure, causing its economic development to lag behind the global average. For instance, according to World Bank statistics, in 1983, Angola's total GDP was only 5.794 billion USD, and a per capita GDP of 2480 USD. By 2002, despite an increase in the total GDP to 8.936 billion USD, the actual growth of GDP over these 20 years was only 3.2 billion USD, with the per capita GDP dropping to 1930 USD, indicating severe negative growth in multiple years. In the early 21st century, when globalization was driving rapid economic growth in most countries, Angola and other African nations were unable to integrate into the global division of labor system due to the impacts of civil wars, keeping their economies in a state of underdevelopment.

Figure 3.1 Level of economic development in Angola, 1983-2002;

Source: tradingeconomics.com



Data sources: World Data Bank

Angola, in the post-war reconstruction phase, was in dire need of funds to restore the national economy and rebuild infrastructure. However, when facing loans offered by international financial institutions like the World Bank and Western countries, Angola found that this aid often came with stringent prerequisites, such as implementing a democratic political system.

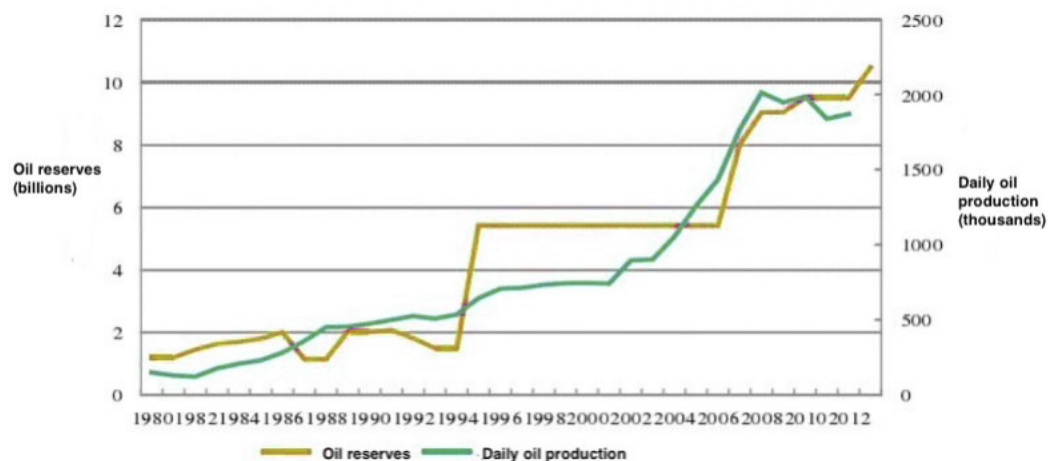
For Angola at that time, these conditions were impractical. Therefore, like many other Third World countries, Angola was either unable to meet these conditions or unwilling to accept aid with attached conditions, resulting in an inability to benefit from these loans.

At this critical juncture, China extended a helping hand to Angola. When Angola sought aid from China, the Chinese government responded positively, providing substantial financial support for post-war reconstruction. This aid involved not only fiscal support but also introduced an innovative aid method of "infrastructure for resources," thereby launching the new foreign aid model known as the "Angola Model." This model not only met Angola's urgent need for economic aid but also provided China with valuable resources, promoting win-win development for both sides.

Angola's oil resources are a key element in the Sino-Angolan cooperation model. China's rapidly growing economy has an increasing demand for natural resources such as oil and minerals. However, due to relative scarcity of domestic resources and energy security issues, China has had to seek overseas resources. The unstable situation in the Middle East and intense competition among international powers have made Africa an important oil supply region for China outside the Middle East.

Although Angola is an important country in the oil industry, its long-term conflict severely constrained the development of its oil industry. In 1980, Angola's oil reserves were only 1.2 billion barrels, and its daily production was only 150,000 barrels, not qualifying it as a country rich in oil resources at that time. However, by the 1990s, with advances in deep-sea exploration technology and the development of the deep-sea regions of the Congo Basin, Angola's oil reserves and production capacity both saw significant growth. By 2001, Angola's oil reserves had increased to 5.4 billion barrels, second only to Nigeria in Africa, but daily production was still less than 750,000 barrels. Entering the 21st century, Angola's oil reserves continued to grow, exceeding 9 billion barrels by 2008, and the latest data shows that in 2013, the reserves had surpassed 10 billion barrels, making Angola one of the world's significant oil reserve countries.

Figure 3.2 Angola's oil reserves and daily production, 1982-2012



Source: U.S. Energy Information Administration (EIA)

From China's perspective, the rapid growth of its economy not only increased the demand for external resources but also accumulated a vast amount of foreign exchange reserves, providing strong support for China's economic activities on a global scale. According to data from the People's Bank of China, China's foreign exchange reserves surpassed Japan in 2006, becoming the world's largest holder of foreign exchange reserves, breaking the 1 trillion USD mark. By 2009, this figure had surpassed 2 trillion USD, accounting for approximately one-third of the global total. As of the end of 2023, China's foreign exchange reserves reached 3.24 trillion USD.

With the continuous growth of foreign exchange reserves, the challenge of managing and investing these large funds has become increasingly prominent. To achieve more efficient fund management and obtain higher investment returns, investing these foreign exchange reserves in overseas markets has become a necessary choice. Looking at both China's own developmental needs and Angola's rich energy reserves, this provides a solid foundation for China to offer large-scale aid to Angola. China's economic aid strategy not only leveraged its huge foreign exchange reserves but also met its urgent need for energy and other natural resources while providing significant support for Angola's economic development and infrastructure construction.

The Trade Foundation Between the Two Countries

Since China began systematic and comprehensive aid to Angola in 2004, the economic and trade cooperation between the two countries has undergone significant changes. In 2005, the bilateral trade volume between China and Angola grew by 41.6% from 4.91 billion USD in 2004 to 6.95 billion USD. Among this, Angola's main export to China was oil, totaling 6.58 billion USD. This substantial trade volume rapidly made Angola China's largest trading partner in Africa and the second-largest oil supplier to China, second only to Saudi Arabia. By 2006, Angola had surpassed Saudi Arabia for the first time to become China's largest crude oil supplier.

These figures not only reflect the importance of Angola in China's energy supply but also show China's influence on Angola's economy, especially the oil industry. China's economic aid and investment have significantly promoted the development of Angola's oil industry and have also deepened the interdependent and mutually beneficial economic and trade relationship between the two countries.

Table 3.3 Trade volume between China- Angola and China-Africa, 2004-2011;(in billions)

Year	China-Africa trade volume	China-Africa trade volume growth rate	China-Angola Trade Volume	China-Angola Trade Volume Growth Rate	Percentage of China-Africa Trade	China's exports to Angola	China's Imports from Angola	China's trade surplus
2005	39.74	34.90%	6.95	41.60%	17.50%	0.37	6.58	-6.21
2006	55.44	39.50%	11.82	70.10%	21.30%	89.00%	10.93	-10.03
2007	73.66	32.80%	12.12	16.20%	19.20%	1.23	12.89	-11.65
2008	107.2	45.50%	25.32	79.40%	23.60%	2.94	22.38	-19.44
2009	91.01	-15%	17.06	-32.60%	18.77%	2.39	14.68	-12.29
2010	127.04	39.50%	24.81	45.50%	19.50%	2	22.82	-20.81
2011	166.32	30.90%	27.71	11.60%	16.70%	2.78	24.92	-22.14

Source: China National Statistical Yearbook

<http://www.stats.gov.cn/tjsj/ndsj/2015/indexch.htm>

3.2 Detailed Analysis of Operational Mechanisms and Impact

Since the establishment of the Forum on China-Africa Cooperation (FOCAC) in 2000, it has become an important platform for promoting dialogue and cooperation between China and Africa and has played a bridging role in the cooperative relationship between China and Angola. In 2003, the Macau Forum hosted by China was successfully held, focusing on economic and

commercial cooperation and attracting Portuguese-speaking countries including Angola, which strengthened the cooperation between China and Africa in trade and investment.

Evidently, the formation of the "Angola Model" is based on Angola's rich oil resources. At the beginning of the 21st century, China's rapidly developing economy urgently needed natural resources such as oil, while facing challenges due to instability in the Middle East and a relative scarcity of domestic resources, making energy security a prominent issue. The rapid growth of China's economy also accumulated a substantial foreign exchange reserve. At the same time, after the end of its civil war, Angola had a stable environment for economic development. Advances in oil extraction technology, particularly deep-sea exploration, made the Congo Basin one of the fastest-growing oil and gas reserves in the world. From 1.2 billion barrels with a daily production of 150,000 barrels in 1980, Angola's oil reserves had exceeded 10 billion barrels by 2013, making it one of the world's major oil-producing countries.

In 2004, the China Exim Bank and the Angolan Ministry of Finance signed a loan framework agreement totaling 2 billion USD and a large-scale infrastructure cooperation agreement. This loan was specifically used to support the export of Chinese enterprises' products or contract engineering projects in Angola. At the same time, the Angolan government signed a long-term oil supply agreement with Chinese oil companies, using revenues from oil exports to China as collateral for loan repayment. This "infrastructure for resources" aid model not only solved the financing problems of developing countries like Angola but also ensured the loan security for China as the donor country. Since then, Sino-Angolan cooperation has entered a rapid development phase.

The implementation process of this agreement is as follows:

Loan Application and Approval: The Angolan government first submits a loan application, which the China Exim Bank evaluates and submits an assessment report to the Chinese Ministry of Commerce. After approval by the Ministry of Commerce, the China Exim Bank signs a framework agreement with the Angolan government.

Project Bidding: The Angolan government organizes project bidding, open only to Chinese enterprises. Chinese enterprises participate in the bidding after selection by the Association of Foreign Contracting Projects of China, and the winning companies negotiate contract details

with Angolan clients, followed by the signing of specific bank loan agreements with the Angolan Ministry of Finance under the guidance of the framework agreement.

Project Implementation: The construction project is carried out by the Chinese contractor who won the bid. Materials and equipment required for the project are provided by the contractor. If purchases need to be made from Angola or international markets, costs are settled at international rates; if imported from China, the China Exim Bank pays the suppliers in RMB. Workers' wages are also paid directly by the China Exim Bank.

Payment of Construction Funds: Construction funds are paid based on project progress. After reaching certain stages, third-party supervision reports progress to Angolan clients, who then submit a disbursement application to the government. If the project is delayed or there are quality issues, the Chinese contractor may not receive the construction funds on time.

Loan Repayment: The Angolan government repays the loan with oil. According to the agreement, the government provides a certain amount of crude oil to PetroChina every day and grants PetroChina priority in oil extraction. PetroChina then uses the oil revenue to repay the China Exim Bank. The oil transaction is a commercial contract reached by Sinopec under the guidance of the governments of both countries, integrating oil sales with aid loans, but not included within the framework agreement.

4 How China's economic aid policy works

4.1 Management style and systems

4.1.1 During the operation of the "Angola Model," the governments of both countries, Angolan customs, China Exim Bank, and Chinese enterprises each play different roles. By analyzing the changes in the management policies of the Ministry of Commerce of China regarding the "Angola Economic Aid Model," one can glimpse the evolution of China's foreign aid and economic and trade cooperation strategies with African countries over different periods. Initially, the Ministry of Commerce shifted from a direct leadership role to an indirect guiding role in this model. Its responsibilities moved from directly managing the specifics of aid to Angola to mainly formulating macroeconomic policies and management methods, aiming to grant greater autonomy to both Angola and Chinese enterprises. The economic cooperation between China and Angola is essentially trade and commerce cooperation between enterprises supported by the two governments.

Since 1994, the Ministry of Commerce's approach to investment in Africa has undergone changes. This was mainly because China implemented a market-based, single, managed floating exchange rate system for the renminbi at that time, achieving the unification of exchange rates and the abolition of foreign exchange retention, and adopting a system of foreign exchange income conversion and sale. Therefore, the Ministry adjusted its management of foreign aid to adapt to the needs of the market economy.

This shift is particularly evident in the hiring of experts and workers. For example, unlike the typical two-year term for experts in Western countries' foreign aid, the term of Chinese experts sent to Africa is determined based on the specific needs of the project. The Ministry of Commerce has not set specific regulations, and the enterprises undertaking the contract decide based on actual conditions. Regarding the employment of workers in Angola, as the local workers are mainly ordinary technical workers who find it difficult to meet the requirements of high-tech jobs, Chinese contracting companies prefer to implement projects according to Chinese standards, while local workers have very limited understanding of these standards. Hence, on the specific issue of hiring workers, the Ministry of Commerce also did not set

specific schemes, leaving Chinese construction companies to decide based on the specific situation.

Moreover, the Ministry of Commerce's management of the "Angola Economic Aid Model" has also experienced changes in internal division, reflecting the Chinese government's shift in understanding of the "Angola Economic Aid Model." In the twentieth century, China's economic aid to Africa was mainly based on strategic political considerations and adopted a unilateral aid strategy. Entering the twenty-first century, economic factors have taken a more significant position in China's economic aid to Africa. The Ministry's understanding of the "Angola Economic Aid Model" has also changed, with aid transitioning from a purely political act to a compound act combining political and economic elements. The Ministry advocates "exploring a variety of ways to combine foreign aid with mutual benefit and cooperation, and to promote direct cooperation between Chinese enterprises and enterprises in recipient countries," while continuing to "firmly implement a diversified market strategy and a quality-focused strategy." Since Angolan aid is primarily inter-corporate cooperation under a government framework, it is managed by the Department of Outward Investment and Economic Cooperation of the Ministry of Commerce, not by the Foreign Aid Office.

Finally, to expand the influence of the "Angola Model," the Ministry of Commerce has adopted flexible and varied means. Although Chinese companies in Angola are not subjectively tasked with expanding the political influence of the Chinese government, objectively, through adhering to corporate codes of conduct, fulfilling contract terms, and completing projects on time, they expand China's political influence in Angola. For instance, charitable and public welfare projects carried out by Chinese companies in Angola, although essentially aimed at leaving a positive impression on the local population, are also continually expanding China's political influence in Angola.

4.1.2 Why make changes

The Chinese Ministry of Commerce has had to invest significant resources and funds to assess the feasibility of new management models while also facing certain risks. However, the reasons for the Ministry's change in the management strategy for the "Angola Model" are mainly as follows:

First, the adjustment of the Ministry of Commerce's management of the Angola Model was to adapt to the trend of China's market economy development. The policies implemented for the Angola Model are fundamentally based on diplomatic strategies and commercial needs, reflecting the changes in Chinese social ideology and values. With the deepening of reform and opening up, China's institutional reform has also been ongoing. In order to simplify government structure and reduce administrative costs, fiscal decentralization has been implemented between the central and local governments. Local governments have gained more autonomy in investment planning, imports and exports, taxation, pricing, foreign exchange management, introduction of foreign capital, and the use of non-budgetary funds. This fiscal decentralization gradually adjusted the income distribution between the central and local governments, enhancing the fiscal management capabilities of local governments. The Ministry of Commerce adopted more flexible and diverse management strategies in response to the enthusiasm and initiative shown by local governments in foreign investment since the reform and opening up. In this context, the returns on foreign investment by local enterprises have gradually increased, and local economies have developed rapidly. The expansion of local administrative powers has promoted the activity of their foreign investment, as evidenced by the annual growth of local governments in non-financial investment sectors. Also, the self-financing system of local governments has accelerated the pace of "going out" for local enterprises, creating a favorable foundation and environment for Chinese companies to participate in aid and cooperation with Africa.

Second, China's own development model has led to diversification in China's economic aid and economic cooperation with Africa. Since the establishment of economic special zones following reform and opening up, which realized greater economic autonomy for local governments after decentralization from the central government, China's economic aid and economic cooperation with Africa have drawn on these practices. At the 2006 Forum on China-Africa Cooperation, the Chinese government pledged to prioritize the establishment of three to five economic and trade zones in Africa.

Third, changes in the Chinese government's guiding principles for foreign aid have facilitated adjustments to the management of the "Angola Model."

China has undergone significant shifts in its guiding philosophy of foreign aid. In 1992, China's Ministry of Foreign Economic Relations and Trade proposed an important guideline: "Actively promote the integration of foreign trade, foreign investment, and foreign economic relations, and move towards a broader path of economic and trade development." This was not only in line with the development trends of international trade at the time but also a key approach for China's foreign economic trade to enter a new stage. By 1994, the Ministry further emphasized three core slogans: diversified markets, large-scale economic and trade, and 'winning with quality.' Among them, the "winning with quality" strategy focused on improving the quality issues of Chinese export commodities; the "large-scale economic and trade strategy" guided the comprehensive development of foreign economic and trade tasks at a more macro level, mainly involving the integration of foreign trade, foreign investment application, overseas project contracting and labor cooperation, foreign aid, foreign investment, and other foreign economic cooperation activities, aiming for the unified and coordinated development of goods, technology, and service trade; the "diversified market strategy" was a comprehensive, multi-level national development strategy adopted by the state to actively explore international markets. To implement this strategy, the state enacted a series of policies and measures to further comprehensively develop international markets, with the aim of diversifying foreign economic and trade development, better reflecting national will, and aligning with national interests. These three strategies have been specifically manifested in the change in China's management of the "Angola Model," especially the large-scale economic and trade strategy which emphasized the balance and combination in aid and cooperative relationships.

4.2 The Specific Provisions of Economic Aid Policies

The "Angola Model" represents an innovative aid approach that is based on the actual needs of both China and African nations. As mentioned previously, under the "Angola Model," the scope of aid significantly transcends the boundaries defined by traditional aid, creating a model that combines trade, investment, and aid. This pragmatic approach not only expands the meaning of aid but also fosters a mutually beneficial cooperation model. At the same time, the tendencies of "trade substitution for aid" and "cooperative construction substitution for aid" are

becoming increasingly evident, and the "Angola Model" precisely reflects this trend, serving as a pioneer in realizing this aid philosophy.

Compared to traditional aid models, the "Angola Model" offers more lenient loan conditions without political strings attached and has three notable characteristics:

4.2.1 Focus on the Actual Needs of the Recipient Country

Firstly, the "Angola Model" places high importance on the specific needs of the recipient country, making the aid process more cooperative and thereby increasing the enthusiasm of the recipient country's participation. Before determining the areas and details of aid, China and Angola engage in in-depth consultations, discuss project implementation and approval details, and then determine loan amounts. In contrast, traditional Western aid models typically decide on aid projects based on their own experience and understanding, while ignoring the opinions and needs of the recipient countries. China's "Angola Model," while respecting the wishes of the recipient countries, provides them with broader development opportunities. This method aligns with China's international stance of exploring development paths based on actual circumstances. It is evident that the "Angola Model" provides recipient countries with more space for economic development and policy-making, highlighting respect for recipient countries. From the perspective of China's development experience, China has always advocated for exploring suitable development paths based on national realities, so providing aid based on the needs of the recipient country is in deep alignment with China's development philosophy.

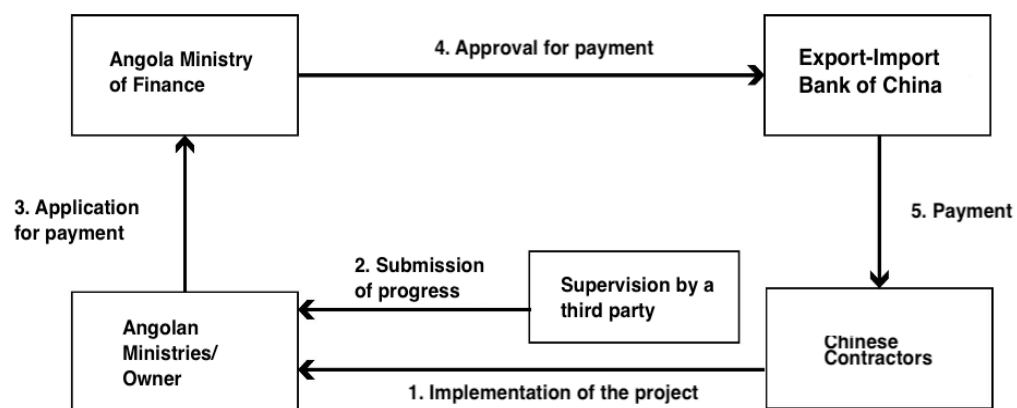
4.2.2. Guarantees for Project Implementation

Secondly, the "Angola Model" ensures the smooth implementation of projects. In the practical operation, projects contracted by Chinese companies are subject to third-party supervision, with progress reports regularly provided to Angolan clients. Only after approval from the Angolan Ministry of Finance can the Chinese contractor obtain the corresponding project funds from China Exim Bank. Under this mechanism, the funding received by the contractor is directly linked to project progress and quality, ensuring timely completion of the project.

The "Angola Model" is essentially a loan aid method where oil is used as collateral for repayment—China provides loans for infrastructure construction, while Angola uses its oil

revenue as the assurance for repayment. The loan repayment period is 12 years, with an interest rate of the London Interbank Offered Rate (LIBOR) plus 1.15%¹ (Foster, 2009). The construction is entirely contracted by Chinese companies and supervised by a third party. Supervisory agencies report on project progress monthly to Angolan clients (state-owned companies or competent departments), who then submit the information to the Angolan Ministry of Finance for approval. Once approved, funds are transferred directly from China Exim Bank to the contractor's account. Payment is closely tied to project progress. If the projects outlined in the agreement are not implemented, the contractor will not receive payment. Although the framework agreement itself does not involve oil transactions, subsequent oil companies of the two countries signed purchase and sale contracts at market prices with government aid, further linking oil sales to contract repayment. The specific process is as follows.

Figure 4.1 Flowchart of disbursement of financing funds



Source: Institute of International Trade and Economic Cooperation, Ministry of Commerce of China

Using oil as collateral for loans is not an innovative practice. Previously, the method of exchanging natural resources for infrastructure construction had been used by other enterprises, such as the bauxite contract between China and Guinea. However, the "Angola Model" displays some unique new characteristics. Firstly, compared to traditional market oil-backed loans, the framework cooperation agreement between China and Angola has more detailed planning for the use of funds. Not only are project discussions and approvals predetermined, but even the

¹ Foster, V. (2009). Building bridges: China's growing role as infrastructure financier for Sub-Saharan Africa (Vol. 5). World Bank Publications.

selection of construction companies is guaranteed in the agreement. Such arrangements ensure the efficient use of loans and reduce potential delays in project implementation. Secondly, the payment of construction funds is closely linked to project progress. This not only shows meticulous financial planning of the project operations but also ensures the smooth implementation of the project plan and the effective use of loans. Moreover, compared to the operations of individual companies, agreements led by governments are more systematic; loan projects need thorough demonstration before implementation, construction companies are selected through bidding, and the flow of funds and construction operations are strictly supervised.

4.2.3. Preventing Corruption

The "Angola Model" takes measures in the process of funds transfer to avoid the possibility of misappropriation or misuse of aid funds. Looking at the loan payment process, the framework cooperation agreement stipulates that loans are paid directly by the China Exim Bank to the Chinese construction company, avoiding the transfer of funds through multiple stages and thus significantly reducing the risk of illegal use of funds. Under this model, the Angolan government does not directly handle the aid funds provided by China; instead, funds are transferred directly from the China Exim Bank to the construction party. This means that funds do not directly enter Angolan government departments, ensuring the correct use of the funds. The "Angola Model" effectively addresses the issue of fund management in recipient countries, a problem often criticized in traditional aid models, ensuring the effective utilization of aid funds.

The "Angola Model" not only strengthened economic development and trade exchanges between China and Angola but also laid an important foundation for China's foreign aid strategy. As China's economic aid scale in Africa has expanded, the "Angola Model" has gradually become the main model for China's economic aid implementation in other African countries. Uganda, the Democratic Republic of the Congo, Nigeria, and other countries have also signed similar cooperation agreements with China, which to some extent challenges the

existing Western aid system. The "Angola Model" satisfies the interests of both parties in the aid process and has established a mutually beneficial and reciprocal relationship¹.。

¹ Financial Times, September 16, 2011: "China is not neo-colonialism".

5 The Achievements of the Angola Model

5.1 Angolan perspective: economic development and independence of national sovereignty.

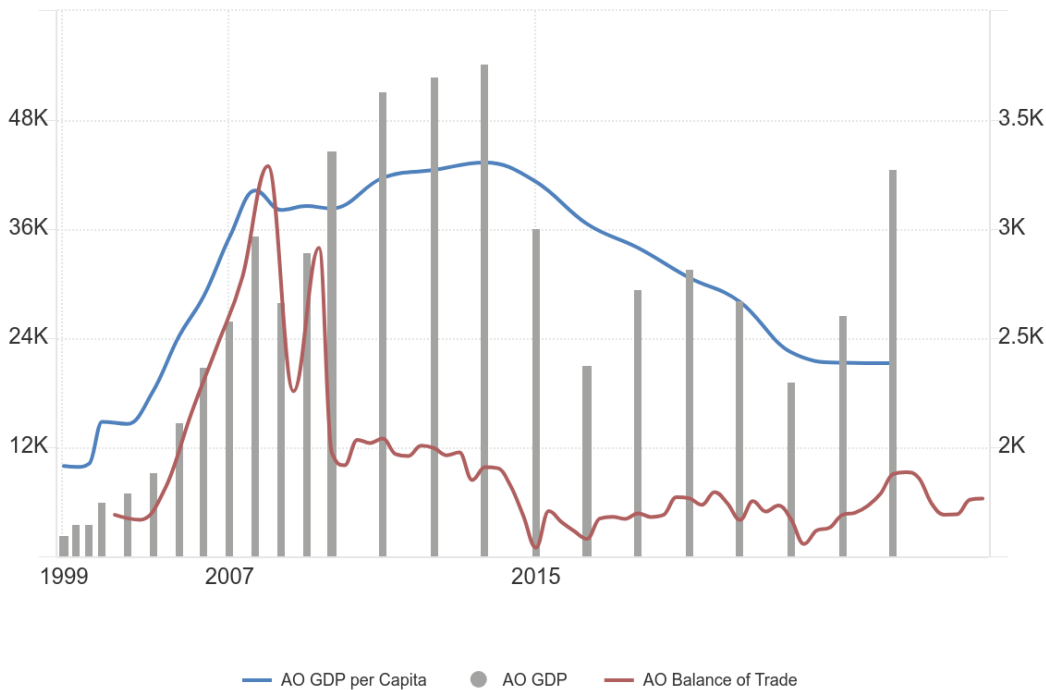
5.1.1 Stable economic growth

After facing setbacks in securing loans from traditional Western aid countries and international organizations, Angola embraced a new opportunity in the form of substantial aid from China, offered without political preconditions. This signaled a departure from Angola's reliance solely on traditional aid sources. The flexible assistance from China, which significantly empowered the recipient nation's autonomy, laid a solid foundation for Angola's economic development.

Since the end of the civil war in 2002, Angola's economy began to recover from a GDP of just \$11.4 billion. The aid framework agreement with China bolstered this economic revival, with annual GDP growth rates staying above 10% from 2004 to 2008, and by the end of 2009, the GDP had surged to 35 billion. During this period, Angola's daily oil production also increased from less than 900,000 barrels in 2002 to 2 million barrels in 2008. By 2023, Angola had become the eighth-largest economy in Africa and reached the status of a lower-middle-income nation, with a per capita national income of 2,387.

Figure 5.1: Economic development in Angola, 1999-2022

Source: tradingeconomics.com



Source: World Data Bank & tradingeconomics.com

One notable aspect of China's policy to bolster Angola's economy is the expansive inclusion of trade and investment activities within their economic cooperation agreements. This form of aid has directly spurred China's trade and investment in Angola. Since the establishment of diplomatic ties, trade between the two nations began, albeit initially modest in scale. It wasn't until the year 2000 that their bilateral trade exceeded 1.8 billion, with a majority of China's imports coming from Angola, leading to a persistent trade surplus for Angola. Subsequently, trade between the two surged, reaching over 37.6 billion by 2012, making Angola China's second-largest trading partner in Africa.

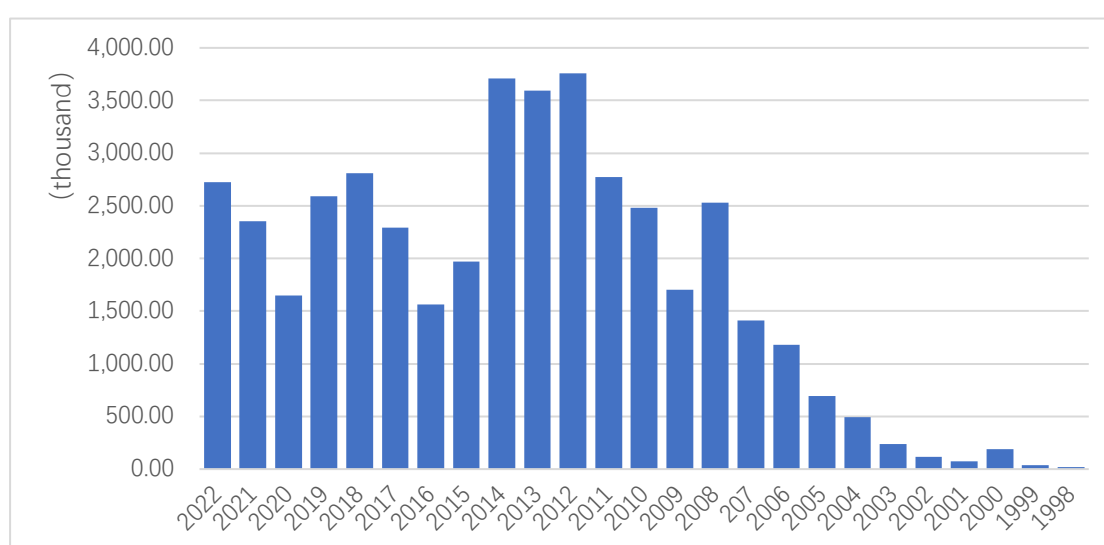
Angola's exports to China are primarily oil and diamonds, with oil constituting 96%¹ of the export value, making it the most critical export commodity. In the trade dynamics of 2005, Angola exported 17.46 million barrels of oil to China, accounting for 45.5% of China's oil imports from Africa, surpassing Iran to become China's second-largest oil supplier, just behind Saudi Arabia². For Angola, China stands as the second-largest export market for oil, following

¹ Lu, J.Y., Li, X.E. and Li, F.. (2011). Investing in Angola. Country/Region Reports on China's Outward Investment. Beijing: Bureau of Investment Promotion, Ministry of Commerce.

² Africa accounts for 30 percent of China's oil imports: official", People's Daily Online October 19, 2006

the United States. Meanwhile, China's exports to Angola have also risen sharply, from 36.66 million in 1999 to over \$140 million in 2003, continuing to escalate to \$4 billion by 2012. China's exports to Angola are concentrated in machinery, construction materials, and vehicles. As of 2020, Angola ranks as China's second-largest trading partner in Africa, after South Africa, while China is Angola's top trading partner, the prime destination for exports, and the leading source of imports¹. Moreover, Angola is the fifth-largest supplier of crude oil to China globally, following Russia, Saudi Arabia, Iraq, and Brazil.

Figure 5.2: China's import and export trade with Angola, 1998-2022



Source: China National Bureau of Statistics (CNBS)

China has invested substantially in Angola's infrastructure and energy sectors, with data from 2022 indicating an investment of 225 million², making China the third largest foreign investor in Angola. Prominent companies such as the China Gezhouba Group Corporation (CGGC), Sinopec, Huawei, Qingdao MDC, GuDe, H&S International, Suje International, and Chinangol Group have penetrated various sectors in Angola to initiate collaborations.

Moreover, China's large-scale infrastructure assistance has positively influenced Angola's commercial environment. Due to the civil war's legacy, Angola's infrastructure was relatively undeveloped, leading to increased costs of doing business and discouraging foreign investment.

¹ Department of Commerce of Fujian Province, People's Republic of China. (2021-12-10). Portuguese Speaking Countries - Angola Market Overview. https://swt.fujian.gov.cn/xxgk/jgzq/jgcs/gac/tpxw_21/202112/t20211210_5791662.htm

² [2022-06-02] China foi o terceiro maior investidor em Angola de 2018 a 2022 <https://www.ipim.gov.mo/pt-pt/portuguese-speaking-countries-news-pt-pt/2022-06-02>

China's contribution exceeds 100 projects across domains such as education, health, transportation, hydroelectric power, and telecommunications. These infrastructure initiatives have not only ameliorated Angola's business atmosphere and residents' living standards but have also established a groundwork for economic restoration after the war, conducive to drawing in foreign capital. According to the World Bank, the foreign direct investment attracted by Angola rose from 1.523 billion in 2005 to 6.31 billion in 2020¹.

5.1.2 Stabilization of the national political situation in Angola

The Chinese government, corporations, and workers have efficiently completed various assistance projects in Angola, which has, to a certain extent, supported the Angolan government's efforts to stabilize the political scene and advance economic development, earning the support of the populace. The significance of such projects was highlighted during the presidential elections in Angola in August 2017, when the China Gezhouba Group Corporation (CGGC) held a groundbreaking ceremony on August 4th in Dondo, Cuanza Norte Province, an event crucial for political stability and unity in Angola. At the ceremony, President José Eduardo dos Santos laid the foundation stone for what is currently the largest hydropower station undertaken by a Chinese firm in Africa. The project, with a contract sum of 4.532 billion, aims to install a capacity of 2,172 MW and is expected to be completed within 80 months, creating nearly 10,000 local jobs. Upon completion, the CGGC will also manage the operation and maintenance of the hydropower station and train a cohort of professional personnel for Angola. Once operational, the project will fulfill over 50% of Angola's electricity demand, significantly propelling local economic and social development and becoming vital for the future economic construction of Angola. The infrastructure built by the likes of the CGGC stands as a testament to the Angolan people's confidence in post-war national reconstruction.

As previously mentioned, the loans provided by the Chinese government to Angola come without any political conditions attached, giving the Angolan government the leverage to decline loans from Western nations and the International Monetary Fund, which often come with stringent terms. This financial support has not only facilitated post-war reconstruction but

¹ Country (Region) Guidelines for Outward Investment Cooperation (2021 Edition)-Institute of International Trade and Economic Cooperation, Ministry of Commerce of China

has also allowed Angola to occupy a more advantageous position on the international political stage, bolstering its diplomatic autonomy.

According to the Ministry of Commerce of China, in 2020, Chinese companies signed 59 new engineering contracts in Angola, with the new contracts valued at 1.253 billion and business revenues reaching 1.515 billion by year-end. By the end of the year, a cumulative total of 1,014 Chinese workers were dispatched, with 6,079 Angolan workers are on the local with them. Furthermore, these projects necessitate a significant number of local subcontractors and suppliers, which has also generated numerous indirect employment opportunities¹.

Table 5.3: China's company contracted projects in Angola

Year	New contracts value	Cumulative amount of contracts signed	Completed turnover	Cumulative completed turnover
2016	85.58	690.72	43.32	526.9
2017	85.8	776.52	66.9	593.8
2018	22.3	798.82	45.43	639.23
2019	8.09	806.91	28.66	651.89
2020	12.53	819.4	15.15	667.04

Source: Chinese Ministry of Commerce

5.1.3 Improvement of people's living environment

The collaboration between China and Angola has significantly improved the living conditions of the Angolan people, particularly through rapid enhancements in the country's infrastructure. In 2008, the large-scale Kilamba social housing project (K.K. City project), located in Luanda, broke ground. The first phase of this project included 710 apartment buildings (encompassing 20,000 housing units with a total construction area of about 3.31 million square meters) along with associated amenities such as education, transportation, electricity, water supply, and landscaping. The project area also features hospitals, police stations, fire stations, gas stations, churches, commercial areas, and community service centers. This initiative was undertaken by a consortium led by CITIC Construction Co., which with participation from 20 Chinese companies. This project is part of the Angolan government's

¹ Country (Region) Guidelines for Outward Investment Cooperation (2021 Edition)-Institute of International Trade and Economic Cooperation, Ministry of Commerce of China

efforts to alleviate domestic housing shortages, maintain social stability, and stimulate economic growth. It also stands as a significant symbol of Angola's post-war reconstruction. In July 2011, the first phase of the project was successfully completed and handed over for use. President José Eduardo dos Santos personally inaugurated the transfer ceremony and highly commended the substantial contributions made by Chinese constructors¹.

5.2 China perspective: energy security and external cooperation

5.2.1. China's Diversified Energy Strategy

One of the most pressing issues facing China's development is the security of its energy supply. By the end of 2012, China had become the world's largest oil importer. The cooperation between China and Angola in the energy sector is a concrete manifestation of China's diversified energy strategy in its international aid and collaboration efforts, typified by the "infrastructure-for-oil" approach to meet domestic economic demands. The success of the China-Angola cooperation also marks a significant breakthrough in this strategy, as it allows for further optimization of China's oil import sources, reduces energy risks, and signifies a long-term reliance on African energy.

Currently, Angola is China's fifth-largest crude oil supplier. Since 2004, despite fluctuations in Angola's share of China's total oil imports, the volume of Chinese imports from Angola has continued to grow. As of 2019, China's total oil imports reached 50.66 million tons, with imports from Angola accounting for 5.44 million tons, representing 10.7% of the total. This underscores the critical importance of Angolan oil for China's energy supply. To ensure the security of oil supplies, China continues to collaborate with various oil-producing nations. In this series of partnerships, Angola has become a bastion for China's oil security, contributing to the optimization of China's energy import portfolio and further safeguarding the security of energy supply.

¹ CITIC Construction builds city for Angola (China News, Dec. 5, 2012) <https://www.chinanews.com.cn/cj/2012/12-05/4385533.shtml>

In short, China's economic model for foreign aid has secured a stable oil supply for China, and its ample funds, along with substantial demand, have also ensured stable oil revenues for Angola.

5.2.2. Encouraging Chinese Enterprises to Participate in International Markets

In the process of aiding Angola, Chinese enterprises have actively ventured into the overseas market through economic conditions attached to aid. Moreover, the Export-Import Bank of China provides these outward-bound contracting aid projects with financial backing or long-term low-interest loans, further enhancing the competitive of Chinese companies. Besides state-owned enterprises, Chinese private enterprises also have opportunities to enter the African market. For instance, companies like Huawei have even surpassed traditional Western company in local market share, becoming major players in the local telecommunications industry. This economic model has also indirectly benefited small and medium enterprise (SME) through China's aid-facilitated economic development in Angola.

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6.The Future Development Prospects of China's Economic Aid Policies to Africa

6.1 Criticisms from Other Traditional western Aid Donor Countries

The "Angola Model" has captured the attention of both Angola and the Western world. Amidst significant Chinese assistance, Angola has demonstrated a determination and capability for self-driven development, subsequently crafting an all-encompassing diplomatic strategy and engaging in extensive cooperation with global economic partners. Moreover, influenced by a wave of resource nationalism, Angola is aspiring to more equitable exchanges, demanding more stringent conditions from China, rather than simply trading natural resources for foreign goods. The West perceives this model, which represents aid without political conditions, as China's "Beijing Consensus," a contrast to the institution-focused and good governance "Washington Consensus." Western critics argue that China's excessive exploitation of Angolan resources and market dominance is detrimental to Angola's sustainable development in the long run and attempt to hinder similar Chinese infrastructure-for-resources deals with other African nations. In reality, the "Angola Model" has its limitations: from China's perspective, the challenges lie in construction, management, and corporate social responsibility; from Angola's perspective, the concerns are political, economic, and financial stability issues.

6.1.1 Angola's attitudes and requirements

The "Angola Model" reflects the mutual will and cooperation between China and Angola. As Angola moves towards recovery with China's support, the Angolan government has adeptly adjusted its foreign strategy to promote a diverse range of international relations. This strategy is exemplified by Angola's willingness to exchange and collaborate with countries worldwide while ensuring no single country exerts undue influence.

With the onset of the 21st century, an increasing number of African nations have been inspired by "economic nationalism," showing discontent with mere resource-for-industrial-products exchanges and advocating for enhanced value and efficiency of their natural resources. This trend of "resource nationalism" has been gaining momentum in Angola. China's strategy

of exchanging infrastructure for resources in Africa has sparked broad discussion¹. Encouraged by economic nationalism, scholars have proposed strategies for more efficient resource utilization. Angola's "2025 Vision" no longer prioritizes large-scale infrastructure as the primary engine of economic development. Instead, Angola has shifted its focus to "economic diversification" and "agricultural development" to reduce the overreliance on oil revenue.

6.1.2 Reactions from traditional Western aid countries

The West defines China's approach to promoting economic growth as the "Beijing Consensus," contrasting it with the U.S.-advocated "Washington Consensus." The latter is a set of neoliberal principles intended to guide economic and political development, supported by the IMF, World Bank, and WTO through loans and aid conditions tied to democracy, good governance, decentralization, anti-corruption, and transparency. The West criticizes China's "no political conditions" aid policy as irresponsible, accusing it of fostering authoritarianism in Africa, worsening human rights conditions, and damaging the environment of the recipient countries. Western scholars have accused China of engaging in "surgical colonialism" in Africa, minimally exploiting the continent's resources and capitalizing on Africa's urgent need for investment by exchanging capital for natural resource²(Bergesen, 2008). In 2006, the president of the European Investment Bank criticized Chinese banks for not establishing social and environmental standards, overlooking the broader societal situation³(Parker & Beattie, 2006).

In fact, China does not intend to force other countries to emulate its model, as China's development has its own uniqueness. In its economic cooperation with African nations, China does not impose any conditions related to human rights and economic liberalization, which "allows for the rapid completion of projects, yielding significant and often immediate results(Cooke, 2009).⁴ " President Wade of Senegal observed, "Compared to the sometimes patronizing post-colonial attitude of Western investors, China's response to our needs is far

¹ Zhang Zhongxiang, "Discussing Social Trends in Africa Today and Their Impact on China-Africa Relations", West Asia and Africa, No. 6, 2014, pp. 64-65.

² Bergesen, A. J. (2008, July). The new surgical colonialism: China, Africa, and oil. In American Sociological Association Annual Meeting, Boston, MA (31 July).

³ Parker, G., & Beattie, A. (2006). EIB accuses Chinese banks of undercutting Africa loans. Financial Times, 29(2006), 1.

⁴ Cooke, J. G. (2009). China's soft power in Africa. *Chinese soft power and its implications for the United States: competition and cooperation in the developing world*, 27-44.

more appropriate. Indeed, China's model of rapid economic development has taught Africa a lot(Bergesen, 2008).¹"

China's policy of non-interference does not mean neglecting humanitarian crises in Africa but rather indicates China's respect for national sovereignty and recognition of its limitations in resolving such crises. The difference between Chinese suggestions and Western intervention lies in the fact that these proposals are presented in a friendly manner, not as threats. China has never considered its development a model to be followed, nor does it believe African countries are obliged to comply.

6.1.3 Limited development of economic aid and geopolitical impacts

As Angola's economy enters a phase of steady and rapid development, the fervor for post-war infrastructure reconstruction has waned, and the enthusiastic cooperation between China and Angola under the "Angola Model" has subtly diminished. Projections indicate that Angola will still have a substantial need for infrastructure projects in the next 5 to 10 years. However, the cooperative mindset between China and Angola has shifted. Angola is no longer in dire need of Chinese loans and investments for infrastructure construction, and has become more frugal with its oil supply to China. For instance, during the financial crisis when Angola urgently needed significant funds for economic development, it did not offer its oil resources as collateral when seeking loans from China.

In March 2024, Angolan President Lourenço stated during his visit to China that negotiations had successfully been conducted regarding the terms of Angola's debt to China. He successfully "essentially lifted the restrictions imposed by Angolan commitments to Chinese banks and creditor institutions" and negotiated "measures of relief without harming either party's interests." In the future, there might be avoidance of investment through the loan-for-oil approach, as Angola still owes China a debt of 17 billion dollars, which accounts for 40% of Angola's external debt, and is still repaying early loans with oil.

In terms of geopolitics, another focal point of President Lourenço's visit to China was how Angola finds balance between the U.S. and China. This is of particular interest as he had just

¹ Bergesen, A. J. (2008, July). The new surgical colonialism: China, Africa, and oil. In *American Sociological Association Annual Meeting, Boston, MA (31 July)*.

visited the United States in December last year and met with President Joe Biden. Despite China's crucial role in Angola's economy, Luanda is striving to improve relationships with global partners. Under Lourenço's leadership, Angola has been seeking diversified foreign relations, attempting to avoid over-reliance on Chinese investment. China remains an important partner for Angola, but Angola is keen to ensure it has other solid partnerships as well.

While Angola's domestic economic objectives are changing, China also needs to consider whether Angola's market demand is nearing saturation. No cooperation model can bring endless economic benefits to the aiding nation. Therefore, China should promptly adopt new cooperative thinking and transform its mode of cooperation to sustain the ongoing development of Sino-Angolan relations.

China no longer provides aid detached from reality, based on ideology, as it did at the dawn of the new China. Although China has become the world's second-largest economy, it still faces many problems in its own development: severe urban poverty, immense employment pressure from rapid urbanization, and challenges to the existing social security system; significant wealth disparity; and currently, China is contending with the challenges of industrial transformation and upgrading, economic slowdown, and Sino-U.S. trade friction, which hinder further economic development. Therefore, if the aid continues in the same old way, China's assistance will become unsustainable, and the bilateral relations between China and Angola will face challenges.

6.1.4 Social contradiction

Firstly, there is the issue of labor employment and technology transfer. The influx of a large number of Chinese companies and personnel into Angola has impacted many aspects of local society. Despite the surge in the Chinese population and the numerous job opportunities created by the arrival of Chinese companies, these companies have been criticized for excessively employing Chinese workers. This is because Chinese firms found that local workers lacked the necessary skills for engineering or technical positions, prompting the hiring of Chinese workers to ensure projects are completed on time. Additionally, language and cultural differences have caused difficulties in workplace communication.

Secondly, there is the issue of market competition. Another significant impact of Chinese enterprises on Angolan society is the threat posed to local businesses, especially construction

companies, by the low prices and strong competitiveness of Chinese products. Chinese companies rarely choose to use local subcontractors and suppliers, opting instead to import materials, machinery, and recruit personnel directly from China. The Angolan government, recognizing this issue, has included a new stipulation in the cooperation framework agreements, requiring Chinese companies to subcontract 30% of the total project value to local firms. However, two major factors hinder Chinese companies from engaging local subcontractors. One is dissatisfaction with the quality and speed of work from local companies. The other is that many Chinese projects are of a general nature with average technical content and low profit margins. They cannot afford the more expensive project costs demanded by local subcontractors and instead look for equally affordable Chinese subcontractors. This presents a common dilemma for Chinese companies in Africa. On the one hand, they work incredibly hard but receive less return; on the other, they lack the capacity to hire numerous local workers and subcontractors, for which they are criticized and face societal pressure in Angola.

6.2 Development and suggestions

6.2.1 Participation in multilateral assistance to alleviate external pressures

China's lack of communication with Western traditional aid countries on the philosophy, policy, and practice of assistance has led to misunderstandings between the two sides, limiting the potential for cooperation. To address this issue, China could consider establishing a long-term and in-depth mode of cooperation, such as setting up effective communication mechanisms to enhance mutual understanding and exchange experiences in aid. Through such approaches, deepening understanding and finding commonalities can gradually promote cooperation and establish a lasting and extensive partnership.

China should also strengthen cooperation with international organizations such as the World Bank, the United Nations Development Programme, the Asian Development Bank, and the African Development Bank, utilizing their extensive experience in the field of aid. By enhancing cooperation and communication, China can learn from their advanced experiences, helping to alleviate the pressure on the utilization of aid funds. Increasing transparency in cooperation can effectively reduce external skepticism.

Furthermore, China can consider establishing cooperative relationships with internationally renowned non-governmental organizations and civil volunteer groups. The expertise and experience of these organizations can inject new vitality into cooperation. The participation of private enterprises not only expands their commercial influence in Angola but also promotes further market development. At the same time, the involvement of non-governmental organizations can delve into the actual needs of the Angolan people. By communicating and gathering feedback, this not only helps the local population better understand the purpose of China's aid but also ensures that China's foreign aid is more in line with actual needs, thereby enhancing the efficiency and effectiveness of aid.

6.2.2 strengthening cultural exchanges and enhancing mutual trust

The language barrier faced by Chinese companies in Angola reflects a gap in cultural exchange between the two countries. While official communication has been relatively smooth, public engagement is still insufficient, especially for foreign aid workers who directly interact with the local population—this presents a critical opportunity to deepen mutual understanding. To better integrate into Angola, Chinese enterprises need to overcome language obstacles and cultural differences. This means, on one hand, accelerating the training of professionals fluent in Portuguese; on the other hand, it involves offering Mandarin Chinese training within the companies to help Angolan employees learn the language, thereby fostering integration among staff. Chinese oil companies should also consider partnering with local governments and communities to organize cultural and entertainment events that promote Chinese culture, enhancing mutual goodwill and trust. Regularly holding Sino-Angolan cultural forums, strengthening exchanges between government cultural departments, implementing cultural exchange programs, enhancing professional collaboration in the field of culture and arts, and establishing more Chinese cultural centers in Angola are all effective ways to normalize Sino-Angolan cultural exchanges and facilitate public access to information.

Moreover, it's significantly important to educate all Chinese individuals traveling to Angola for investment or project construction about local basic knowledge to reduce misunderstandings and conflicts arising from political, cultural, or customary differences. Establishing mechanisms that encourage Chinese personnel to communicate and interact with

the Angolan public and actively integrate into the local community is vital for fostering in-depth understanding and cooperation between the two sides.

6.2.3 Improving China's aid capacity

During the aid provision process to Angola, China has encountered issues with immature systematic planning and evaluation standards, which may lead to aid projects that are ill-suited to the recipient country's actual environment or exceed its real needs. To improve this situation, Chinese enterprises should conduct comprehensive market research before entering the Angolan market to ensure an in-depth understanding of the local business environment.

To enhance the efficiency and effectiveness of aid efforts, China should strengthen the construction of foreign aid teams. This includes not only increasing the number of embassy staff responsible for aid work in Angola but also establishing dedicated project groups based on the different stages or types of aid projects to ensure clear task allocation and coordinated teamwork, with targeted measures to meet diverse needs.

At the same time, China needs to work on corporate social responsibility, focusing on training Chinese employees to understand and respect local customs and practices. Through education and training, promoting the integration of Chinese staff with Angolan society, and establishing a mutually respectful working environment is crucial.

For aid projects that have been completed and achieved good results, China should regularly conduct impact assessments and follow-up studies to ensure the projects' sustainable development. For equipment and systems that are technologically outdated, timely updates should be made, and essential technical and management knowledge should be imparted to the recipient country's personnel to strengthen their technical and managerial skills. This not only ensures the long-term operational effectiveness of projects but also guarantees equality in development opportunities and rights protection for local staff and Chinese employees, collectively fostering the success of the projects and positively influencing the long-term development of the recipient country.

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7 Conclusion

This master thesis is dedicated to analyzing the "Angola Model" of China's economic assistance strategy in Africa. By delving into this model, the goal is to gain insights into China's management strategy for foreign aid and its future direction, as well as the significant changes it has brought to the international aid landscape. The article begins by discussing the core concepts of international aid, explaining the definition, characteristics, and the framework of China's aid theory. It then details the phased evolution and modal choices of China's assistance to Angola, examining its causes, processes, and features. Through an analysis of the extensive impact of the "Angola Model," the article demonstrates the effects and significance of this model on Angola's domestic situation, China, and the entire international aid system.

Furthermore, the article reveals the essence of the "Angola Model" — an integrated cooperative model that combines trade, investment, and aid activities, known as "resource-credit-project." This model not only solves the financing issues of the recipient countries but also safeguards China's energy security needs, while supplementing and challenging the existing international aid system to some extent.

Finally, the article assesses the current challenges faced by the "Angola Model" and offers corresponding strategic recommendations. Predicting that diversified cooperation will dominate the future of international aid, the article suggests that China enhances its aid risk management, increases the transparency of aid activities, establishes effective communication mechanisms, actively seeks international partners, and encourages Chinese enterprises to "go global" to explore new paths for the sustainable development of China's foreign aid. Only by doing so can we lay a more solid foundation for long-term stable cooperation between aid nations and regional peace.

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