

AFRICA RISK CONSULTING

Angola Monthly Briefing October 2015

Angola Summary 27 October 2015

Angolan police continue to detain political activists arrested in June on allegations of plotting a coup against the government, prompting the European Union (EU) states' ambassadors in Angola to seek audience with the government. This follows the European Parliament's condemnation of a human rights situation in Angola last month. Corruption investigations by the Chinese government lead to the arrest of powerful intermediary, Sam Pa, whose businesses have been a key conduit for Chinese investment in Angola and the repayment of Chinese oil backed loans. This puts Chinese and Angolan cooperation through the China Sonangol International (CSI) company in jeopardy. Botswana and Angola sign new accords for increased trade and investment between the two countries in potential boost to multi-sectoral investment and trade.

EU ambassadors inquire about fate of human rights activists

Luanda-based European Union (EU) member states' ambassadors have sought information from justice minister **Rui Mangureira** on the status of 15 men held for an alleged coup attempt. Police arrested seventeen men, including 33-year-old rap musician **Luaty Beirao**, who has been involved in demonstrations against the government for several years, on 2 June. The prosecutor's office charged them on 16 September with organising an uprising in Angola, undertaking training for a coup, and planning an attack against the president.¹ Those arrested reportedly gathered to plan a peaceful protest against President **Eduardo dos Santos'** (1979-present) government.² However, their supporters say they were simply a book club, reading the translation of **Gene Sharp's** 1993 book *'From Dictatorship to Democracy'* which describes ways in which people can overthrow dictatorships by non-violent action.³ The book was written as a manual for bringing about a non-violent coup in **Burma**. The police released two of the seventeen on bail. The government has held the other 15 activists for the entirety of their 90-day detention period, which has ended, and has not formally renewed it.⁴ Portuguese foreign minister **Rui Machete** said that the EU is only monitoring the humanitarian situation closely, not the activists' innocence or guilt, since this is an internal matter for Angola.⁵ The activists face up to 12 years in prison if convicted of attempting to stage a rebellion.⁶ Their trial before the **Luanda Provincial Tribunal** is set for 16 November.⁷

Diplomatic sources indicated that the welfare of the 15 activists, notably Beirao – who ended a 36-day hunger strike on 27 October⁸ – led to the EU diplomats in Angola requesting to meet the government.⁹

¹ Rede Angola, 15 Oct 2015

² Radio France Internationale, 14 Oct 2015

³ Maka Angola, 15 Oct 2015

⁴ Lusa, 14 Oct, 2015

⁵ Lusa, 14 Oct 2015

⁶ Radio France Internationale, 14 Oct 2015

⁷ Bloomberg Business, 20 Oct 2015

⁸ Euronews 27 Oct 2015

⁹ African Review, 21 Oct 2015

The EU ambassador to Angola, **Gordon Kricke**, led the meeting, during which the ambassadors of Portugal, **France, Italy, Spain, Sweden, Poland** and **Germany** were also present.¹⁰

The government made an indirect response to the case during the opening of the **Assembleia Nacional** (national assembly).¹¹ Vice president **Manuel Vicente**, who delivered the president's state of the nation address, made non-specific reference to political prisoners accused of planning a coup d'état. He called for the use of violence to be "*buried in the past*"¹², and emphasised that there are no "*political shortcuts*"¹³ to the attempted seizure of power.¹⁴ Discussions with senior politicians in Angola revealed that the government believes there is external support for potential coup attempts. However, the government is yet to publicly reveal evidence of a coup plot, which suggests that it trumped up the charges to repress dissent.

*"The government of Angola has a background of repressing intra-state armed rivalry, and thus it is sensitive to any dissident activity. The fate of **North African** oil exporting states such as **Libya** in the last few years also set a precedent for mass-led change of government. It is also aware of the extent to which external political forces can support dissenters, and is thus determined not to give in."*¹⁵

This case follows the **EU Parliament's** condemnation of the human rights situation in Angola last month, proposed by a Portuguese member of the **European Parliament** (MEP) (see *ARC Briefing Angola September 2015*).¹⁶ The government faces increasing criticism from local and international human rights organisations for its heavy-handed response to political activists campaigning against the country's high poverty and inequality. Despite being Africa's second largest oil exporter, half the population lives on less than \$2 a day.¹⁷ The government also allegedly uses violence, extrajudicial killings and enforced disappearances to silence dissent.¹⁸

China probes Sonangol Sinopec International's oil operation finances in Angola

Law enforcement officials detained **Sam Pa**, the majority shareholder of **China International Fund** and **China Sonangol International**, in **Hong Kong** on 8 October as part of an ongoing corruption campaign launched by **Chinese** president **Xi Jinping** (2012-present).¹⁹ This follows an official probe of the investments of China's energy company, **Sinopec International Petroleum Exploration and Production Corporation**, in Angola by China's **National Audit Office** starting in March 2015.²⁰ The audit revealed that Sinopec spent more than \$10 billion on stakes in five blocks from 2008 to 1 June, but none of these assets yielded much oil. China imported 47% of Angola's oil production in 2014.²¹ As of the end of 2014, three of the five blocks had banked a net loss of \$1.6 billion.²² An Angola analyst who has followed relations between China and Angola since 2004, says:

"The investigation into Sam Pa and Sinopec has major implications for China's oil dealings with Angola and for the most recent Chinese financing for Angola. China has provided about \$25 billion in oil-backed loans and investment to Angola since 2004, and considerable amounts of

¹⁰ Lusa, 14 Oct, 2015

¹¹ Angola Press, 15 Oct 2015

¹² Angola Press, 15 Oct 2015

¹³ Angola Press, 15 Oct 2015

¹⁴ Rede Angola 15 Oct, 2015

¹⁵ Source, analyst

¹⁶ See ARC Briefing September 2015

¹⁷ Radio France Internationale, 14 Oct 2015

¹⁸ Reuters, 18 Mar 2015

¹⁹ The Independent, 23 Oct 2015

²⁰ Caixin News Agency 14 Oct 2015

²¹ Sonangol Annual report, 2014

²² China Oil, 26 Aug, 2015

*this has been brokered through Pa's **China International Fund** and **China Sonangol International**, and the **Queensway Group** of companies. **China Sonangol** has been the vehicle through which oil has been sold to China to repay the oil-backed loans, making Sam Pa the middleman in the oil trading."*²³

The auditors reportedly found that reserves were exaggerated and that decision-making procedures had been violated.²⁴ The auditors extended the probe to include Sam Pa, known as **Xu Jinghua** in China (and at least six other aliases), who was directly involved in Sinopec's acquisition of the oil blocks in Angola, in August.²⁵ The auditors found that three other blocks in Angola, which were also brokered through the original joint venture, incurred major losses.²⁶

*"The auditors also discovered that Sinopec had agreed to finance Pa's stake at a cost of around \$1 billion and that Sinopec International Petroleum Exploration and Production Corp. (SIPC) had spent \$1.87 billion on a stake in 2008, while it actually worth \$933 million."*²⁷

Sam Pa's China Sonangol International Holdings Ltd set up a joint venture with Sinopec's subsidiary, **Sinopec Overseas Oil & Gas Ltd (SOOGL)** in 2004. The Sinopec subsidiary formed a joint venture, **Sonangol Sinopec International (SSI)**, in 2004. In 2010, Sinopec bought SOOGL's 55% stake in Angola's Block 18, the major deep water block, which is the only one of SSI's assets to become profitable.²⁸ China Sonangol International is registered both in Hong Kong and Angola, as a joint venture with Angolan sole oil concessionaire Sonangol. The Angolan director was Manuel Vicente, then chief executive officer of Sonangol and now vice president of Angola.²⁹ A China-based diplomat indicates that China Sonangol International was a joint venture model that was meant to generate profit for Angola:

*"This is a model commonly seen in other East Asian countries like **Singapore**, where you have state-owned companies that can run profitably. The government gives capital, initial management, allows first steps, but then [they] are run on strict lines mean to generate profit but state always has oversight. That is the model President dos Santos was trying to follow with China Sonangol."*³⁰

Manuel Vicente's position as vice president may be under threat because of the investigations.

*"There are rumours circulating in Luanda that defence minister **Joao Lourenco** will replace Vicente as vice president. Given Sam Pa's arrest and the investigation into SSI, Vicente is compromised because of his close relationship with Pa, and signed the SSI contracts with Sonangol."*³¹

Chinese ventures have been crucial in the rebuilding of Angola's infrastructure since 2004, creating new roads for access to the interior, hospitals, railways, and housing – even new towns. However, Queensway Group, to which Sam Pa is affiliated, has a reputation for bribing African government officials to get lucrative contracts without following regular diplomatic channels, conducting illicit weapons trade, and diamond smuggling.³² This model thrives in the absence of domestic oversight in the African countries where Queensway operates, including Angola and **Zimbabwe**.³³ There has been no information from Angola on the future of China Sonangol International due to the continuing

²³ Source, analyst

²⁴ Caixin 15 Oct, 2015

²⁵ Source, analyst

²⁶ China Oil, 26 Aug, 2015

²⁷ Source, analyst

²⁸ Sinopec press release, Mar2010

²⁹ Corporate documents, China Sonangol

³⁰ Diplomatic source Beijing, speaking before Sam Pa's the arrest

³¹ Source, analyst

³² The Independent, 23 Oct 2015

³³ The Independent, 23 Oct 2015

investigation. The Angolan oil industry, which a government affiliated elite controls, is very secretive and operates with minimal regulatory oversight.

Botswana's Ian Khama visits Angola for new trade and investment accords

Botswana's president **Ian Khama** (2008-present) made a two-day state visit to Angola on 12 October to strengthen bilateral co-operation between the two countries. This was the first visit by a Botswana head of state to Angola.³⁴ The new accords aim to increase investment potential for various economic sectors, including agriculture, energy and water, tourism, environment, mining, and telecommunications.³⁵ Botswana's primary exports to Angola are beef and livestock vaccines.³⁶ Both countries are leading diamond exporters, although oil is Angola's primary export commodity.³⁷ Apart from committing to cooperate in these economic sectors, they will also cooperate in the construction of Angola's new oil refinery, which will also support Botswana's rising petroleum energy needs.³⁸ Khama indicated that Angola is planning to construct a power station in its southern region that will also supply Botswana's northern provinces.³⁹ The two leaders also expressed interest in developing a comprehensive long term economic plan. In his welcome speech, President dos Santos noted that:

*"There are several domains in which Angola and Botswana can cooperate with reciprocal benefits... it is urgent for our countries to adopt a plan of action with well set terms and goals, seeking an exchange of knowledge and experience and study of existing potentials of common interest and re-launch of the works of our Bilateral Commission ... Angolans are also very keen to learn more on agriculture, beef industry and veterinary services and they would like us to share our experience in that regard."*⁴⁰

Angola's foreign minister **Georges Chikoti** and his Botswana counterpart, **Pelonomi Moitoi**, also signed a memorandum of understanding (MoU) that will allow cooperation between the two countries in the above sectors. Chikoti said that the MoU would facilitate increased partnerships between ministerial departments and businesses from the two countries.⁴¹ The Botswana delegation included 19 businesspeople led by the **Botswana Investment and Trade Centre (BITC)**, who held meetings with Angolan entrepreneurs to explore private investments in the country.⁴² The meetings also discussed proposals to establish a platform where Angolan companies would showcase their products and services in Botswana.⁴³ Botswana and Angola have enjoyed diplomatic relations since 1975, and signed a **General Cooperation Accord** in 2006.⁴⁴ The cooperation agreement covered economic, cultural, and scientific areas.⁴⁵

Recent fluctuations in global commodity markets for oil and diamonds have influenced the scaling up of bilateral relations between the two countries. Since both have economies dependent on a single commodity – oil in Angola's case, diamonds in Botswana's – they will need to accelerate economic diversification. The recent drop in oil prices led to Angola's securing oil-backed loans amounting to \$6 billion from China to support various domestic projects.⁴⁶ This includes public investments in education, health, water, electricity, and infrastructure for 2016 and 2017.⁴⁷

³⁴ Mmegi, 19 Oct 2015

³⁵ Africa review, 12 Oct 2015

³⁶ Daily News, 14 Oct 2015

³⁷ Mmegi, 19 Oct 2015

³⁸ Daily News 15 Oct, 2015

³⁹ Daily News, 15 Oct 2015

⁴⁰ President Eduardo dos Santos' welcome speech, 12 Oct 2015

⁴¹ Angop, 14 Oct 2015

⁴² Journal de Angola, 12 Oct 2015

⁴³ Journal de Angola, 12 Oct 2015

⁴⁴ Angop, 13 Oct 2015

⁴⁵ Macau Hub, 1 Mar 2006

⁴⁶ Macau Hub, 16 Oct 2015

⁴⁷ Macau Hub, 16 Oct 2015

Implications

Angola's human rights record continues to worsen, amid recent cases of heavy-handed suppression of dissent. The European Union is playing an active role in bringing some of the cases to light, although the Angolan government has branded this as a neo-colonial strategy to promote European interests in Angola. There is a high likelihood that political instability will increase in Angola, especially in light of the government's continued detention of 15 youths. However, the ruling **Movimento Popular de Libertação de Angola (MPLA)**'s strong military presence will foil any militarised attempts against the dos Santos regime. The MPLA's continued use of violence is becoming unsustainable due to increasing opposition both within and from outside the country. Continued political instability will further undermine the country's viability as an investment destination, necessary to support economic growth given the current global slump in oil prices.

Sam Pa's arrest sheds light on the pervasive system of underhand dealings between Chinese business intermediaries and political leaders in Angola and other African countries. It also exposes the country's flawed political system under the MPLA regime that has allowed corruption to thrive through allowing the establishment of parallel deals between local political leaders and foreign investors. Although his position is threatened, Vicente is unlikely to become a casualty of the Chinese investigation, since he is a veteran member of the Sonangol-MPLA elite loyal to dos Santos. The investigation also reflects ongoing power struggles in China under Jinping's regime.

The recent revival of economic cooperation between Angola and Botswana also highlights the two countries' need for economic diversification, following currently depressed global commodity prices. Both countries are thus seeking to expand their economies, and explore strategies for power generation, since electricity shortages have extensively affected industrial development in Southern Africa, including Botswana and Angola. However, Angola's business climate generally remains unsafe, due to entrenched corruption and the MPLA elite's monopoly over prime business opportunities in Angola.

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