



OCCASIONAL PAPER NO 154

Global Powers and Africa Programme

October 2013

# **Russia and Angola: The Rebirth of a Strategic Partnership?**

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**South African Institute of International Affairs**

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SAIIA gratefully acknowledges the Foundation Open Society Institute, the United Kingdom Department for International Development, the Swedish International Development Cooperation Agency and the Danish International Development Agency which generously support the GPA Programme.

The research for this paper was conducted with the financial support of the SDC (Berne) and the South African Foreign Policy Initiative (SAFPI), Open Society Foundation-South Africa.

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## ABSTRACT

Africa and Russia in general, and Angola and Russia in particular, have a long-standing friendship dating back to the days when the Union of Soviet Socialist Republics (USSR) was assisting African national liberation movements in gaining independence. The USSR forged a strategic alliance with the Popular Movement for the Liberation of Angola, which remains to this day the ruling party in Angola, led by the same head figure. Although the friendship survived the fall of the USSR in 1991 and the most devastating phase of Angola's civil war, the nature of the relationship changed dramatically under Russia. Having gone through a dormant period in the 1990s, the last decade has been prolific in efforts to revive the partnership on both sides, with a clear emphasis on the economic dimension. Notwithstanding, and despite meaningful progress at diplomatic and political levels, the expansion of economic ties remains sluggish.

The paper offers a comprehensive analysis of contemporary Russia–Angola relations across various dimensions – foreign policy, diplomatic ties, co-operation, trade and investment, and civil-society links – in a bid to identify synergies and challenges in the partnership and ways to address them. The authors argue that both Angola and Russia need to be more strategic in aligning their interests, and more proactive in carving out efficient bilateral instruments and mechanisms in order to promote economic exchanges and reap the benefits of a fully-fledged partnership.

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The authors would like to thank the interviewees in Angola, Russia and South Africa for their useful insights, and the participants in the verification workshop held on 22 April 2013 at SAIIA for their valuable contribution.

## ABBREVIATIONS AND ACRONYMS

ALROSA	Almazy Rossii-Sakha
ANIP	National Agency for Private Investment
AU	African Union
BP	British Petroleum
bpd	barrels per day
BRICS	Brazil, Russia, India, China and South Africa
DRC	Democratic Republic of Congo
EIU	Economist Intelligence Unit
FDI	foreign direct investment
FLNA	National Liberation Front of Angola
GDP	gross domestic product
JV	joint venture
MoU	memorandum of understanding
MPLA	Popular Movement for the Liberation of Angola (Movimento Popular de Libertação de Angola)
SMC	Sociedade Mineira do Catoca
SME	small and medium enterprise
SOE	state-owned enterprise
UNITA	National Union for the Total Independence of Angola (União Nacional para a Independência Total de Angola)
UNSC	UN Security Council
USSR	Union of Soviet Socialist Republics
VTB	Vneshtorgbank

## INTRODUCTION

When examining Russia's footprint on the African continent at present, Angola immediately surfaces as a paradigmatic case study. Angola continues to be a priority country in Russia's dealings with Africa, and it embodies Russia's current predicament in Africa. Despite Moscow's resilient political capital on the continent which derives mostly from Soviet assistance given during the Cold War, its economic presence remains very thin in the region. Russia's relations with Angola strongly reflect this predicament. By examining Russia's relationship with Angola in depth, the paper hopes to shed some light on the reasons for this state of affairs and the extent to which it can be improved.

The paper analyses the complexities and the potential of Russia–Angola relations in the context of contemporary Russia's Africa policy. It aims to contribute to a better understanding of the nature and the emerging trends of Russia's re-engagement on the African continent. The paper is based largely on primary sources, in the form of interviews with qualified informers in the public and private spheres during fieldwork conducted by the authors in Russia and Angola in November 2012 and February 2013. This is complemented by secondary sources collected through extensive desktop research. A note is due regarding the limitations of statistical data cited in the paper on bilateral trade and investment. The authors had limited access to official sources in both countries, and some data proved unreliable and figures contradictory.

## RUSSIA'S AFRICA FOREIGN POLICY AND ANGOLA'S RELEVANCE

The last two decades of Russia's foreign policy can be divided into several phases. Immediately after President Boris Yeltsin took power the South in general, and Africa in particular, was abandoned as an important vector of Russian foreign policy in favour of the West, with the presumption that this move would facilitate technology transfer and soft credits. At the same time Africa was undergoing tremendous changes.

Since the end of the 20<sup>th</sup> century the new international conjuncture has prompted a renewed interest for strengthening Russia–Africa relations. Africa is returning to the Russian foreign-policy agenda and becoming a frontier of renewed interest for Russian entrepreneurs. Russia–Africa trade turnover is growing, although its volume and structure have yet to meet the aspirations of both sides and their present-day potential.<sup>1</sup> The Russia–Africa partnership is re-emerging and increasingly reflecting mutual interests in the context of a multilateral and more just world order.

The development of diverse ties with Africa corresponds to both current and long-term political, trade and economic interests of contemporary Russian foreign policy. As stated in Russian foreign-policy doctrine:<sup>2</sup>

Russia will expand its multivectoral interaction with African states on a bilateral and multilateral basis, with a focus on the improvement of the political dialogue and the promotion of mutually beneficial economic and trade cooperation, [and] promote the prevention and settlement of regional conflicts and crisis situations in Africa. An important part of this is the development of partnerships with the African Union and subregional organizations.

The drive to improve the partnership with African countries is determined mainly by the demands of the Russian economy. There is a need to source raw materials abroad both to preserve Russia's own resources and because the logistics and costs of extraction of some minerals in Russia are much higher than in Africa. This reasoning, in conjunction with the perception of Africa as a potential consumer market for Russian products and the emergence of a more assertive foreign policy from Moscow, has the potential to give a new impetus to explore the profound political and human capital still existing in Africa.

In addition to historical ties, the present importance of Angola to Russia is attributed mostly to political stabilisation and economic robustness, rooted in oil and mining industries, infrastructure construction and agricultural rehabilitation, which create a number of opportunities for Russia in Angola. Angola is one of the best endowed countries in Africa with large mineral reserves and huge hydroelectric potential, presenting a range of opportunities to Russian companies for the exploitation of natural resources. Angola also has an attractive domestic market for Russian exporters in a wide range of consumer goods, mechanical engineering equipment, and technology-intensive goods and services.

To consolidate the positions and interests of Russia in the Angolan market, however, steps need to be taken to establish the policies, regulations and institutions necessary to promote bilateral trade and investment flows.

## ANGOLA'S FOREIGN POLICY AND RUSSIA'S RELEVANCE

Since its independence in 1975, Angola's foreign policy has been characterised by a strong sense of realism, driven more by the urge to address pressing domestic challenges than to pursue an international agenda. Over the years changing domestic challenges have led to pragmatic recalibrations of Angola's foreign policy.<sup>3</sup> Throughout the civil-war period, the primary concern was regime survival and, to this end, Luanda carved out a strategic alliance with Moscow and Havana that was rooted in security and military support. This alliance was critical for the MPLA (Popular Movement for the Liberation of Angola) to survive South Africa's military incursions in Angola's territory in support of its major adversary, UNITA (the National Union for the Total Independence of Angola), in the 1970s and 1980s. Following the collapse of the USSR and the withdrawal of Cuban troops in the early 1990s, Luanda focused on broadening its international partnerships, helped by victory in the 1992 elections, which despite failing to bring peace to the country, granted some additional legitimacy to the MPLA in the eyes of the international community.

Following the end of the civil war in 2002 Luanda's foreign policy rapidly became driven by the urge to deliver the country's much-needed reconstruction, economic growth and political stability. Drawing on the bridges built in the 1990s with developed countries, Angola looked first to them for help to kick-start the country's massive reconstruction programme. To Luanda's disappointment, these countries were somewhat reluctant to fund a resource-rich country that was assessed by many international agencies as among the most corrupt in the world.<sup>4</sup> It was China, which at this stage ranked quite low in Angola's foreign policy, that offered Luanda a way out of its predicament and unexpectedly became Luanda's strategic partner for reconstruction.

Eleven years after the end of the civil war and two democratic polls later, Angola has become a model of peaceful political development and a pole of economic growth in the region. As a result, Luanda has embraced new foreign-policy goals that now extend beyond its immediate domestic challenges. By increasingly positioning itself as an engine of growth and stability Luanda aspires to play a more influential role in the region, as the only counterweight to Pretoria in Southern Africa. To this end, Angola has been more active in conflict prevention and resolution, using one of its stronger resources, a legacy of its long civil war – the largest and reputedly most professional army in Southern Africa. Angola has engaged increasingly in peacekeeping operations under the African Union (AU) (in the Democratic Republic of Congo or DRC and Congo-Brazzaville) and in the search for diplomatic solutions for conflicts (in Guinea-Bissau and Sierra Leone). In addition, Luanda is steadily assuming a more proactive role in African regional organisations and mechanisms.

Although Angola has no global ambitions of its own, its foreign policy in this realm seems closely aligned with the global-South aspirations of a more equitable and multipolar global order. In line with Angola's foreign-policy partnership diversification strategy, it maintains, however, firm bonds with mature democracies in North America and Europe. These bonds stem not only from the strong economic ties (trade and investment) but also because of the government's perception of these countries as strategic partners to help offset a number of emerging domestic demands that became quite apparent in the run-up to the 2012 elections. These challenges mostly concern transparency and accountability issues, particularly in the public management of oil and diamond wealth, and greater access to economic opportunities for Angolan citizens, particularly the youth, who will increasingly challenge the legitimacy of the regime as Angola's democracy matures.<sup>5</sup> To address these issues the country has taken a number of steps to align itself with 'Northern' standards, including signing a monitoring staff agreement with the International Monetary Fund in 2009; regularly publishing national accounts; and undertaking independent audits of its oil and diamond state-owned enterprises (SOEs).

Against this backdrop, it may appear at first sight that Russia's relevance in Angola's foreign policy is doomed. However, the changing international scenario is setting in place the elements to reverse this state of affairs. In addition to being one of the five members with veto power in the UN Security Council (UNSC), Moscow's current credentials include membership in the BRICS (Brazil, Russia, India, China and South Africa), Group of Eight (G-8), and Group of Twenty (G-20). This, coupled with Moscow's past credentials as the MPLA's strategic and trusted ally, justifies the revival of the political partnership from Angola's perspective, particularly in the context of its regional aspirations.

To some extent, the poles of the relationship between Russia and Angola seem to have been slightly reversed in the present context, although now pushed mostly by economic reasons. Angola has become an important energy player. Having joined the exclusive grouping of the Organization of the Petroleum Exporting Countries and on the verge of becoming a major natural gas producer in the region, Angola represents a strong ally for Moscow in its quest to address opacity in pricing mechanisms in the global oil market. Moreover, Angola presents Russia with enticing investment opportunities for its companies, in the sectors of energy, mining and telecommunications.

## ANGOLA'S CURRENT ECONOMY

The Angolan economy has expanded dramatically since the end of the civil war, and is presently one of the most dynamic on the African continent. In 2011 Angola accounted for 6% of Africa's gross domestic product (GDP) and 5% of continental investment inflows; while its share of Africa's trade rose from 2.8% in 2000 to around 10% in 2010.<sup>6</sup> According to the Economist Intelligence Unit (EIU) country report, Angola presently boasts the second-largest GDP in Southern Africa (after South Africa), with the size of its economy having doubled between 2007 and 2012 (from \$59 billion to \$122 billion).<sup>7</sup>

Angola's GDP growth peaked at 21% in 2007 and estimates put the growth rate at 7% in 2012 and forecast 8.9% for 2013,<sup>8</sup> above Africa's average (6.6%)<sup>9</sup> and among the fastest rates in the world. This scenario has been spearheaded by the fast expansion of its oil production in the peace context, which doubled from 905 million barrels per day (bpd) in 2002 to a record high of nearly 1.9 billion bpd in 2008 just before the global economic crisis.<sup>10</sup> Following recent new oil finds, the EIU forecasts Angola's oil production to pass the 2 billion bpd barrier in 2014.<sup>11</sup> Tapping into this oil bonanza has enabled Angola to build up its foreign-exchange reserves significantly, which have more than tripled since 2007, reaching an estimated \$35.7 billion in 2012.<sup>12</sup> These reserves have enabled Luanda to stabilise the kwanza<sup>13</sup> and the inflation rate, and to maintain a clean sheet of repayments of its loans (Angola's foreign debt was estimated at \$19.6 billion in 2012),<sup>14</sup> reflecting positively in its credit rating. China, Brazil, Portugal, and multilateral creditors account for one-third of Angola's foreign debt, nearly half of which is with commercial banks.<sup>15</sup>

The downside of the oil bonanza is that Angola's economy has become too dependent on the hydrocarbons industry. Oil accounts for nearly all Angolan exports (98% in 2011) – nearly half of its GDP – and the lion's share of foreign direct investment (FDI) into Angola.<sup>16</sup> This reliance is very risky, as the government realised in 2009 when the sharp plunge in oil prices severely hit the economy. In recent years the Angolan government has put a lot more emphasis on diversifying its economy away from the oil sector. Departing from a low base, the growth pace of non-oil sectors such as agriculture, construction and retail has been faster than that of the oil industry. In 2011 these respectively represented 9%, 8%, 20% and 49% of Angola's GDP.<sup>17</sup> The dynamism in the construction sector has been pushed by the government's massive infrastructure reconstruction programme, funded by the oil bonanza through oil-backed loans. The infrastructure sector is, however, expected to slow down, as public investment declines.<sup>18</sup> Agriculture is a key sector in Angola not only because it supports the bulk of the population but also owing to its potential, as it was the former engine of the economy during the colonial period. Expanding the manufacturing sector (6% of GDP in 2011)<sup>19</sup> is also critical to ensure local beneficiation, job creation, skills development and technology transfer, to enable Angola to move up the value chain in the future. Mining beyond diamonds is another clear priority in the government's current diversification efforts. A new mining code was adopted in 2011 and a comprehensive geological survey is under way, with the aim of boosting investment in the sector.

In regards to foreign trade, Angola boasts a comfortable and growing surplus (estimated at \$49 billion in 2012),<sup>20</sup> largely thanks to swelling oil exports. Its trade



partnerships have changed quite significantly over the past five years owing to growing oil imports from Asia (China 37%, India 10% and Taiwan 8% in 2012),<sup>21</sup> overtaking traditional importers such as the US, Canada and France. In regards to imports, in 2012 Portugal remained at the top (19%) of the list, followed by China (13%), which has overtaken Brazil, the US and South Africa as import sources in recent years.<sup>22</sup> The BRICS grouping is presently Angola's largest trade partner bloc, accounting for nearly one-quarter of Angola's foreign trade, that is to say EUR 20 billion of its exports and EUR 3.5 billion of its imports for 2011 (around \$29 billion and \$5 billion, respectively), the bulk of which are exchanges with China.<sup>23</sup> The expansion of partnerships with the world's leading emerging markets has been critical to Angola's successful integration into global trade flows. Trade with Angola accounts for around 20% of all BRICS trade with Africa. Quite clearly the BRICS have used economic diplomacy as an important beachhead into key African markets like Angola.<sup>24</sup> Russia, China and Brazil have been most ambitious in this regard. Between 2000 and 2009 Angola hosted no less than 10 senior BRICS political delegations, including Russian president, Dmitry Medvedev, who visited Luanda in June 2009. Meanwhile, Angolan president, José Eduardo dos Santos, has paid strategic visits to the BRICS countries to secure co-operation agreements and bolster commercial ties.

FDI from developed countries remains, however, dominant in Angola, mostly attributed to the engagement of international oil companies in the oil industry (including Chevron, British Petroleum or BP, and Total). If one subtracts the oil sector from the equation, the picture changes completely, and emerging economies – such as China, South Africa and Brazil – appear at the top of the ranking (along with Portugal, Germany and Spain), with their investments targeting mostly construction and retail and making a solid contribution towards Angola's modernisation and economic growth.<sup>25</sup> Although there is an interest on both sides in boosting FDI into other much-needed sectors (namely agriculture and manufacturing), this has been held back by the challenging investment environment in Angola.

Angola's market remains very unattractive for private foreign investors, particularly for those lacking experience in Africa. This is mostly because of structural deficiencies in the Angolan business environment, including infrastructure bottlenecks (transportation and energy); a lack of management skills and financial capacity, particularly regarding its small and medium enterprises (SMEs); and a weak institutional and regulatory environment. Foreign private investors have limited access to business opportunities and, when they do, most do not know how to navigate the system.<sup>26</sup> The investment environment in Angola is plagued by red tape, regulatory instability, high costs and difficult access to credit, which makes it very risky for newcomers – particularly SMEs.<sup>27</sup> The country ranks very low in most international business rankings. In the World Bank's Ease of Doing Business index, which measures the ease of operating in the private sector, Angola ranks 172 out of 183 economies for 2012, below many other sub-Saharan African countries.<sup>28</sup> In the World Economic Forum Global Competitiveness Report for 2011/12, Angola ranks 139 out of 142 economies.<sup>29</sup> Nonetheless, its present reputation as the land of opportunities remains a powerful magnet for businessmen around the world.

## RUSSIA–ANGOLA HISTORICAL RELATIONS

When the Portuguese withdrew from Angola in 1975, the country erupted into a three-pronged civil war, as the three liberation movements (the MPLA, the National Liberation Front of Angola or FLNA, and UNITA) attempted to seize power by force and by exploiting the Cold War rivalries of the US and the Soviet Union for weapons, financing and other resources. Following the declaration of independence in November 1975, the MPLA, supported by the Soviet Union and Cuban troops, secured Luanda, where its traditional base of power was located. The withdrawal of US support in December 1975 soon marginalised the FLNA, and the war focused on the conflict between the MPLA and UNITA, assisted by South African troops and US support. The MPLA government was soon recognised by most Southern and Eastern bloc countries, and later by most Western countries, with the exception of the US. President Agostinho Neto sought to apply Marxist–Leninist doctrine to the MPLA while instilling a sense of Angolan national identity. Shortly after his passing in 1979, Neto was replaced by Dos Santos, then minister of foreign affairs and a rising Politburo member, who had studied petroleum engineering and undergone military training in the Union of Soviet Socialist Republics (USSR) in the 1960s.

Having received strong support during the struggle for independence from the Soviet Union and other socialist countries, when the MPLA came to power closer co-operation ties with the Soviet Union were cultivated. Post-independence Soviet and Cuban support to Angola also came in the form of technical advice and the sending of military and civilian technicians, administrators and health personnel<sup>30</sup> in an attempt to prevent the administrative and economic collapse of the country owing to the massive withdrawal of Portuguese settlers following independence. Owing to the war context, however, military support remained the most critical dimension of Soviet and Cuban assistance to the MPLA.

From the outset, the MPLA administration was engulfed in a multilayered civil war against its rivals, UNITA and the FLNA. The military intervention of Zaire (in support of the FLNA), South Africa (in support of UNITA) and Cuba (in support of the MPLA) in Angola's civil war added an international dimension to the conflict that was contextualised by the Cold War. At the same time, the Angolan government provided significant support to the national liberation movement in neighbouring Namibia (South West Africa People's Organization), South Africa (African National Congress), and Zimbabwe (Zimbabwe African People's Union), against the armed forces of apartheid South Africa.<sup>31</sup>

The victory of Cuban and MPLA troops at the battle of Cuito Cuanavale in 1987–88 cornered UNITA and drove South African troops back to the Namibian border, forcing South Africa to make concessions in the negotiations that followed. This led to the signing of a tripartite agreement among Angola, South Africa and Cuba at the UN headquarters in New York in December 1988.<sup>32</sup> The agreement, mediated by the US government, linked South Africa's relinquishment of Namibia to the withdrawal of Cuban troops from Angola, (South Africa had in the meanwhile withdrawn its troops from Angola in August 1988), finally clearing the way for the implementation of UNSC Resolution 435 (1978) regarding Namibia's independence.<sup>33</sup>

A UN peacekeeping operation (UN Angola Verification Mission I) was deployed to Angola in January 1989 to monitor the complete withdrawal of 50 000 Cuban troops

from the country, with the mission having been completed ahead of schedule in June 1991.<sup>34</sup> That same year, and following the ceasefire agreement in 1990, the MPLA and UNITA signed a peace accord in Bicesse (Estoril, Portugal), which was mediated by Lisbon with Washington and Moscow as observers. The agreement set the stage for a transition to multiparty democracy and democratic elections in 1992, under the supervision of a second UN mission (UNAVEM II).

These domestic changes in turn fuelled strategic realignments in the foreign policies of Luanda and Moscow towards increasing ties with the West. As a result, Moscow's official support to Angola declined substantially after 1991. The withdrawal of Soviet Union and Cuban support left the MPLA in an extremely vulnerable position when the civil war resumed following UNITA leader Jonas Savimbi's refusal to accept the results of the 1992 elections, exposing the perils of over-reliance on a single partnership. On the other hand, UNITA ceased to receive support from the US, which had established diplomatic ties with Angola in 1993; from Pretoria following South Africa's transition to democracy; and from Zaire after the dismissal of Mobutu Sese Seko in 1997. Facing UN arms embargoes and with little support from outside, both UNITA and the MPLA had to fend for themselves, resorting to oil (the MPLA) and diamond (UNITA) revenues.<sup>35</sup>

The MPLA eventually gained the upper hand, and after almost three decades of civil war the conflict came to an end in February 2002 with the decapitation of UNITA and the signing of the Luena Ceasefire Agreement on 4 April, which subscribed to the peace terms that were agreed to in the Lusaka Protocol signed in November 1994.<sup>36</sup>

Faced with a new domestic and international context in the 1990s, Luanda was forced to recalibrate its compass. This included the establishment of 'democratic socialism' as the official MPLA ideology; abandoning the prior 'marxism-leninism' path of development; embarking on partial privatisation of state property; and holding democratic multiparty elections. Closer ties with the US starting with the Clinton administration, and with the West in general, led to the expansion of large Western companies' interests in the Angolan oil and diamond industries in the 1990s (including Exxon Mobil, Chevron, BP, Total, Eni and De Beers).<sup>37</sup>

## CONTEMPORARY DIPLOMATIC TIES

Three distinct periods can be distinguished in Moscow-Luanda diplomatic relations since independence. The first, under the USSR (1970-80s), was marked by Moscow's active engagement in Angola and largely rooted in ideological reasons. The second was a dormant period in the 1990s, characterised by Russia's gradual disengagement from Angola. The current period, since the 2000s, reflects a revival of bilateral relations marked by an attempt on both sides to revitalise the partnership, this time grounded on economic drivers.

The revival of interest on both sides started to surface in the late 1990s, as evidenced by high-level official exchanges. A landmark event in bilateral relations was the official visit by President dos Santos to Moscow in June 1998. At this occasion both parties signed a Declaration on Principles of Friendly Relations and Cooperation, as well as an agreement on trade and economic co-operation and co-operation in the development of diamond projects. This was followed by a visit from the Russian defence minister, Igor Sergeev, in

August 1998. In February 1999, during a working visit by Angolan foreign minister, Joao Bernardo de Miranda, to Moscow, the parties agreed to kick-start the preparatory work to set up a Joint Intergovernmental Commission on Economic, Scientific and Technological Cooperation and Trade.

The substantial improvement of political and economic internal scenarios in both countries in the 2000s contributed not only to revitalising the relationship between Russia and Angola but also to reinventing it on different grounds. High-level diplomatic exchanges intensified from the early 2000s, with frequent exchanges taking place between officials from the ministries of defence and foreign affairs and a visit to Luanda by the Russian premier, Mikhail Fradkov, in 2007, with both sides expressing an interest in advancing economic, trade, scientific and cultural co-operation. This signalled a new chapter in Luanda–Moscow relations, characterised by the gradual institutionalisation of bilateral diplomatic mechanisms and intensification of official diplomatic exchanges at the highest state level.

The Angola–Russia Bilateral Commission for Economic, Trade, Scientific and Technological Cooperation was established in November 2004 with the aim of promoting co-operation between the two countries in a wide range of areas. The commission officially met for the first time in November 2005 in Moscow. The agreements signed at this occasion include a Cooperation Protocol on Geology and Mining, which envisaged the use of new technology in diamond prospecting, exploration and trading, and co-operation in a geological survey of Angola mining resources; and a joint agreement between the respective Chambers of Commerce, which aimed to promote private economic exchanges between the two countries.<sup>38</sup>

The official visit by Dos Santos to Russia in 2006 also marked the 30<sup>th</sup> anniversary of the friendship treaty, the first co-operation treaty signed between the two countries in 1976. Ten agreements were signed at this occasion, including a memorandum of mutual compensation between LUKOIL and Sonangol; a protocol of co-operation between Almaz Rossii-Sakha (ALROSA) and ENDIAMA; and an agreement between Sonangol and Gazprom.<sup>39</sup> The nature of the agreements clearly indicates the strengthening of bilateral ties and economic exchanges, particularly in areas of common interest, namely diamonds and hydrocarbons.

Strong impetus for bilateral co-operation was given by the official visit of President Medvedev to Angola on 26 June 2009, during which the two presidents expressed their determination to raise trade, economic, scientific–technical and cultural ties to a new level. This was the first visit by a Russian head of state to Angola, which attracted a lot of media attention and is regarded as a milestone in contemporary bilateral relations. Six bilateral agreements in various areas were signed.<sup>40</sup> In his welcoming speech, Dos Santos highlighted areas of mutual interest, namely geology and mining, energy, telecommunications, infrastructure, extractive industries, education and scientific research, capacity building, health, and military co-operation.<sup>41</sup> During the talks Dos Santos called for greater engagement by Russia in Angola's reconstruction project. Medvedev promised to promote Russian investment in Angola and help modernise its industry, namely manufacturing and telecommunications.<sup>42</sup>

Obstacles on both sides delayed the second session of the bilateral commission for almost seven years, finally taking place in Luanda in February 2012. It was headed by the minister of geology and mines on the Angolan side (the previous meeting was headed

by the minister of planning) and the minister of natural resources and ecology on the Russian side (as in 2005), a clear indication regarding the core interests at stake. In line with Dos Santos's speech in 2009, the Angolan minister identified geology and mines, technological education, metallurgy, communications, energy and heavy equipment as areas of great potential for forging future strategic partnerships.<sup>43</sup> In addition to reviewing the progress of existing co-operation agreements, the commission discussed the need to identify mechanisms to stimulate or streamline bilateral co-operation to make it more efficient. Two agreements were signed, one on education and another on implementation of the existing agreements. The next meeting is scheduled to take place in Moscow in 2014.

Bilateral diplomatic exchanges over the past 10 years indicate strong progress, especially compared with the previous decade. There were two exchanges at the highest state level, a bilateral diplomatic instrument was created to foster co-operation, and approximately 18 bilateral agreements were signed, covering the wide range of mutual interest that Dos Santos had identified in Medvedev's visit to Angola in 2009. The intense bilateral diplomatic exchanges and frequent visits to Angola by Mikhail Margelov (special envoy to the Russian president) demonstrate Russia's determination to fast track bilateral co-operation and the economic dimension of the relationship.

## BILATERAL CO-OPERATION

Presently Russia and Angola have a number of co-operation projects in progress across a number of sectors ranging from long-established areas, such as defence, education and health, to new fields, such as telecommunications and financing.

### **Traditional areas of co-operation**

Defence remains the most solid Russia–Angola co-operation dimension. To date Russia (along with Cuba) is Angola's most strategic military co-operation partner. This is owing largely to its historical role in equipping and supporting the MPLA's army. As a result, most of Angola's military equipment and technology (in all branches of armed forces) is Russian, which has naturally generated a profound technical dependence (in assistance, upgrading and maintenance). Moscow also plays a prominent role in training Angolan armed forces. In 2012 more than 500 Angolans underwent training in Russian military universities, and a further 29 in police academies.<sup>44</sup> However, according to a source in the Ministry of Defence, technical assistance from Russia is decreasing, mostly owing to the fact that Angola has built up its own technical expertise and is making a concerted effort to diversify its defence partnerships. New Angolan strategic partners now include Brazil (military planes and military medical training); China (equipment supply that is very similar to Russian equipment but cheaper, and training leading cadres); South Africa (equipment, intelligence and language training); and Portugal (military administration training).<sup>45</sup>

Higher education is another area of long-established co-operation between the two countries dating back to the 1960s. At present co-operation in this field includes human resources (Russian scholarships for Angolan undergraduate and postgraduate students),

joint scientific research between Angolan and Russian universities, and mutual recognition of degrees. In 2012, 55 Angolan undergraduates and five PhD students went to Russian universities to obtain their degrees, with grants from the Russian government. Thirty additional grants were provided by the People's Friendship University of Russia in 2012,<sup>46</sup> bringing the total figure of Angolan students who began their studies in Russia to 90 in 2012 alone. There are a number of agreements that have been signed between the Angolan government and Russian universities, including Saint Petersburg University, the People's Friendship University of Russia, Kaliningrad University and Gubkin University of Moscow, all of which provide stipends to Angolan students.<sup>47</sup> Through its historical and present engagement in educating Angolan cadres (civil and military), Moscow has made a strong contribution over the years towards building up Angolan human-resources skills.

Health and medical assistance is also a traditional sphere of co-operation between Russia and Angola. Currently there are 341 Russian doctors practising in all provinces of Angola.<sup>48</sup> Despite the many challenges, such as housing and lack of medical equipment, Russian doctors in the country have a reputation for being very efficient.

### **Recent areas of co-operation**

Among the new areas of co-operation, the most ambitious project is undoubtedly the joint construction of a satellite, ANGOSAT, which is being funded by a \$327 million credit line from Moscow. This co-operation project will provide Angola with a communication satellite to ANGOSAT on the relay C and Ku bands, which will be running from a geostationary orbit. The joint project includes the creation of terrestrial communications infrastructure and television broadcasting. A satellite ground control point and communications control are to be constructed in the suburbs of Luanda. The project includes upgrading an existing ground segment of the satellite television broadcasting and communications service of the Republic of Angola. The project's partners, Rosoboronexport and RSC Energia on the one hand, and the Angolan Ministry of Telecommunications and Information Technologies on the other, have expressed confidence in the success of the project and reaffirmed their unconditional fulfilment of contractual obligations.<sup>49</sup> The negotiations started in 2007 and agreement was reached just two years later. Since the signing of the ANGOSAT contract in 2009, Russian and Angolan parties have worked hard to determine the technical parameters of the project to allow for its implementation. The credit agreement was signed only in 2011, providing \$327 million by a consortium of Russian banks (Vneshtorgbank or VTB, Vnesheconombank and Rosexim). The project is still in the early stages of development, with capacity-building operations initiated in early 2013. Despite the slow progress ANGOSAT is of great importance to Luanda, as it will revolutionise the telecommunications sector in Angola. ANGOSAT will provide Angola with a unique opportunity for regional satellite coverage, greatly improving the standards in the telecommunication sector.

Co-operation with Russia at present is also significant in the field of geology and mines, in terms of capacity building, equipment supply and participation of Russian companies in the nationwide geological survey under way, along with other partners, namely Japan and Brazil.<sup>50</sup>

Russia is also a partner in the energy field, particularly hydropower generation. A number of Russian companies (mostly SOEs) have already engaged in construction

(Kapanda Dam, Malange province) and services supply (Chikapa, Lunda Sul),<sup>51</sup> while interest is growing in other projects in the sector (Lauka hydropower plant).<sup>52</sup> Co-operation in the oil sector is limited owing to Russia's lack of expertise in offshore operations, which account for most of Angolan crude-oil production. Nonetheless, interest is growing from Russian companies in Angola's oil industry, including from LUKOIL (which has a stake in one oil block) and Gazprom. With the country becoming a major natural-gas producer in the region, Angolan authorities have identified hydrocarbons as a promising area of future co-operation, given Russia's expertise in natural gas.<sup>53</sup> Angola and Russia have also signed a protocol of mutual co-operation in nuclear energy, in which Moscow will offer a full-cycle nuclear energy production. However, many concerns persist in both Angola and Russia, mainly related to the lack of skills and expertise of Angolans in this field.

Among the less-developed co-operation fields are fisheries and private business. Although co-operation in fisheries has been more significant in the past, an important co-operation platform is now being established for building capacity in scientific research in this field.<sup>54</sup> In regards to private business, both sides are trying to find ways to boost exchanges at private-business level, mainly through closer ties between the Russian and Angolan Chambers of Commerce and public-private partnerships.<sup>55</sup>

In the past, Russia has had relatively little financial co-operation with Angola. Recent developments, however, may change this situation significantly. In 2007 Luanda-based VTB-Africa (a joint venture or JV between VTB and Angolan private capital) extended a \$500 million loan to the Angolan government to finance development projects,<sup>56</sup> including the above-mentioned hydroelectric power plants. In August 2012 the investment arm of VTB (VTB Capital) helped the Angolan government to raise a \$1 billion indirect bond, to be repaid in seven years. This operation was followed by the announcement in October 2012 that the bank would use the same vehicle to help Angola raise another \$2 billion. This capital will contribute to sustain Luanda's massive reconstruction and development programme<sup>57</sup> and assist Luanda's partnership diversification strategy. It will also create more manoeuvring room for Luanda, as it may set the stage for direct issuance of sovereign debt, meaning less dependence on Chinese and Brazilian credit lines that are tied to procurement of services and goods at the source. It may also imprint a new dynamic on the underfunded Russia-Angola co-operation in the near future. According to a source in the Ministry of Foreign Affairs, the bilateral commission has initiated negotiations for specific projects to be funded.<sup>58</sup>

Although ongoing bilateral co-operation reflects the long-established and close political bond between Russia and Angola, the same cannot be said about their bilateral economic exchanges.

## BILATERAL TRADE AND INVESTMENT

A close look at economic exchanges reveals that despite the intentions expressed at the highest level and all the agreements signed, the volume of economic exchanges is still far from mirroring the strength of political ties and the historical friendship between Russia and Angola.<sup>59</sup> This is owing mostly to the embryonic stage of co-ordinating and implementation mechanisms, poor commercial synergies and a lack of financing from both sides.<sup>60</sup>

Bilateral trade flows clearly illustrate the slow progress on the economic side of bilateral relations. Russia is the only BRICS country that does not feature in Angola's top-10 trade partners (in 2011 China was ranked the highest, India third, South Africa fifth and Brazil sixth). In spite of the excellent diplomatic ties, Russia ranked just 27<sup>th</sup> in Angola's top-50 trade partners in 2011, well below its peers. Angola, on the other hand, does not even figure among Russia's top-50 trade partners. At present Russia–Angola economic exchanges are negligible (EUR 25 million in 2011 or around \$36 million) and quite erratic, in both directions. The only consistent feature in bilateral trade is a sustained trade deficit for Angola, as its imports from Russia have continuously exceeded its exports to that country. From Russia Luanda imports mostly commodities, machinery, vehicles, printed material and electrical equipment. Its sparse export basket to Russia is comprised mainly of wood and derivatives, machinery and scrap metals.<sup>61</sup>

The main reason for this state of affairs is the lack of complementarity between the two economies. Both Angola and Russia are major hydrocarbons exporters, the supporting pillar of their respective economies. Currently Angola does not produce anything that is of particular interest to Russia to justify the expansion of trade flows in that direction. However, there is potential to increase trade if Angola manages to expand its agricultural production, namely in coffee and other food stuff. Moscow, on the other hand, may have products that are of interest to Angola in the form of manufactured goods (machinery and electronic appliances), but Luanda can source these elsewhere for less (China). Foodstuff would be another possibility, but again it is easier and cheaper for Angola to import this from South Africa or Brazil. There are further obstacles – such as the lack of knowledge of opportunities on both sides, poor understanding of each other's trade mechanisms, language, culture and geographical distance – all of which have a negative impact on the development of bilateral trade.

Against this background, investment flows (from Russia to Angola) seem to have a lot more potential to expand, and, in the medium to long term, to be a catalyst for fostering bilateral trade. Notwithstanding the slow progress and challenges to stimulating economic ties, there are a number of investments already in operation that are worth mentioning.

### **Russian business in Angola**

Russian business in Africa has a history of project implementation mistakes that have skewed Russia's business image on the continent. In Angola the challenges lie mostly in a poor understanding of the Angolan context as well as the lack of experience and skills of Russian business in international markets, especially the African trade environment. Russian business often loses when competing with more experienced players on the African continent. There are, however, a few stories of success, mostly by SOEs.

### **Russian parastatals and large corporations**

VTB successfully entered the Angolan market in 2006 via a partnership with a consortium of local private capital with close links to the Angolan government.<sup>62</sup> This JV gave birth to Banco VTB-Africa SA in 2007, then the largest foreign-owned bank in Angola, in which the VTB initially held a 66% share. VTB-Africa was created as an investment bank targeting companies in the fields of natural resources, energy, telecommunications, construction and retail. It has three offices in Luanda and one in Lubango, the capital of the Huila



province in the south of Angola. In September 2012 VTB announced that it was planning to reduce its share in VTB-Africa to 50.1% by selling 15.9% to its Angolan counterpart, which would see its stake increase to 49.9%. According to a VTB spokesperson: 'this deal will help the integration of VTB-Africa in work with major corporate structures in the oil and diamond industries with Angolan government bodies and also with transnational oil sector companies'.<sup>63</sup> This development is also in line with the Kremlin's push to sell off part of the state's assets in an effort to raise funds.<sup>64</sup>

Another Russian company with a significant footprint in Angola is state-owned ALROSA.<sup>65</sup> Unlike VTB though, ALROSA is a long-standing actor in the diamond industry in Angola with a major stake in the Catoca project (Lunda Sul province), one of the largest diamond-producing fields in the world. Russia's engagement in the Angolan diamond industry dates back to the early 1980s through ALROSA's Soviet predecessor, state diamond company, Yakutalmaz, when it conducted a geological survey and feasibility study of Catoca mine for the Angolan government. In 1992, under Russia, Yakutalmaz was consolidated with two other governmental agencies to give birth to ALROSA. In 1992 a consortium (Sociedade Mineira do Catoca or SMC) was established comprising Angola's state diamond miner, ENDIAMA (40%); the mining arm of Brazilian construction group, Odebrecht (20%); and ALROSA (40%) to explore Catoca mine kimberlite pipes.<sup>66</sup> Later on, Lev Leviev,<sup>67</sup> a successful and well-connected Israeli diamond trader, acquired an 18% stake in the company. In 2011 Leviev sold his stake in the Catoca mine project to China–Sonangol<sup>68</sup> for \$400 million.<sup>69</sup> Presently the shareholding is as follows: ENDIAMA and ALROSA 32.8% each, Odebrecht 16.4%, and LLI Holding BV (a China–Sonangol holding) 18%.<sup>70</sup>

Catoca mine<sup>71</sup> is one of the largest kimberlite pipes in the world with deposits estimated at 271 million tonnes of ore, of which 189 million carats can be recovered in the next 40 years, worth about \$11 billion. In 2010 Catoca produced 6.74 million carats, generating \$527 million in proceeds. The SMC is also looking for new kimberlite pipes and to optimise the existing quarry in Catoca. The SMC aspires to become the world's third-largest exporter of rough diamonds by 2020, according to its recently approved strategic development programme (Vision 2020). The programme projects a turnover increase from AOA 60 billion (\$623 million) to AOA 150 billion (\$1.558 billion).

In addition to its diamond exploration activities, ALROSA has also developed the hydroelectric power plant on the Chicapa river (Lunda Sul province), commissioned by President dos Santos, who attended the launch ceremony on 12 November 2007. ALROSA also installed an electrical grid to power Catoca mine and the provincial capital of Saurimo as well as surrounding villages. The hydroelectric project put in place a reliable power supply to Catoca, which was running on petrol generators before, thereby significantly reducing production costs.

In April 2013 the ALROSA Board approved the creation of new JVs for prospecting and exploration in Africa. This includes an agreement with Angola's national diamond company, ENDIAMA, to set up a JV in 2013 with the purpose of prospecting and exploring diamonds in Angola, as well as finalising the delimitation of prospecting areas, developing a geological survey and conducting feasibility technical studies.<sup>72</sup>

In the transport sector, the joint stock company GAZ Group, the leading manufacturer of commercial vehicles in Russia (a former SOE that was privatised in 1995), has expressed interest in establishing partnerships with transport companies in Angola through its Buses

and Truck divisions. The group is willing to participate in the upgrade programme of urban passenger and freight transport in Angola. Russian buses are designed for all types of land transport, including urban, suburban, intercity and tourist routes.

Other promising areas for future business expansion include complex engineering surveys and the design of roads of various technical categories. These include bridges; interchanges; overpasses and counter-structures; monitoring of mobile vehicles; safety practices; tracing the path and the presence of passengers; exchange of information with vehicles with onboard navigation and communication equipment that is connected to a global positioning system (GPS and GLONASS); and the supply of different types of anti-corrosion and protective coatings used for the painting of bridges; buildings; and petrochemical, metallurgical and other industries.<sup>73</sup>

Upcoming state and business-level discussions also plan to include on their agendas the creation of a joint production and demonstration centre based on advanced Russian cementless building materials made of cheap local raw materials for mass construction of social housing; the dissemination of these technologies in the region; and the establishment of JVs for recycling high-tech wood waste, agricultural and other industries into building materials.

### **Russian private SMEs**

According to the National Agency for Private Investment (ANIP) statistical records, no investment (excluding mining and oil) entered Angola from Russia in 2011 and 2012, the only BRICS country in this situation.<sup>74</sup> There is thus a clear dichotomy between the footprints of Russian public and private companies in Angola. Although private investment from Russia is very scarce, large state-controlled companies (ALROSA and VTB) seem to be doing much better, largely owing to successful partnerships with the local business elite, which are linked tightly to the ruling party – a common practice in Angolan business circles.<sup>75</sup>

Most Russian private investors in Angola are part of a group who chose to stay behind when Russian SOEs left Angola following the collapse of the Soviet Union in the early 1990s. Many stayed behind owing to a long personal history of involvement in Angola as part of the Soviet assistance and ventured into business on their own. Some of these businessmen have lost their links to Russia and operate much as Angolan citizens. The business sectors in which they engage are very diverse, ranging from fishery to education. Most engage in small-scale self-made businesses, generally with no links to the government.<sup>76</sup>

The limited presence of Russian business in Angola is explained largely by obstacles encountered at both ends. On the Russian side, there seems to be limited interest from entrepreneurs owing to a poor understanding of the business environment in Angola, lack of political and financial support from Moscow, and the rudimentary stage of bilateral mechanisms for trade and investment facilitation.<sup>77</sup> Moscow's support to its private entrepreneurs comes across as weak and inconsistent.<sup>78</sup> As for the constraints on the Angolan side, the list is much longer. Most problems that businessmen encounter in Angola are linked to the difficult business environment, which is often described as very rough, highly politicised, opaque and high risk, as guarantees from Angolan counterparts are mostly absent. High transaction costs also seems to be a serious obstacle not only

owing to poor infrastructure (transport and energy supply) but also because the system seems to favour those with bigger financial resources who are willing to pay bribes at all levels. Other business obstacles include the lack of adequate local counterparts and qualified personnel in Angola. Solving this is an expensive exercise, as companies are forced to relocate staff from Russia to Angola. Although the Russian community which settled in the country in the 1980s and 1990s, speak the language and know how to navigate the system, they lack the necessary management qualifications. With the exception of this community, language poses another major barrier for Russian SMEs, as all business in Angola is conducted in Portuguese, which is not a popular language in Russian business schools, so newcomers have to learn the language, which can be a very time-consuming exercise. In addition to this, Russian entrepreneurs face fierce competition from other players who have an established presence in the country and more efficient economies of scale in most sectors that are of interest to them.<sup>79</sup> This is the case of South African heavy machinery providers in Angola, such as Barloworld.<sup>80</sup>

Other challenges mentioned by Russian businessmen in Angola include safety issues and logistical obstacles for families to settle in the country, namely high living costs (housing and food expenses), a low quality of available education and medical support, and a limited Russian-speaking community or environment.<sup>81</sup> Grigory Dalakyan from Zdravexport, an intermediary who brings Russian doctors to work in Angola and facilitates their life in the country, says:<sup>82</sup>

There are many problems, mainly language – on arrival to Angola we offer a 7–10 day language course which is obviously not sufficient for the field work. It is cost ineffective to increase the period. Therefore, many (mostly Uzbeks – which do not speak even Russian) go to a job without language skills. Moreover, in many Angolan regions Portuguese is not used. The second major problem – to provide housing – houses for doctors don't exist. The Chinese are building standard type hospitals – two blocks to the hospital and a block with 5–10 apartments for doctors. It's not enough – there are Angolan doctors which are obviously on the top priority list. Many provinces simply do not have adequate housing. That creates more expenses and difficulties for the business.

The obstacles mentioned, coupled with the lack of mechanisms to foster trade and investment, largely explain why the agreement between the Angolan and the Russian Chambers of Commerce and Industry signed in 2007 is yet to bear any fruit. It also clarifies why Russian private companies prefer to engage in indirect trade and investment, mainly through Europe. Some Russian products are imported to Angola via the European counterparts of the Russian firms, enabling them to avoid transportation, tax and customs costs.

Misperceptions on both sides also play a role in this state of affairs. Many potential Angolan exporters still have a negative perception about the Russian market and often compare it to the more familiar export opportunities offered by the US, EU and China. In this context, Russia's market seems to remain largely unknown and uninteresting for African exporters. On the Russian side, despite the still poor understanding of African markets and business culture, there is high demand for information and financial support services from entrepreneurs wanting to venture into African markets.

## CIVIL-SOCIETY LINKS

Moscow's 'return' to Africa is often compared with the Chinese involvement in Africa. However, one must be aware that the demographic aspect of Russia's interaction with Africa is quite different. For example, the number of Russian citizens in Angola is about 700 compared with 200 000–300 000 Chinese (by a modest estimate).<sup>83</sup> To some extent this small scale of Russian presence justifies the limited civil-society links and cultural exchanges between the two countries.

At the party level, contacts are limited and concentrate on the MPLA and the Communist Party of Russia. There are, however, inter-parliamentary dialogue platforms that include some high-level exchanges. In October 2010, the President of the Angolan National Assembly, Paulo Kassoma, paid an official visit to the Russian Federation. In June 2011, a Russian parliamentary delegation led by the deputy chairman of the State Duma of the Federal Assembly of the Russian Federation, Nadezhda Gerasimova, reciprocated the visit.

In the same way co-operation in the religious sphere is rather limited. The head of the Russian Orthodox Church, Patriarch Kirill, visited Angola in 2009, but intentions to construct a Russian Orthodox Church in Luanda were never realised owing to a lack of financial support. Links between trade unions, youth and other non-governmental organisations seem to be largely absent.

This state of affairs is explained by a number of obstacles affecting civil-society links, some of which are similar to those affecting private Russia–Angola business relations. These include the geographic and cultural distance, language barrier, lack of knowledge of each other's civil-society institutional structures and dynamics, and consequently a poor awareness about possible synergies.

## CONCLUSION

One of the most important assets (and competitive advantages) of Russia in Angola is the influential political capital it still enjoys, which is rooted in the support it provided to the liberation struggle and then to the ruling party during the civil war, coupled with the capacitation of successive generations of civil and military cadres. Many high-level cadres in the government and armed forces graduated from Soviet/Russian universities, speak fluent Russian, and remain very attuned to Russian culture. This form of 'soft power' outlived Moscow's 'hard power' decline in Angola following the downfall of the Soviet Union in 1991. This critical legacy is unique to Russia. Other emerging players, such as China and Brazil, only recently started attracting Angolan students to their universities. Portugal is perhaps the only other country that has a comparable political capital within the Angolan ruling elite, although this is largely outbalanced by the colonial spectre. However, and despite the fact that many young Angolans are still heading to Russian universities, the clout of this political capital is bound to wane, as new generations come into power and the living memory of the generation who experienced the Soviet Union support fades.

The long-established co-operation in the defence sector constitutes another major Russian asset in Angola. The seminal military support provided by the Soviet Union in the

1970s and 1980s – particularly in terms of equipment, technology and expertise, a legacy maintained by Russia in the 1990s and 2000s – explains to a large extent the enduring strategic importance of Russia in Angola’s defence structure, logistics and doctrine to this day, and why this is still a major dimension in bilateral relations in spite of the present peaceful context.<sup>84</sup>

In regards to co-operation, some progress can be observed with a clear emphasis on economic dimensions. Although still relatively concentrated in traditional sectors (defence, higher education, health), in recent years bilateral co-operation has diversified into new areas such as mineral resources, energy, financing and telecommunications. Nonetheless, many challenges remain, particularly at the implementation level. Despite the large number of co-operation agreements signed over the past 10 years, many have yet to come to fruition. The problem lies largely in poor capacity to put the agreements into practice. This seems to be related to the still preliminary stages of co-ordinating and implementation mechanisms, largely rooted in the Angola–Russia bilateral commission, whose second session took place almost seven years after the first one. Inexperience and poor capacity, particularly on the Angolan side, seem to be the main causes for this state of affairs.

Despite significant progress at the diplomatic level, the volume of trade and investment is still a dim reflection of the strength of political ties. Although both countries have put a lot of effort from the early 2000s into boosting economic exchanges, progress has been slow. Russian investment in Angola is dominated by a couple of state-controlled companies operating in the mining and banking sectors (ALROSA and VTB respectively). The pale footprint of Russian SMEs is attributed to poor political and diplomatic backing from Moscow; language barriers; a lack of experience and political connections of entrepreneurs on the Russian side; an insecure business environment; poor infrastructure; high transaction costs; and high living costs on the Angolan side.

The still-weak diplomatic mechanisms and lack of financial instruments to boost economic ties also justify the slow progress in the expansion of trade and investments flows. Economic ties remain very elite-centred, and the responsibility falls on both sides to put in place the necessary structures for private business to thrive.<sup>85</sup>

Another challenge, often disregarded, is the language and cultural barrier. Although mutual understanding in this regard is quite good at the top levels for the reasons mentioned above, beyond that elite circle there is a profound lack of knowledge in both directions. The lack of understanding of the respective business cultures is a big obstacle for SMEs that is often overlooked. Civil-society exchanges remain sporadic and inconsequential, which is a clear symptom of public-diplomacy absenteeism on both ends in addressing this state of affairs.

On a broader level, however, there are some synergies and commonalities bridging the foreign-policy agendas of both Angola and Russia. These are already fostering dialogue and co-ordination efforts, which can be further reinforced in the future. They include oil politics, the reform of global governance institutions and mechanisms, and Angola’s role in the region. Russia remains a key partner in Angola’s defence sector, providing military training and technological assistance that is vital for Angola’s aspirations of expanding its regional peace and security role.

Russia still seems to be perceived as an important ally in Angola’s foreign policy, but not to the extent that it has been in the past. Today Russia is one among a diverse spectrum of strategic allies that include emerging (China and Brazil) and traditional (Portugal,

other European countries and the US) powers in line with Luanda's quest for partnership diversification in order to optimise the pursuit of its own national interests domestically and overseas. Although China enjoys similar credentials to Russia (its veto in the UNSC and BRICS membership), for historical reasons the degree of mutual trust between Angola and Russia is much stronger, and holds an unfulfilled promise of bearing more fruit.

The scope of the rebirth of this strategic alliance will depend on the extent to which Angola and Russia are interested in taking the relationship beyond its present contours. This will be determined largely by the strength of their common interests and how strategic they remain for each other.

## RECOMMENDATIONS

- Fostering greater co-operation between Russia and Angola will require a stronger commitment from both sides in terms of institutionalisation of the relationship. There is a clear need for more efficient mechanisms to co-ordinate bilateral co-operation and ensure implementation. This could entail the creation of follow-up mechanisms on the ground as well as better articulation between policymaking and implementation. More personnel and serious investment in capacitation will be required. Funding will be a critical factor to improve the current status quo, especially when putting agreements into practice.
- The expansion of bilateral trade in the future will depend on finding niche areas where there are competitive advantages; improving transportation and communication networks; engaging in proactive economic diplomacy on both ends; and creating financial instruments (ie export credit facilities) to boost trade flows – much like Brazil and China have done.
- For Angola the challenge will be to ensure a better balance as trade flows expand. Concrete measures to expand bilateral trade with Russia should wait until other sectors of the economy are more consolidated, such as agriculture, mining, manufactures and services. To advance this goal, Luanda should work on attracting investment from Russia into these sectors. Possibilities are numerous, such as drawing Russian investment into minerals exploration beyond diamonds, which entails local beneficiation before exportation; and machinery assembly or electronic appliance factories (labour is cheaper in Angola than in Russia). In this scenario, Russia–Angola investment flows appear to have greater potential for expansion than trade in the short term. However, in order to promote Russian private-investment flows into Angola, Luanda needs to improve its investment framework. Other measures could include the creation of a dynamic bilateral business council, headed by well-known and well-connected businessmen on both sides, and staffed with capable individuals.
- Moscow would benefit from developing a more assertive and comprehensive economic statecraft to support the expansion of its SMEs into promising but difficult markets in Africa, such as Angola. This would involve the creation of financial instruments to incentivise its enterprises (export credit lines or tied loans), which should be articulated with policy incentives and a very proactive economic diplomacy. Russia can also improve its engagement strategy in Angola by learning from other emerging economies that seem to be performing better in Africa, such as China and Brazil

(through diplomatic backing, financing mechanisms and policies). Naturally this would entail adjusting those strategies to Moscow's capacity, competitive advantages and interests in the region.

- Moscow can also benefit from partnering up with other emerging powers present in Angola. Although there is competition among them, there is room for co-operation (which is already happening spontaneously in areas such as dam construction with Brazilian construction companies). To achieve this, Russia can use existing platforms, such as the BRICS.
- Both sides could invest more in public policies to strengthen people-to-people exchanges and civil-society links. This would improve the perception and understanding of one another as a long-term investment towards the prosperity of bilateral relations in the future. One of the possible means of accomplishing this could be the revival of the Russian cultural centre project in Luanda for the development of cross-cultural co-operation.
- Angola needs to be more proactive in order to avoid becoming a passive recipient in the bilateral relationship. To push through its development agenda, Luanda should maintain a dynamic agency and share the responsibility of expanding bilateral relations with Russia. This can be done by taking the initiative in creating bilateral mechanisms and instruments, so as to have equal control in the relationship and to ensure its interests will be met. To this end, Luanda needs to articulate these goals with its own national development and industrialisation plans. This involves putting in place policies, regulations and institutions to maximise Angola's potential benefit, namely by channelling Russian resources into technology and skills development, and into the diversification of its economy (agriculture, manufacturing and services), taking into consideration Russia's competitive advantages over Angola's other partners.

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## SAIIA'S FUNDING PROFILE

SAIIA raises funds from governments, charitable foundations, companies and individual donors. Our work is currently being funded by, among others, the Bradlow Foundation, the United Kingdom's Department for International Development, the European Commission, the British High Commission of South Africa, the Finnish Ministry for Foreign Affairs, the International Institute for Sustainable Development, INWENT, the Konrad Adenauer Foundation, the Royal Norwegian Ministry of Foreign Affairs, the Royal Danish Ministry of Foreign Affairs, the Royal Netherlands Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the Canadian International Development Agency, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Economic Commission for Africa, the African Development Bank, and the Open Society Foundation for South Africa. SAIIA's corporate membership is drawn from the South African private sector and international businesses with an interest in Africa. In addition, SAIIA has a substantial number of international diplomatic and mainly South African institutional members.

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