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**Research Report**

## Neither 'Friendship Farm' nOR 'Land Grab:' Chinese Agricultural Engagement in Angola

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# POLICY BRIEF

## NEITHER “FRIENDSHIP FARM” NOR “LAND GRAB”: CHINESE AGRICULTURAL ENGAGEMENT IN ANGOLA

BY ZHOU JINYAN

Chinese-Angolan agricultural cooperation can be divided into two phases, beginning in 2004. In the first period, from 2004 to 2008, Chinese engagement focused on infrastructure construction. Since 2008, cooperation has centered on the development of comprehensive farm projects supported by credit from the China Development Bank. These projects are not intended to solve China’s food security problem, but are instead aimed at improving Angola’s agricultural capacity and food production. This “Angola Mode” of cooperation challenges the common perception of an oil-centric relationship. However, Angola’s needs and Chinese finance are not currently well-aligned, and the long-term sustainability of Chinese engagement is questionable.

In May 2014, Chinese Premier Li Keqiang made his first trip to Africa. The third stop on his week-long tour was Angola, China’s biggest trading partner and its biggest African supplier of crude oil. During his visit, Premier Li announced China’s intention to provide a grant of RMB 180 million (about US\$28.8 million) for development projects and to increase to 100 the number of Angolan students receiving scholarships to study in China. During Premier Li’s visit, the China Development Bank (CDB) also committed to providing a new credit line of US\$2.5 billion to Angola for infrastructure, transport, agriculture, hospitals, schools, and hydropower.

Western media and scholars, however, still describe Angola as China’s resource supplier rather than a strategic partner. The West has largely ignored the fact that Sino-Angolan cooperation extends beyond the supply of resources to proactive development of livelihood sectors. **Agriculture has been an important sector for this cooperation.**

In 2011, the CDB opened up the first commercial credit line worth US\$1.5 billion, focusing on development projects, particularly in the agricultural sector. Without oil as guarantee, this credit line differed from the previous loans extended by China’s Export-Import Bank. Although the first line of credit from the CDB has been almost fully committed, there has been little research on how these loans are being used, or on the dynamics of the unique model of cooperation between Angola and China.

**The research presented here examines these projects and activities, the Chinese partners and their intentions, and the strengths, limitations, and challenges of bilateral cooperation.** This report is based on research conducted in Angola in April and May 2014 with support from SAIS-CARI.

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The **JOHNS HOPKINS SAIS CHINA-AFRICA RESEARCH INITIATIVE (CARI)** was launched in 2014 to promote evidence-based understanding of the relations between China and African countries through high quality data collection, field research, conferences, and collaboration.

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## HISTORICAL CONTEXT

Before independence in 1973, Angola was a grain exporter. Today Angola's current grain production is 1.5 million tons per year, which meets only 40 percent of the domestic demand. The country is thus heavily dependent on imported food, and approximately 1.8 million Angolans are still threatened by food insecurity.

**Although two-thirds of Angola's labor force is engaged in the agriculture sector, less than 30 percent of its arable land is under cultivation.** Angola is home to 6.7 million hectares of arable land; only 30,000 million hectares are currently utilized. Moreover, per-acre productivity in Angola is the lowest in sub-Saharan Africa, and the annual food gap is around 3 million tons.

**However, the country's favorable climate, fertile soil, and large land areas mean that agriculture in Angola has great potential.** The Angolan government has also realized the importance of agriculture for economic diversification. According to Angola's national development plan for 2013 to 2017, the country aims to increase food self-sufficiency to 90 percent. Yet, at the same time, Angola's agriculture budget was cut from 4.9 percent in 2009 to 1.6 percent, lagging far behind the goal of 10 percent national budget allocation to agriculture development, as laid out by the African Union in its 2003 *Maputo Declaration on Agriculture and Food Security*.

## CHINESE INVESTMENT IN ANGOLAN AGRICULTURE

Agriculture is a relatively recent area of cooperation between China and Angola, and China has no traditional agricultural aid projects or "friendship farms" in Angola. Chinese engagement in Angolan agriculture can be divided into two unique phases: the first from 2004 to 2007, and the second from 2008 to present.

### Phase 1

Angola's 27-year civil war ended in 2002, leaving the country with an enormous task of reconstruction. Reluctant to accept the conditions imposed by international lenders like the International Monetary Fund, Angola instead turned to China and its "no-political strings attached" lending principle. Angola accepted credit from China's Export-Import Bank (China Eximbank), signing the first **Framework Cooperation Agreement** with oil as a guarantee, and beginning the so-called "Angola Mode" of cooperation between the two countries.

Under the first Framework Cooperation Agreement (US\$2 billion) from 2004 to 2007, China helped construct four agriculture projects for Angola with a total value of US\$203 million. The second agreement led to additional agriculture projects.

According to official statistics issued by the Angolan government, agriculture-related infrastructure accounted for **11.7 percent** (US\$530.6 million) of the total value of US\$4.5 billion in oil-secured credit lines extended by China Eximbank through 2008.

### Phase 2

**Since 2008, China and Angola have entered the second phase of agricultural cooperation.** Angola has focused its efforts on developing livelihood sectors such as agriculture in order to diversify its largely oil- and diamond-dependent economy. To this end, China and Angola have established a strategic partnership to deepen bilateral cooperation, particularly in agriculture. This new era of cooperation has been highlighted by the construction of comprehensive farm projects, supported by a commercial loan extended by the China Development Bank.

In 2009, the China Development Bank committed to provide a US\$1.5 billion preferential loan to Angola’s agriculture sector. The credit extended by CDB is distinct from previous Eximbank credit lines because (1) the interest rate is commercial, and (2) there is no oil guarantee involved.

Meanwhile, during Chinese Premier Li’s visit to Angola in May 2014, China Eximbank and the Angolan Ministry of Finance signed an agreement to provide US\$68 million of credit to the Guimba Farm.

## CHINESE FARMS IN ANGOLA

While the Guimba Farm is funded by China Eximbank, six other Chinese farms are supported by the CDB credit (see Table 1). All seven farms operate under a similar model based on a five-year contract signed by Chinese partner companies and the Angolan Ministry of Agriculture, represented by its state-owned company Gesterra.

- All seven farms are **comprehensive agro-industrial projects** with a range of activities including farm construction, irrigation facilities, grain drying, and storage and processing facilities.
- In the first three years of the five-year contract, China is responsible for **land clearance, infrastructure construction, and plant experimentation**.
- In the last two years, China provides **training on technology and farm management** for Angolans. Each farm produces hybrid rice, corn, or soybeans, and some engage in animal husbandry.
- The size of each farm varies from **1,500 to 12,000 hectares**, and the credit from CDB is about US\$100 million for each farm. The biggest farm is Pedras Negras (“Black Stone”) Farm near Malange. Pedras Negras was developed by CITIC Construction as its first non-engineering contract signed in Angola.
- Geographically, the CDB-financed farm projects are **dispersed throughout a large area** of the country. The most remote farm is in Moxico, 1,300 kilometers from Luanda. Moxico was severely affected by the long Angolan civil war, and has allegedly been neglected by Angolan President Dos Santos. Thus, the Chinese farm project has great potential to benefit the region.
- Angola has **full ownership** of those farm projects. The land on each farm belongs to the Angolan Ministry of Agriculture and Rural Development, and after each harvest, all products must be handed over to the Angolan government. After the end of the five-year contract, each farm will be handed over to Gesterra.

Table 1: Chinese enterprises supporting agriculture projects in Angola

Farm	Location	Chinese Partner	Year Started	Bank	Credit (US\$ millions)	Size (ha)	Products
Pedras Negras	Malange	CITIC	2011	CDB	160/117	12,580	Corn, Soybean
Sanza Pombo	Uige	CITIC	2012	CDB	87.5/129	1,050	Rice, Cattle
Longa	Cuando Cubango	CAMC	May 2012	CDB	76.6	1,500	Rice
Camacupa	Bie	CAMC	2012	CDB	88.6	4,500	Corn
Guimba	Zaire	CEIEC	Starting soon	Exim Bank	68	3,000	Corn, Soybean
Camaiangala	Moxico	CEIEC	2013	CDB	79	16,000	Corn, Soybean
Manquete	Cunene	CEIEC	2014	CDB	85.5	45,000	Rice

**It is widely believed that Chinese farms import agricultural equipment from China.** However, as sustainability has become a common concern, the Angolan Ministry of Agriculture has begun to insist on buying equipment from Western countries since parts for Chinese equipment are hard to find in local markets.

**Capacity building is also an important part of the contract between Angola and its Chinese partners.** CITIC sent 11 Angolans to Xinjiang Shihezi University for one year to study agriculture and farm management. Those 11 are now back in Angola where they will have another year of practical training. After the two-year training period, they will be dispatched by Gesterra to farms across the country to be managers and to train more local people. Two other Chinese companies also plan to train at least 10 Angolans for each farm every year. The trainees are all selected by Gesterra.

In another effort to build local capacity, CITIC aims to consistently increase local employment on the Pedras Negras Farm in Melange. For the first year of operation, the ratio of Chinese to Angolan employees is eight to two; in the third year there will be six Chinese and four Angolan employees; and by the fifth year the ratio is expected to be eight Angolans to two Chinese employees.

## **CHINESE INVESTMENT IN ANGOLAN AGRICULTURE: A GROWING TREND**

Chinese investment in Angolan agriculture is growing, although the overall scale of this investment is still small and mainly targets local Chinese demand. Almost every Chinese company in Angola has a farm that produces vegetables to meet the daily demands of its Chinese employees.

### **Chinese Intentions**

Many believe that there is a Chinese scramble for African land to establish agricultural export businesses driven by the need to meet their domestic demand for food. Angola offers China ample opportunities for producing beef, coffee, spices, tropical fruits, sugar, and cotton. **However, China's current agricultural cooperation with Angola is mainly centered on construction projects under contract to the Angolan government.** Land has neither been sold nor leased to China, but rather is still fully owned by Angola, and every grain produced is handed over to the Angolan Ministry of Agriculture.

Mr. Lu Shaye, the former director of the African Department of the Chinese Ministry of Foreign Affairs once said, **"China has never taken a single grain from Africa."** It is true in Angola. China has no intention of producing food in Angola and exporting it to China. Rather, China recognizes that it will reap indirect benefits from agricultural cooperation in Angola. As Mr. Wu Keqiang, the national representative of CAMC-Engineering in Angola, said, **"If food security in Africa is guaranteed, international food prices will be stable and this benefits China's food security indirectly."**

When asked to comment on China's "land grabbing" in Africa, an official from the Angolan Ministry of Agriculture said:

*"We [have] never thought of China in this way. We not only used credit from China, but also have similar cooperation of constructing state farms with other countries, such as Brazilians and Europeans. Until now we are happy with the cooperation with China."*

### **Challenges for Chinese Investment**

In 2014, Angola's large-scale detention of foreign citizens—including Chinese—aroused concern among the Chinese working and living in Angola, as well as at the Chinese Foreign Ministry. The Chinese government is aware of the difficult situation Chinese companies and citizens in Angola face, and it wants to develop a long-term strategy in Angola.

From the government's perspective, shifting the investment focus to **livelihood sectors**, such as agriculture and health, will help China improve its national image, enhance its soft power, and deepen its relationship with Angola—hence why Chinese state-owned enterprises are becoming increasingly involved in agricultural cooperation. Mr. Wu Keqiang of CAMC-Engineering clearly stated, **"We are [a state-owned enterprise]. Different from private companies, we shoulder social responsibilities."**

However, for Chinese companies, **agricultural cooperation is not always profitable in the short-term**. According to the chief of the private Chinese company that has been subcontracted to construct the Camacuba Farm:

*"Investing in Angola's agriculture sector might take more than five years to make profits. Provinces in Angola welcome agriculture projects. So our strategy is to take agriculture as a first-tier contract and seek more infrastructure projects on that basis."*

The need to turn a profit is the main factor driving companies, especially private investors, to make agricultural investments sustainable. China's history of providing agricultural aid, and even its recent efforts to establish agricultural demonstration centers, has proven to be unsuccessful for long-term cooperation.

Dr. Xu Weizhong, an Africa expert at the China Institute for Contemporary International Relations, went so far as to criticize current Sino-African agricultural cooperation as "lose-lose," arguing that market-driven cooperation should take the place of traditional aid-oriented projects. In Angola, agricultural investment still relies on large-scale infrastructure projects built for the government because the cost of land reclamation, irrigation, and other infrastructure is too high for small-scale local farmers. In addition, local farming skills are underdeveloped. More preferential financial measures should be adopted to encourage and support private investment in Angolan agriculture.

## CATETE FARM

*The Catete Farm represents another successful Chinese investment. Catete Farm, located on the outskirts of Luanda, was originally designed to produce food and vegetables for tens of thousands of Chinese workers at the enormous Kilamba Kiaxi construction site—a CITIC Construction project. However, it was then turned into its own investment project, with US\$7 million from Beixin, a Chinese company that was subcontracted by CITIC to construct the Kilamba Kiaxi social housing projects. The Catete Farm land was allocated by Angola's military and covers an area of 333 ha. The farm primarily produces corn, rice, and vegetables, all targeting the local market.*

*At present there are 170 employees on the Catete Farm, including four Chinese managers, 20 Chinese workers, and 146 local workers. Although Chinese managers complain that they lose 40 percent of the Angolan workers after salaries are paid at the end of each month, the farm still insists on employing as many local workers as possible.*

## RETHINKING THE "ANGOLA MODE"

Through the "Angola Mode" of cooperation, China received oil and infrastructure contracts, while Angola gained capital for post-war reconstruction. This bilateral cooperation met the economic and political interests of both sides at the time. At present, however, the future of Sino-Angolan relations is worth rethinking.

Within the context of this model, China has had very little influence on Angolan policy-making. Although Angola still values China's capital, technology, and experience, it needs more guidance in agricultural development and planning. Thus far, however, **China has had little involvement in the drafting of national agricultural policies or influence on the research agendas of national agricultural institutes in Angola.**

## POLICY IMPLICATIONS AND RECOMMENDATIONS

For a long time, the Western media has described African countries as passive partners in—or even victims of—China-Africa relations. This view underestimates Africa's bargaining power and overestimates China's influence in the relationship.

- **In Angola, China's agricultural support is broadening and deepening cooperation between the two countries, and helping to change the outside perception of an oil-centric relationship.** China's capital, technology, and management experience are helping the Angolan government to achieve food security and win public support. However, challenges remain. The current model of agricultural cooperation is still largely focused on profitable infrastructure contracting. The sustainability of China's agricultural cooperation with Angola depends on when and how it can reorient its engagement into market-driven investment. Investment partners, especially private investors from China, should be encouraged and incentivized to enter the Angolan agriculture sector, with diversified financial backing.
- **Currently, Angola's needs and Chinese financing are not well aligned.** Ninety percent of the arable land in Angola is cultivated by smallholder farmers. Thus, what Angola really needs is knowledge transfer on how to develop one or two hectares of farmland. However, China's engagement, especially through comprehensive farm contracting projects, focuses primarily on large-scale, Angolan state-owned farms. It is unclear if Angolan employees can apply the technology and lessons they learn from big farms to their daily small-scale farming activities.

By contrast, the European Union, with a budget of only 220 million Euros for agricultural projects in Angola over the next five years, goes deep into small villages to provide practical agricultural technology training and nutrition education. In the future, China can consider cooperating with the Food and Agriculture Organization, the European Union, World Vision, and other international organizations to support Angola's smallholder farmers.

- **The long-term sustainability of Chinese farms after they are handed over to Angolan counterparts is another concern.** Near the Pedras Negras farm, there is a farm that is jointly run by Gesterra and Brazil, and features a similar cooperation model as the Chinese-funded farms. However, the Brazilian farm failed to thrive after being transferred to its Angolan partner. One of the reasons is that there were no qualified local experts to repair the agricultural machinery used on the farm.

The Chinese already have some ideas about how to sustain their farms after the termination of their five-year contracts, such as by establishing joint venture companies. But according to a Chinese manager, the Chinese will not step in unless their assistance is requested by the Angolans—even for the farms that cannot be sustained after the end of the contract. **“Angolan people have strong national pride. If they do not request this, we will not return to the farm.”** Therefore, the long-term sustainability of China-funded farms depends largely on Angola.

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