The real (war) economy of Angola

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Diamonds feature in many recent analyses of the financial underpinnings of Angola's long-running civil war. Both lawful and illicit exports of diamonds gain attention for their significant roles in bolstering the finances of the *Movimento Popular de Libertação de Angola* (MPLA) regime and their *União Nacional para a Indepêndencia Total de Angola* (UNITA) opponents. Much of this attention focuses on commercial transactions between UNITA and clandestine diamond buyers, who have helped provide UNITA with up to US $700 million in revenues over several years in the mid 1990s.[1] Petroleum sector investments in MPLA held areas, however, supply Angola's government with considerably greater and much more consistent revenues. Furthermore, by 1998 UNITA revenues from diamond sales were thought to have slumped to below US $200 million. In contrast, MPLA revenues from oil that year topped US $3,3 billion.[2] This one-year figure for MPLA oil is only US $400 million below estimates of UNITA's total revenues from diamond sales from 1992 to 1998. The MPLA's conquest of the Cuango Valley mining region in 1999 added US $200 million in diamond sales to official trade figures, less than a typical 'signature bonus' from an oil firm awarded new drilling blocks.[3]

This chapter focuses on the financial and political role that raw material exports from Angola play in that country's civil war. Oil is especially significant and its role goes far beyond the contribution it makes to MPLA finances through export earnings and signature bonuses. Oil plays a critical role in the MPLA regime's war strategy and in the interests of much stronger states that back the MPLA's battle against UNITA. Oil is a key component in the regime's ability to gain access to political and material resources beyond Angola's borders; not just to markets (as with diamonds), but also to diplomatic channels and more politically connected commercial networks that directly advance the MPLA's security strategy.

In particular, the presence of large multinational oil firms in Angola helps create new channels for what can be called the 'private diplomacy' of Angola's MPLA regime. This development sheds new light on the relationship between war/conflict, changes in global commercial and diplomatic norms, and the strategies of bureaucratically weak states like Angola that face threats from insurgents. The foreign investors together with non-African officials have a vested interest in ensuring that Angola's government is as secure and stable as possible. They help Angola's regime gain access to services of other private firms that assist in tasks conventionally associated with states, such as the conduct of warfare and diplo-

macy. This relationship helps the MPLA regime in its efforts to suppress internal challengers, such as UNITA and threats from within its own military.[4] More importantly, these foreign firms provide their MPLA hosts with access to the diverse, and increasingly commercial channels through which wealthy states provide foreign aid, such as export guarantee schemes, loans to foreign investors, and diplomatic support for the investment strategies of individual firms.

The MPLA regime benefits from a similar coalition of outside supporters in its diamond mining industry. Diamond mining is important for its role in attracting corporate military services styled as 'industrial security.' Oil, however, attracts far greater resources from foreign states, both diplomatically and commercially, than does diamond mining. Nonetheless, the two should be considered together since both reflect the increasing importance of formal, non-clandestine commercial transactions in the security strategies of vulnerable regimes and in the foreign policies of officials in more powerful states who are concerned about disorder in very weak states.

This external commercial aspect of the political economy of Angola's civil war illuminates changes in the conduct of foreign policy among powerful states, especially in the United States, and among international financial institutions (IFIs) such as the World Bank and the International Monetary Fund (IMF). About 70% of Angola's 1998 oil production of 760 000 barrels per day was exported to the US. Oil exports from 1993 to 1998 provided about 87% of the MPLA regime's formally recorded revenues (exclusive of loans and aid), which means that US customers provided the MPLA regime with about 60% of its total revenues.[5] Throughout most of the 1990s, Angola was the US's sixth largest supplier of oil. US based firms compete vigorously to maintain or increase this share as Angola's government plans to boost oil production by 20% to 960 000 barrels of oil per day by the end of 2001 and further thereafter.[6] Angola thus emerges at the vanguard of changes in the policies of firms and officials from non-African states, especially the US, toward business, aid, and civil wars in Africa.

This accommodation between firms, international financial institutions and foreign state officials, and Angolan officials reflects a deeper shift in the views of external players – outsiders – about the relationship between efficiency and order in African states, especially those that rely heavily on revenues from resource extraction. Officials, both in creditor agencies and in states that supply aid, acknowledge the important correlation between the competition to control natural resources, massive corruption, and civil wars. Changes in the approach to reform in resource-rich African states has also produced a new style of anti-insurgency strategy. This strategy is similar to that practised by strong states in 19th century Europe where such states wielded considerable influence in regions that Europeans then considered to be stateless. Like their 19th century counterparts, foreign and local politicians use private firms as proxies to respond to threats of disorder in areas where bureaucratic administration is very weak. And, like their 19th century counterparts, foreign officials show a growing tendency to define order as synonymous with the facilitation of markets. This policy shift links

military and commercial pursuits in ways that Angolan officials use to their benefit without engaging in the arduous and politically risky task of building their own capable state institutions.

Foreign investment and war

Scholars and creditor agency researchers observe that governments in countries like Angola that have large resource bases tend to do a poor job of building efficient state institutions. This is because governments that gain most of their revenues from sales of minerals are freed from the immediate pressure of levying taxes among citizens.[7] Easy access to revenues from exports allows rulers to use state revenues to build political networks oiled by patronage, and to enrich themselves, their families, and their associates. In contrast to countries where small-producers grow coffee or cocoa, or even plantation economies that need a lot of workers to harvest sisal, tea or rubber, very few people are needed to gather oil. Best of all, more politically reliable outsiders who have little option but to rely upon positive relations with the incumbent regime can be recruited for this task. Elements of this highly externalised, tight-knit network occasionally become visible, as when the Africa division head of the French oil firm admitted to a system of payoffs to high officials.[8]

In this context of bountiful natural resources, two IMF economists, Mohammed Ayoob and Paul Collier, note that corruption is integral to the political systems, such as in Angola, since these regimes find that they can build loyal political networks and buy compliance through the distribution of patronage to key individuals. The alternative would be to build broader legitimacy on the basis of providing services to large segments of the population. This, however, would be a politically risky strategy, since it would divert resources away from key strongmen who might threaten reformers long before the beneficiaries of services could mobilise to support reformers.[9]

A more immediate concern preoccupies some scholars from international financial institutions whose research focuses on the political economy of patronage systems that are financed with revenues from natural resources. Paul Collier recognises that poor states that are very dependent on natural resource exports are the most vulnerable to civil wars. “It is the feasibility of predation,” he writes, “which determines the risk of conflict….” In contrast, “the policies that follow from the grievance diagnosis are variously ineffective and counter-productive” if one accepts the proposition that predation motivates rebels.[10] Collier regards predation, not the grievance notion of rebels asserting a claim against failures of governance, as applicable to Angola’s war. “Diamonds had made UNITA so rich that nothing that donors could offer would matter, while renewed predation offered massive rewards.”[11] The remedies Collier proposes focus on long-term efforts to wean countries from economic dependence on natural resource exploitation. Though Collier does not consider how to stop on-going wars arising

from predation, a logical step would be to arm one side or another so that it can decisively defeat its foe.

It is not World Bank or IMF policy to pick sides in civil wars. But the work of other (non-IFI) researchers bolsters the argument that civil wars with predatory rebels will end only when one side beats the other. Roy Licklider's survey of 91 internal conflicts that he classifies as 'civil' or internal conflicts reveals that 76% ended when one side won. Of the 24% with negotiated settlements, half collapsed and fighting resumed.[12] For those with pessimistic views about the nature of insurgents like UNITA, armed conflict is not the worst option. Foreign investors can play a major role in the conflict by pumping in revenue to bolster a besieged government, helping it to master the fiscal performance that will attract loans from creditors.

Nor, it is argued, should besieged regimes be too hard pressed to reform. While other IFI researchers such as Joshua Charap and Christian Harm recognise that there is too little spending on public services, they express concern that creditor pressure on such regimes to dismantle or reform patronage-based bureaucracies "could lead to anarchy rather than efficiency, since it destabilises predatory dictatorships and hastens the path towards internal revolt."[13] The implication of this observation is that some within IFI organisations do not see democratisation, or even top-down moves to reform narrow patronage-based political systems as appropriate in places like Angola. The threat of the loss of control – which translates into civil disorder and state collapse – emerges as a more important concern for at least some IMF analysts, than do concerns about the inefficiency or corruption of bureaucracies that rely on revenues from mineral exports. This is a significant departure from policies in the late 1980s and 1990s that imposed uniform conditions attacking inefficiency in exchange for financial support.[14] Concerns about order and the survival of regimes as interlocutors willing to acknowledge the state's international obligations (such as debt) also translate into leverage for hard-pressed regimes *vis-à-vis* outsiders.

Two prominent World Bank analysts also grapple with this contradiction between efficiency and order. They observe that "the kleptocrat chooses too large a public sector and selects the wrong mixture of government services."[15] That is, such rulers will use bureaucracies as vehicles for patronage, and will try to make them as big as possible. But they also warn that promoting bureaucratic efficiency will simply enable these rulers to extract revenues by squeezing lower level officials and exploiting new opportunities for private gain. More ominously, notes Susan Rose-Ackerman, reform can threaten order. "The causation is circular," she observes, "The threat of losing power can induce high officials to become even more corrupt… Reform is risky if it releases opposition forces that undermine the current regime."[16] That is, retrenched bureaucrats, especially those who have been the greatest beneficiaries of patronage, are more likely to search for a new patron or try to continue to profit illicitly on their own, rather than protest in the streets.

More alarmingly, she observes that corrupt rulers who lose control over their clients and their more dubious activities – a possible outcome of reform – may find

themselves mired in a violent, competitive struggle with their former associates to obtain benefits that are associated with state office. Clients seeking new patrons and freelancing strongmen who hope to attract them contribute to the potential for violence and the fragmentation of political authority.[17] This affirms Collier's analysis that readily available natural resources often spawn predatory rebels where state control is already weak. Reducing the size of, or increasing the efficiency of states is still seen as good from the point of view of promoting markets. But it is also increasingly apparent to supporters of neo-liberal market reforms that weakening a state too much can encourage political cliques to become involved in freelance accumulation of wealth, claiming as their own and intensifying exploitation of private economic opportunities that they previously enjoyed as a prerogative of a ruler's patronage. Developments in Liberia, Sierra Leone and the Democratic Republic of Congo show that strongmen can seize control over small, economically valuable pieces of territory and use them as bases from which to compete with one another for control over what remains of these states.

Economies like Angola's that are dependent on exploitation of natural resources appear to be particularly vulnerable to disorder and violent competition among those laying claim to resources.[18] Most African states that currently experience major internal strife, or suffered from such strife in the 1990s, were dependent upon exports of oil or another enclave economy mineral export for revenues. They include Algeria (with 98% of foreign exchange earnings from oil exports), Nigeria (96% from oil), Sierra Leone (96% from titanium ore and diamonds), and DR Congo (78% from copper and cobalt). For Angola, 83% of its export earnings in 1998 came from oil exports. Angola has also suffered from freelance collection of resources. As noted above, UNITA rebels have financed much of their operations from diamond exports.[19]

Despite their negative features, readily available natural resources can also cushion would-be reformers and their backers from the dangers of political instability. This is provided that revenues are sufficient to satisfy a regime's international obligations (such as debt repayment) and repress internal challengers. In this view of reform, democracy, or at least accountability in the form of a responsive civil service, is not on the agenda. Order is paramount. As Rose-Ackerman warns, hastening administrative reform can bring chaos and state collapse, compared to which a more efficient kleptocracy would be preferable. Creditor policies toward Russia appear to follow this advice. Western backers laud President Vladimir Putin as a 'democrat,' not for his promise of more open government, but rather for his capacity to suppress rival political cliques that enriched themselves at the expense of public order. It is far better to have a single mafia than to tear a country apart between competing mafia. Perhaps then, the victorious bandit will get down to the task of protecting his victims so that they may become more productive (and produce more to loot). This expectation mirrors Charles Tilly's classic definition of state formation in early modern Europe as the critical point at which a single group of bandits wins.[20]

The promotion of enclave investment in natural resources seems to offer partial relief from the threat of state collapse, either at the hands of decentralised

kleptocracy or ill-advised reform. Investors at least impose limited standards of market efficiency on corrupt regimes, and enable regimes to fulfil international obligations. More importantly, they can fill in for tasks that corrupt state bureaucracies no longer perform, such as providing security, military intelligence, and infrastructure development. Concerned outsiders also might be anxious to see that one side wins as quickly as possible to minimise the disorder of ongoing conflict. As will be seen below, this use of foreign firms also offers opportunities for Angola's rulers (as in other bureaucratically weak, but mineral rich states) to use this conjunction of strategic, diplomatic and commercial interests to influence the actions of outsiders and shape the balance of forces within Angola.

Outsiders' strategic motives and their preference for order

In principle, multilateral creditors do not articulate strategic interests. Dominant backers such as the US, however, do combine this agenda with economic interests. In Angola, US interests are shaped by the presence of oil and the general fear of state collapse in Africa. Both make US policy makers sensitive to issues concerning stability and order in Angola. Yet soon after the 1993 ambush of 18 American soldiers in Somalia, President Clinton's administration made it clear that it would not sponsor significant direct interventions into African conflicts. Non-intervention became official US policy under the terms of Presidential Decision Directive (PDD) 25 of 1994. Accompanying this policy directive was a decline in US direct financial assistance to African states from US $2,5 billion in 1994 to US $1,7 billion in 1997. US direct state-to-state assistance to Angola has remained paltry, reflecting long-running concerns about corruption, and focusing mainly on relief assistance to victims of war.[21]

US assistance to Angola's government, and the role this plays in MPLA war strategies, is not easily captured in conventional state-to-state measures of diplomacy. Instead, it is found in initiatives such as the Africa Growth and Opportunity Act (enacted in May 2000), and through Commerce Department, Treasury Department and Department of Transportation equity financing schemes, commercial guarantees of the quasi-official Overseas Private Investment Corporation (OPIC) and the Export-Import Bank, and through the influence of the US in institutions such as the World Bank's Multilateral Investment Guarantee Agency (MIGA). These agencies (which are reluctant to share details of 'private' transactions) promote private investment in risky areas through institutional channels that are buffered from critical scrutiny. They play an increasingly prominent role in the strategies of officials outside of Africa who are concerned about administrative breakdown and disorder in Africa, yet face political and fiscal pressures to refrain from intervention. These agencies also figure in strategies of Angolan officials who face domestic threats, and who benefit from BYOI ('Bring Your Own Infrastructure') enclave investment.

Angolan MPLA authorities have proven adept at seizing new opportunities to benefit from foreign aid through private channels. For example, Angola's state-run oil exploration and production firm Sonangol enables the MPLA government to gain access to new sources of credit. Sonangol has never defaulted on loan payments, and can use unexploited oil reserves as collateral. Nor is it likely to default. "They know very well that if they screw up at all it will affect not only oil sector investment but their ability to get more money," said a London banker.[22] This is in stark contrast to Angola's MPLA government, which defaults regularly on its financial obligations and therefore has little access to private or multilateral sources of credit. Sonangol, on the other hand, has collected US $80 million to US $100 million 'signature bonuses' from companies included in joint venture projects. Firms interested in exploiting potentially lucrative ultra-deep offshore blocks have reportedly paid 'bonuses' as high as US $350 million as they bid against each other for final approval to set up operations.[23] Sonangol also has the ability to borrow against future production. By 1999 the Angolan company had mortgaged expected production to 2005 in return for loans.[24]

Sonangol therefore serves a useful purpose for channelling revenues into off-shore accounts free of immediate patronage pressures within Angola. This confirms some of Rose-Ackerman's conclusions that kleptocrats prefer slimmed down patronage networks when given the opportunity. The benefit of this arrangement for private lenders and oil companies comes in the form of greater certainty that Sonangol will be able to meet its expenses in joint venture arrangements. This is in marked contrast to the difficulties that oil companies face in Nigeria, where statutory requirements that a state-owned firm participate in production complicates production arrangements as Nigerian politicians loot the firm. In addition, the solvent Sonangol is able to carry out on-shore operations that are most likely to become targets of angry citizens. Violent repression of these demands then becomes a matter of a corrupt government's human rights abuses, not the affairs of a politically more vulnerable foreign firm.

Furthermore, Sonangol's creditworthiness makes it an attractive commercial partner for joint ventures for foreign firms. Their joint ventures can then attract direct loans, loan guarantees, equity financing, and insurance below market rates from agencies like OPIC and Export-Import Bank in the US (or among other major economic powers, France's Coface and *Agence Française de Developpement*, the Korea Export Insurance Corporation, or Italy's SACE).

The US Export-Import Bank in 1998 guaranteed a US $86 million loan to Sonangol. The firm was able in turn to leverage this backing to guarantee a US $200 million contract with Halliburton to develop Cabinda's oil well services. This deal was part of a larger Export-Import Bank investment of US $316 million in Angola's hydrocarbon sector. One finds a similar pattern in Algeria, where Halliburton is a recent arrival in conjunction with OPIC services, where the US Government has become diplomatically engaged, and where a government struggles to raise revenue to fight insurgents. Nigeria supplied the US with 650 000 barrels of oil per day in 1999, twice the figure from Angola. US government agen-

cies have increased cooperation with Nigerian authorities to manage disorder in the Niger Delta oil production area. This includes contacts with Military Professional Resources, Inc (MPRI), a US-based security company that has signed contracts with the Nigerian regime to retrain its army. MPRI also explores "opportunities in the private sector for recently retired officers," reminiscent of joint venture security company arrangements in Angola.[25]

Of course Halliburton and other oil sector businesses do not play a direct or indirect military combat role in Angola's war. Their presence, however, helps to generate revenues to finance the MPLA government's war against UNITA, and it has a strategic impact on the course of conflict. In the case of Halliburton, the company has ties that assist the firm to protect its own assets, and by extension help the MPLA government to procure military services and intelligence, even if the firm's directors do not play a direct role in these affairs. Brown and Root, an engineering and logistic firm (which provided services to US military forces in Somalia in 1993) is a subsidiary of Halliburton. More important, the CEO and chairman of Halliburton is a former US Secretary of Defense from 1989 to 1993, Richard Cheney. Halliburton's Export-Import Bank assisted activities are in the Cabinda enclave, an area protected by Airscan, a security firm that employs former US military personnel.[26]

The Cabinda operations of oil companies also help marginalise FLEC *(Frente para a Libertação do Enclave de Cabinda),* that is fighting for the independence of the Cabinda enclave. In 1999 this territory, which is physically separated from the rest of Angola, produced two-thirds of Angola's oil exports. Private security firms for large companies like Chevron that invest there and Angolan army units keep FLEC at bay and ensure that oil will continue to flow to finance the MPLA's much larger war against UNITA.

Investors in Cabinda get outside support to make business operations there more attractive. OPIC provided US $200 million in political risk insurance to support US firms' offshore oilfield development off the Cabinda enclave. An Export-Import Bank direct loan was granted in 1999 to support the sales of US firms to the Cabinda Gulf Oil Company, another US firm-Angolan joint venture. In 1998, this agency provided US $87 million in loan guarantees to a New York firm to support a US $200 million well completion project in the Cabinda region.[27]

This support for private investment to Angola is significant in terms of the resources it generates for the MPLA government and its allies, especially when compared to the 1997 total of US $444 million of state-to-state and multilateral development assistance to Angola.[28] Commercial assistance also avoids entanglements for officials outside of Africa, and helps both Angolan and foreign officials deal with one another outside of formal diplomatic channels. This use of 'private diplomacy' is much more efficient from a political standpoint, than, for example, Britain's use of private security firms to aid the Sierra Leone government. British policy makers share concerns that motivate US policy in Africa in the wake of the Somalia ambush. In the Sierra Leone case, Britain's High Commissioner Peter Penfold was alleged to have proposed the military services of Sandline

International, a British firm, to the Sierra Leone president to expel insurgents from Sierra Leone's capital. It was conjectured that this assistance was to be paid through promises of concession agreements with Jupiter Mining Company. This direct official involvement, however, caused political damage to what Britain's Foreign Minister termed his 'Ethical Foreign Policy.'[29] In contrast, the use of foreign firms as principal agents of intervention in Angola insulates officials from these political dangers. Likewise, it is probable that British authorities will seek to install mining companies with their own security forces in Sierra Leone as a way to manage that regime's security problems when British forces end their direct military support for the Sierra Leone government that started in May 2000.

In Angola, private enclave investment also provides a quick means to boost the MPLA government's military capability, especially if the beneficiary regime can centralise its control, and limit costs of patronage, by repression if necessary. This investment should translate into an expected 50% increase in oil revenues by the year 2001 to US $3 billion annually, compared to 1999.[30] Armed with this fiscal leverage, Angola's officials were able to begin negotiating an agreement with the IMF in 2000, an important step for gaining access to more official equity finance and loan guarantee schemes to back further private investment in Angola beyond Sonangol's purview.[31] Not surprisingly, the current stumbling block for an agreement lies in creditors' desire to see the financial books of Sonangol against the wishes of the MPLA regime. Creditors, however, appear to be hesitant to alienate the regime. Recent negotiations between IMF and Angolan authorities have resulted in proposals for a limited audit of Sonangol's books. Perhaps creditors prefer a relatively stable client that is able to prevail over rebels (who lack creditworthiness) and that remains in a position to generate large revenues from oil production.

Once foreign investors are installed in the country, the MPLA regime is able to use them more directly as intermediaries to gain access to weapons and military services. As noted above, producers in Cabinda receive security services from Airscan, an American security firm. The auction of deepwater offshore oil blocks expands this relationship. The award of three blocks in 1999 to major oil firms such as Amoco, Elf, Exxon, Marathon, and Statoil procured the financial and technical capabilities necessary to explore for, and extract oil in deep water concessions. As with earlier arrangements, these concessions include joint ventures with Sonangol (which holds 20% equity shares in these three cases).

The inclusion of additional firms such as Prodev, Naphta and Falcon Oil raise suspicions that these joint ventures mix oil production with arms purchases. The inclusion of smaller firms with specialised access to weapons insulates larger firms from direct involvement in the MPLA regime's military affairs. Officials of foreign states are provided with an opportunity to plausibly deny any connection to the military affairs of Angola. The sovereign prerogative of the Angolan government to determine which firms have access to its territory shields large firms from political responsibility for involvement with these smaller partners. In fact, large firms arguably have little choice in this matter, so long as the MPLA regime's status

as the globally recognised government of Angola gives the regime unquestioned legal control over access to the country's mineral resources. MPLA officials are then in a position to have a major say over what terms investors will gain access to Angola's resources, especially if these decisions are designed to build commercial networks in ways that still leave firms with profits and desired market shares.

These networks include firms such as Falcon Oil, a 10% partner in deepwater Block 33. A prominent NGO accuses this firm of involvement in arms deals with the Angolan military.[32] The Angolan businessman Antonio 'Mesquita' Mbakassi is reported to be a part owner of Falcon Oil.[33] This Angolan entrepreneur's other business activities suggest that he has expertise in more than oil exploration and production. He is reportedly associated with Soci Trade Import and Export, a joint venture with Global Explorations, a firm based in Vancouver, Canada. This Canadian firm's main shareholder was Rakesh Saxena, a financier who was also involved in the British attempt to arm the Sierra Leone Government in 1998, discussed above.[34]

The NGO Global Witness asserts "there is a very close relation between Naphta," a 5% equity holder in Block 33, "and a company called Levdan".[35] Levdan is reported to have a stake in Congo-Brazzaville's Marine III oilfield. An industry newsletter cites claims that "the stake was handed to Levdan, and also apparently Naphta's arrival on the scene, was payment for security and military training services provided by Israel to president Pascal Lissouba and his supporters."[36] Lissouba later lost his bid to remain president of Congo-Brazzaville, but Angolan-Congo oil connections did not end. An Angolan official called for closer cooperation between Congo-Brazzaville and Angola so that the former could "benefit from Sonangol's experience in oil production."[37] This sentiment occurs within the context of close MPLA military support for Sassou Nguesso in 1997 that sought to remove the armed forces of UNITA that found refuge in the Republic of the Congo.[38]

The MPLA regime also finds that it can manipulate competition among large oil producers and their home governments to organise individual concession agreements to the MPLA's advantage. At about the same time that US-based Exxon was excluded in favour of French-based Totalfina in the offshore Block 34, the French Finance Minister commented that it is "a good thing" to have "a French oil group nearly on the level of the world's three biggest and, therefore, protected from take-over efforts by an Anglo-Saxon or an American."[39] MPLA authorities then considered assigning portions of the concession that had been earmarked for Exxon to Prodev and Falcon Oil.[40] The Falcon Oil connection opens access to other commercial connections. The head of the firm is Pierre Falcone, an entrepreneur who had earlier received a contract to supply provisions for the Angolan military.[41]

These connections are circumstantial. They do not prove that the Angolan government uses oil concessions to gain access to arms trading networks. Nonetheless, the observer is left wondering why smaller firms are included in very large-scale, technically complicated ventures. Large firms with expertise in

deepwater ventures elsewhere are obvious candidates for partnerships in these Angolan ventures. The MPLA regime may also gain some commercial and diplomatic leverage through encouraging a mix of major firms, from a variety of countries, for inclusion in partnerships. But if one limits analysis to oil exploration and production alone, the inclusion of smaller firms is less easily understood.

The MPLA government's strategy in oilfield investment appears to borrow from commercial policies in the diamond-mining sector. In particular, mining concessions appear to be tied to foreign firms' willingness to play active roles in bolstering government security interests in conflict zones. For example, a North American mining firm's subsidiary, America Mineral Fields Inc, established a joint venture with a Caribbean-based security firm, International Defence and Security (IDAS), to develop a mining concession.[42] The MPLA Government granted the security firm's subsidiary 50% of the diamond rights in 36 000 sq km of UNITA-held territory. The mining company then bought shares in the security firm's local subsidiary.[43] Another Canadian mining company, DiamondWorks, has a concession (Yetwene) in Lunda Norte, in Bié (Soma Kwanza) and in Luo (Camatchia). This firm bought into a South African security company, to protect its mine site.[44]

Unlike oilfield joint ventures, diamond mining does not require partnering smaller firms that are well connected (from the point of view of access to weapons or military skills) with larger, more established firms. The culture of the industry is to tolerate diverse business practices. Diamonds are a highly fungible resource – they are readily accepted in many markets, much like money – and their manner of acquisition is of less concern to buyers and is more difficult to discern, unlike oil acquired through massive offshore drilling operations.

These networks find a commercial expression in arms trader Arkady Gayamek's purchase of 15% of Africa-Israel, a company whose principal partner is a major investor in the Catoca kimberlite diamond mine. This businessman, for example, has reportedly offered to help renegotiate Angola's debts to Russia. Premised on barter payments from sales of diamonds and oil, payments on debts to Russia would equip Angola with a degree of creditworthiness sufficient to purchase military supplies from Russia, and would free it from reliance on expensive and risky arms deals with middlemen.[45] An Israeli businessman associated with Africa-Israel had earlier signed a deal reportedly worth up to US $1 billion annually to import Angola's rough diamonds to Israel.[46] This is the same businessman associated with Levdan holding a 5% stake in oil Block 33, and who was reported to have played a role in military matters in Congo-Brazzaville

The deal should not be seen as a sign that the marketing of all of Angola's rough diamonds should come under the control of one firm. Rather, it is a sign of the MPLA regime's intent to pursue a diversity of business relationships and entice business competitors to come to Angola to contend for control of market shares. Arrangements of this sort also generate interest among Israeli officials in helping Angola with its security problems. While as we see above, officials in stronger states are willing to use firms as proxies, smaller powers such as Israel

are more constrained to rely upon commercial agents to exercise influence. As agents of a smaller power, Israeli officials cannot exercise the same leverage over Angolan authorities to use their preferred security firms or to do business with mining firms of their nationality. Tighter connections between commercial and security services make Israeli firms relatively attractive to Angolan officials in pursuit of their fighting strategy. Seen from Tel Aviv, military and commercial strategies toward places like Angola are especially difficult to separate.

Like oilfield commercial arrangements, joint ventures provide Angolan officials with channels to serve their military and political interests more directly. Foreign mining firm partnerships with security companies may bring access to weapons that the companies have procured on their own account and create opportunities to establish additional local security companies. For example, the former director of Sonangol, later Angola's Finance Minister, emerged at the centre of security ventures, including Teleservices, a firm that reportedly cleared UNITA fighters from a mine site in 1998.[47]

The difference here is that offshore oil production deals do not give Angolan officials as many opportunities to incorporate side-deals for political associates in supply and security operations. The use of foreign security firms also helps limit the MPLA leaderships' need to rely on other Angolans for its security. As IFI researchers have noted, kleptocratic rulers prefer to keep patronage networks as small as possible, provided they can control other people through reliable means. In practical terms, this translates into the MPLA regime's desire to limit freelance mining among strongmen who would otherwise have to be allowed to enrich themselves in return for their support for the regime. From the point of view of outsiders, control over this tendency translates into greater stability and order, values that appeal to anxious foreign officials and to foreign investors alike. The undistracted kleptocrat, therefore, may be in a better position to serve as an interlocutor with outsiders who prefer stability (such as investors and foreign officials) and fulfil its international obligations (to creditors, for example). In addition, deals that involve larger companies provides the overall partnership access to leveraged loans and to indirect political support from non-African state officials.

Furthermore, a precedent for more explicit, if unconsummated, links between major foreign investment and military strategies has appeared in the diamond sector in ways that also address the interests of non-African state officials. Maurice Templesman, an American entrepreneur and head of Lazare Kaplan International, proposed a diamond-brokering consortium with Endiama, Angola's state-owned diamond marketing firm, and *Sociedade Generale Miniero*, the diamond marketing arm of UNITA. Templesman was reported to have touted the proposed deal as a tool for resolving growing conflicts between UNITA and the MPLA government by institutionalising a division of diamond resources in the contested Cuango region.[48] Templesman also reportedly received high-level official consideration in Washington for his plan. (Templesman was a major contributor to the re-election campaign of President Clinton and to the Democratic Party prior to the 1996 presidential elections.)

Former National Security Advisor Anthony Lake reportedly instructed an aide to inform OPIC and Export-Import Bank of Templesman's proposal. Stressing the link between commercial and strategic interests, one of Lake's aides told Angolan President Dos Santos that the deal "will take on greater meaning if the US is involved through mechanisms such as Eximbank or OPIC." A State Department official reported that "Templesman wanted us to tell Ex-Im: This is a foreign policy imperative. We would like you to do it even if it is risky."[49] Ultimately no formal proposal was ever made. Nonetheless, Templesman's explorations appeared to point to his awareness that strategic and commercial considerations could be used to the advantage of all participants.

More mundane links between Angolan officials and foreign businessmen can help reinforce foreign officials' interests in promoting investment in Angola. Sonangol and Ministry of Petroleum officials, for example, have opportunities to coordinate commercial and diplomatic efforts with business partners and lobbyists at venues like the Angola Offshore 2000 conference, organised in May 2000 in Houston, Texas.[50] The lobbying efforts of oil firms on behalf of the MPLA regime helps to focus policy on strengthening commercial links and avoids more direct questions that diplomats would have to face in Washington concerning the regime's corruption and human rights record. The MPLA regime also employs US-based consultants toward this goal. C/R International reportedly promotes investment and trade relations in an arrangement between the lobbyists and General Manuel Helder Vieira Dias, the National Security advisor to President dos Santos.[51]

The revival of 19th century norms in Angola's international relations

The commercialisation of diplomacy and strategic interests in relationships between non-African and African states is occasionally portrayed as a novel feature accompanying the expansion of the global economy.[52] In fact, the use of commercial proxies to fill in for weak state administrations harks back to colonial development strategies. Sierra Leone's colonial authorities, for example, relied upon the private security force of Sierra Leone Selection Trust, a diamond-mining venture, to suppress local illicit mining, some of which occurred in collaboration with local state officials. Foreshadowing contemporary insurgencies, colonial authorities complained that illicit mining attracted "a very large number of the worst and toughest characters in West Africa."[53] Government appeared not to be up to the task of protecting its own officials, heightening the Government's need for the private security company assistance. "Mr. Carter, Assistant Superintendent of Police, raided an area… and was captured by Illicit Miners, and they, the Illicit Miners threatened to cut his throat."[54]

The Angolan MPLA government, however, shows a much greater capacity than most colonial administrations to manipulate the conditions of their own

bureaucratic weakness. Officials are better placed to benefit from the political pressures such as the limits on direct intervention that PDD 25 of 1994 places on US officials and concerns about taxpayer resistance to state-to-state foreign aid in most rich countries. This situation more closely resembles the international relations between European states and authorities in areas that Europeans considered being stateless. During the middle of the 19th century British officials in particular faced domestic pressures familiar to contemporary officials who must weigh up concerns about the expenses of 'peacekeeping' expeditionary forces and the implications of disorder in strategically marginal places. 'Little Englanders' preached the virtues of free trade and protection of 'legitimate trade rights' from the predatory activities of local bandits as the cheapest way to assert British interests.[55] Transnational contacts expanded, but through the medium of commerce. British officials were not removed from this dynamic, but stayed in the background, intervening when trading houses made pleas to officials to mediate local disputes and prop up allied authorities.

The impact of commercial-military alliances on local societies then (as now) was anything but muted. Rulers who allied themselves with European trading houses gained access to more and more advanced weaponry. This shifted the local balance of power, provoking resistance from groups that lost relative power. Rulers intensified their exploitation of local resources to marginalise local opponents, upon whom rulers no longer relied for access to resources, and whose opinions no longer mattered at court.[56] Trade and political control became wedded in these non-bureaucratic societies, as they have in contemporary Angola. Then as now, since groups have not necessarily been confined within recognised territorial or institutional boundaries, conflict from an outsider's perspective often took on an anarchical cast. From this same perspective, commerce simply constituted an orderly, beneficial activity. Foreshadowing the IFI researchers' analyses examined at the beginning of this chapter, this situation was understood from London as "… in these uncivilised parts of the world where the early stages of development do not admit heavy revenues or of indolent administration (due to native uprisings) progress and security can only be attained by administration and commercial work being in the same hands."[57]

The usual outcome was that foreign firms would become enmeshed in local conflicts. Eager to sort out these difficulties, but loathe to do so at the expense of shareholders, firms asserted pressure on officials for direct assistance. For officials, this constituted 'domestic politics,' and support for one's own countrymen as proxies was more easily contemplated than dreaded foreign adventures. Contemporary firms probably have more means to solve their own security problems. This is due somewhat to the consequences of the post Cold War proliferation of private military experts and weapons. But this capability also owes a lot to the willingness of non-African officials to see foreign investment as a solution for disorder. Global recognition of the sovereignty of Angola's MPLA government gives local authorities greater capabilities to organise their own deals with foreign security firms and other business associates to fight wars in conjunction

with investment from larger firms. These changes are reflected in the availability of new channels for indirect assistance from non-African states such as the quasi-official equity finance funds, loan guarantees and underwriting featured above, and the general willingness of officials to promote commerce as a provider of order.

These developments help shed further light on the question of what exactly is the 'real' economy of Angola. In this context of militarised commerce, it is not found among distinctions between 'clandestine' and 'official,' since the rule of law is applied in a very selective fashion. For example it is applied to Sonangol's commercial transactions with foreign firms but not to the MPLA regime as a whole. Even Sonangol's transactions can be regarded as clandestine to the extent that one cares about the fact that they do not appear in official accounts. Instead, conflict centres on authorised versus unauthorised transactions. It does not matter how officials or firms transact business, so much as with whom, and especially, to what consequence in the overall balance of coercive force in the country.

Foreign investors, foreign officials, and agents of creditors can operate according to these distinctions too. They do not care much about diversions of revenues, the inclusion of 'irregular' partners in deals, and the MPLA's use of foreign investment in military strategies, provided these contribute to the stability of the MPLA as a sovereign interlocutor capable of providing relative stability. These arrangements are corrupt not because they are in some way clandestine, as defined in terms of some agency's accounting. They are corrupt because they serve private gain. As expected, foreign firms are most interested in profits for shareholders. Rulers (and outsiders who support them) who rely upon these actors to perform basic tasks conventionally associated with states have little incentive to provide services to people who live there. Ultimately outsiders concur that order, however it is achieved, is more important than addressing the needs of citizens. Their shared aim is control, not legitimacy, a pursuit that is compatible with the MPLA regime's disregard for social services, while catering to the comforts of a tiny elite. Both, however, will justify their actions as preferable to the endless conduct of war.

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