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**MESTRADO EM  
DESENVOLVIMENTO E COOPERAÇÃO  
INTERNACIONAL**

**TRABALHO FINAL DE MESTRADO  
DISSERTAÇÃO**

**THE IMPACT OF CHINESE FOREIGN INVESTMENT  
ON INDUSTRIALIZATION OF ANGOLA**

**BIN WANG**

**SETEMBRO-2019**



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Sub-Saharan countries in Africa are the least developed regions in the world, where, in 2016, per capita income was only 1148 USD (World Bank). Dr Albert Zeufack, the World Bank's chief economist in Africa, pointed out that the most critical issue faced by Sub-Saharan countries was how to achieve industrialization and economic transformation (Zeufack, 2001). According to the definition given by Murphy et al. (1989), industrialization refers to the process during which an economy is transformed from agriculture-centred to manufacturing-centred. One of these Sub-Saharan countries, Angola, is more specific. After the Civil War, Angola has experienced a period of rapid growth. In 2016, the national income per capita in Angola was 1,777 USD, which is superior to the regional average. However, Angola's economic development depends highly on its natural resources, especially oil. As the second largest oil producing country in Sub-Saharan Africa, Angola currently yields about 1.55 million barrels of oil per day; the main source of its economic development (Export.gov, 2018). According to Mohammed (2018), oil production in Angola has been directly connected with the development of this country's economic growth after its Civil War. When the global oil price increases, the value of its oil production increases, and, accordingly, the growth rate increases.

Conversely, when the global oil price decreases, the country's economic growth also decreases (Mohammed, 2018). Due to the fluctuation of the oil price, Angola has been stuck in a "natural resource curse", in which the country's sole dependence on the natural resource has resulted in the loss of economic development potential. Thus, industrialization is both necessary and urgent for improving the economic model in Angola. Further, industrialization is also important to solve some problems existing within the development of Angola's economy, for example, the unemployment rate. Due to the lack a mature industrial system, Angola cannot provide enough jobs for its labor force, and not all youths intend to take

agricultural jobs, increasing income inequality (Muzima & Mazivila, 2014). industrialization can reduce the unemployment rate because it may create more jobs for local labor. As follows, income inequality will be reduced when local industries are developed.

Foreign Direct Investment (FDI) plays an important role in the process of industrialization. Pérez Niño and Le Billon (2014) point out that FDI is the primary stimulus motivating domestic industrial development. According to the World Bank's statistics, Angola maintained a high unemployment rate before 2006, which was over 23%. However, due to China's economic assistance, its unemployment rate has declined in recent years, steady at about 8% (The Global Economy, 2018). In Angola, the investment from China ranks at the top of the country's FDI, which has covered nearly all areas of Angola's industrial development (Ovadia, 2013). Chinese investment in Angola exceeded 1.64 billion USD in 2016 and China is expected to increase its investment in Angola over the following five years (Song, 2018). Some researchers have investigated Chinese investment in Angola's industrialization in recent years. On the one hand, increasing Chinese investment in Angola has increased the demand for manufacturing materials, encouraging Angola to develop its manufacturing industry, instead of solely depending on the exportation of oil (Wolf, 2017). Furthermore, Chinese firms have opened factories in Angola, hiring local labor to provide more job opportunities for local workers (Wolf, 2016). On the other hand, Chinese investment helps Angola transform its agricultural industry, enabling domestic agricultural firms to export their agricultural products to foreign markets (Parker, & Fourie, 2018). Overall, although there are several studies that reveal that Chinese investment plays an important role in Angola's industrialization, there is no systematic research on how Chinese investment develops Angola's industrialization and improves Angola's industrialization processes.