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## Crude Realignment

### How China's Energy Diversification Redefined Its Partnership with Angola

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**Abstract:** Sino-Angolan relations, rooted in the oil-for-infrastructure “Angola Model,” was once a cornerstone of China’s African strategy, and Angola served as a model for the success of Chinese influence in the African region. Still, this “marriage of convenience” cooled significantly between 2018 and 2023 and underwent a complex interplay of structural, political, and economic changes. This paper analyses China’s oil import strategy and diversification, RMB-denominated futures to counter Western pricing benchmarks, and decreased reliance on long-term debt-backed oil contracts which drove its shift from Angola. This study examines the factors that led to the change in China's involvement in Angola's oil industry and evaluates implications for future collaboration between the two countries.

**Keywords:** *Sino-Angolan relations, oil-backed loans, energy security, economic diversification*

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## Introduction

Following the Angolan Civil War, China and Angola established strong economic ties, with formal diplomatic relations following on January 12th, 1983, marking nearly four decades of engagement. Current Sino-Angolan relations took shape in the early 2000s, establishing the “Angola Model.”<sup>1</sup> Since 2009, China has become Angola’s largest trade partner and the most emblematic economic partner among Portuguese-speaking African countries.<sup>2</sup> Following the transition of Portuguese governance to China, Macau maintained its position as a bridge between East and West, rooted in the Portuguese establishment from 500 years prior.<sup>3</sup> The Chinese central government's pragmatism, leveraged the unique characteristics of this Special Administrative Region, facilitated the establishment of the Forum for Economic and Trade Cooperation, also known as the Macau Forum, between China and Portuguese-speaking countries, revitalizing the status of the Portuguese language and culture.

China skillfully utilizes its resources in Africa by concurrently developing similar multi-dimensional strategies. The relationship between China and the Portuguese-speaking African countries (APSC) includes: Angola, Mozambique, Guinea-Bissau, and Cape Verde, is a significant example of China's regional strategy to Africa (Alves, 2008). Angola, being part of the Lusophone world, shares cultural similarity to Macau; this is also part of China’s economic diplomacy in Africa. China has used the Lusophone network that Portugal, the former colonial power, left behind to create an additional connection with these nations through Macau.

Oil cooperation is key to China’s and Angola's strategic partnership, with China investing in Angola in return for oil. Angola was once a top supplier of petroleum to China. Chinese investments are paid with the daily import of thousands of barrels of petroleum. This relationship is sustained by both multilateral and bilateral relations. China’s economic expansion is hampered by weak domestic energy sources, with the petroleum supply a major concern. To fuel its economy China aims to make essential raw materials readily available.<sup>4</sup> In 2016, China imported more than half of Angolan oil exports, comprising 12% of total Chinese

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<sup>1</sup> Chen, Haojun, Deqin Tao, and Yishu Lu. “Opportunities and Challenges of China and Angola Energy Cooperation in the Context of the Belt and Road Initiative.” *Open Journal of Political Science* 14, no. 01 (2024): 91–110. <https://doi.org/10.4236/ojps.2024.141006>.

<sup>2</sup> China Daily, “Angola becomes China's largest trade partner in Africa” *China Daily*, September 27, 2009, accessed May 31, 2025, [https://www.chinadaily.com.cn/bizchina/2009-09/27/content\\_8742652.htm](https://www.chinadaily.com.cn/bizchina/2009-09/27/content_8742652.htm).

<sup>3</sup> Carmen Amado Mendes, “Macau in China's Relations with the Lusophone World,” *Revista Brasileira de Política Internacional* 57 (2014): 225–242, <https://www.scielo.br/rbpi/a/mNHBwHKJRBjwCVJtTsTbtDD/>.

<sup>4</sup> Begu, Liviu Stelian, Maria Denisa Vasilescu, Larisa Stanila, and Roxana Clodnitchi. “China-Angola Investment Model.” *Sustainability* 10, no. 8 (August 2018): 2936. <https://doi.org/10.3390/su10082936>.

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petroleum imports.<sup>5</sup> Furthermore, Beijing has a strong interest in importing Angolan crude oil, as it meets the requirements of medium-sour refineries, already built to process other domestic energy sources.<sup>6</sup> Once a cornerstone of China's Africa strategy, Angola served as a model for success in Chinese influence in the region. However, from 2018 to 2023 there has been a shift in Sino-Angolan relations, a combination of general and specific Angolan factors has progressively undermined the strength of the partnership.

This paper analyses Sino-Angolan relations, and how they evolved during 2018 to 2023, focusing on China's oil import strategy, evolving focus on economic self-interest, risk reduction, control over pricing mechanisms, and China's recalibrated approach towards Angola. This study examines the factors that led to the change in China's involvement in Angola's oil industry and evaluates implications for future collaboration between the two countries. This paper argues that between 2018 and 2023, in the pursuit of energy security, China diversified its oil imports. Its growing reliance on international oil markets, price volatility fears, and a desire for oil pricing control were integral in Chinese decision-making. This, to reduce dependence on Western pricing benchmarks, establish RMB denominated crude oil futures, and diversify oil sources beyond suppliers like Angola.

## Literature Review and Methodology

The paper *A Marriage of Convenience on the Rocks? Revisiting the Sino–Angolan Relationship* by de Carvalho, Kopiński, and Taylor offers an examination of the changing Sino-Angolan relationship, with a focus on falling oil prices, and political changes brought about by João Lourenço's administration. The paper argues the "Angola model"—oil-backed credit backed by resources, has grown unsustainable, due to falling oil prices after 2014. Angola's heavy debt exposure to China and aging oil reserves made the country economically vulnerable, souring relations. Furthermore, Lourenço's government sought out alternative financial alliances, e.g. with the IMF, which has stringent transparency criteria, such as breaking opaque agreements signed during the Dos Santos era.<sup>7</sup>

However, a gap forms in the paper's handling of African agency in the Sino-Angolan relationship. Although the authors emphasize Angola's strategic shift away from China and its attempts to restructure debt, less attention is paid to whether the country's leadership has changed

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<sup>5</sup> Ibid.

<sup>6</sup> Michal Meidan, *China's Loans for Oil: Asset or Liability?* (Oxford: Oxford Energy, 2018).

<sup>7</sup> Carvalho, Paulo de, Dominik Kopiński, and Ian Taylor. "A Marriage of Convenience on the Rocks? Revisiting the Sino–Angolan Relationship." *Africa Spectrum* 57, no. 1 (April 1, 2022): 5–29. <https://doi.org/10.1177/00020397211042384>.

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or has modified its economic structure to lessen its oil reliance. Furthermore, examination of China's involvement in comparable African nations, including Nigeria or Sudan, enhance the paper's focus on oil-backed credit. This comparative examination can provide insight into whether the fall of the Angola model represents a regional trend or an isolated occurrence.

The paper *Angola and China: A Pragmatic Partnership* by Campos and Vines, provides an analysis of the ties between China and Angola, with emphasis on the significance of oil-backed loans and post-conflict rehabilitation. The authors contend that China's financing of infrastructure, especially concessional loans from China's EximBank and China International Fund Ltd., was essential to Angola's post-war development.<sup>8</sup> The report highlights how the loans enabled large-scale infrastructure projects without having to comply with Western aid conditionalities, which frequently called for increased openness and governance improvements. However, the study lacked a comparative analysis, and limited analysis was done on long-term Chinese infrastructure investment. If addressed, a more comprehensive picture of the changing Sino-Angolan relationship can be understood.

This paper employs a qualitative case study approach to investigate the recalibration of Sino-Angolan relations and their energy relations between 2018 and 2023, focusing on China's adjustment of its reliance on Angolan oil. The methodological approach involves critical document analysis, synthesizing insights from diverse secondary sources, including scholarly literature on the "Angola Model" and energy security, as well as policy documents and reports from organizations such as OPEC and the IEA. While centered on the Sino-Angolan case, the study parses findings within wider trends in China's global energy engagement.

### **Chinese Oil Companies in Angola and China's Going Out Program**

At the start of the 21<sup>st</sup> Century, China began the "Going Out" program, enticing state-owned businesses to bid for contracts and establish joint ventures overseas.<sup>9</sup> The "Going Out" program was the culmination of plans that had been developing for years. Officials understood domestic hydrocarbon demand would outpace supply, making finding external oil and gas sources a top priority. Yet in Africa, particularly Angola, the strategy simultaneously pursued broader

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<sup>8</sup> Campos, Indira, and Alex Vines. "Angola and China: A Pragmatic Partnership." Center for Strategic and International Studies (CSIS), June 4, 2008. <https://www.csis.org/analysis/angola-and-china-pragmatic-partnership>.

<sup>9</sup> Brautigam, Deborah. *The Dragon's Gift: The Real Story of China in Africa*. Oxford: Oxford University Press, 2009.

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geopolitical objectives: expanding China's soft power beyond mere resource control.<sup>10</sup> After the launch of “Going Out”, state-owned oil corporations launched an aggressive drive to buy oil and gas acreage abroad. The new approach led to the expansion and consolidation of oil and gas companies' operations in Angola and Latin America, which began as exploratory ventures in the mid-1990s.<sup>11</sup>

For almost seven years, national oil companies (NOCs) made investments in Angola as well. They purchased oil and gas assets, engaged in joint ventures for regional development, and provided project financing. However, the 2014 oil price decline led to a cooling off in China's oil and gas investment. Furthermore, an anti-corruption campaign in China made NOCs the focal point of their ire. This created fear that significant foreign investments could draw the notice of anti-corruption authorities, further slowing down investment.<sup>12</sup> An examination of China's initial large oil and gas investments reveals their origins in Mergers and Acquisitions (M&A).

This strategy is exemplified by China National Petroleum Corporation's (CNPC) in 2005 acquisition of Canadian EnCana's Ecuadorian oil assets for USD 1.42 billion, which secured immediate reserves but exposed critical vulnerabilities.<sup>13</sup> In 2007, Ecuadorian President Correa imposed a 99% windfall profits tax retroactively, contravening contractual agreements and transforming CNPC's investment into significant financial losses.<sup>14</sup> The Ecuador case underscores how geopolitical volatility and resource nationalism directly undermined China's early M&A-driven expansion, revealing inadequate risk assessment in sovereign environments. Consequently, such experiences prompted Chinese NOCs to adopt more cautious investment models post-2014, prioritizing fiscal stability over rapid asset accumulation.

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<sup>10</sup> Brautigam, Deborah. *The Dragon's Gift: The Real Story of China in Africa*. Oxford: Oxford University Press, 2009.

<sup>11</sup> Xu, Jiajun, Xinshun Ru, and Pengcheng Song. “Can a New Model of Infrastructure Financing Mitigate Credit Rationing in Poorly Governed Countries?” *Economic Modelling* 95 (2021): 111–120. <https://doi.org/10.1016/j.econmod.2020.12.001>.

<sup>12</sup> Downs, Erica. China's National Oil Companies Return to the World Stage: Navigating Anticorruption, Low Oil Prices, and the Belt and Road Initiative. National Bureau of Asian Research, Special Report #68, Asia's Energy Security and China's Belt and Road Initiative, 2017: 1–14.

<sup>13</sup> Gao, S., and H. A. Wei. 2009. “Research on Risk Management of Cross-Border M&A in China Petroleum Corporations.” In \*2009 First International Conference on Information Science and Engineering\*, 5073–76. Nanjing, China. doi: 10.1109/ICISE.2009.990.

<sup>14</sup> Ibid.

Under the “Going Out” program Chinese NOCs established joint ventures with seasoned Western oil companies, acquiring managerial and technical expertise.<sup>15</sup> For example, China's Sinopec partnered with state-owned Sonangol to acquire Angola’s high-potential offshore regions. Angola, as China's second-largest oil supplier, became increasingly significant.<sup>16</sup> However, debates on Sinopec’s Angolan reserve count persist. Alves (2013) argues Sinopec’s states 5.2 billion barrels of total reserves are unlikely.<sup>17</sup> Only half of Angola’s estimated 10.7 billion barrels are likely economically recoverable.<sup>18</sup> Following the controversy surrounding Sinopec's alleged overstatement, the Chinese corporation withdrew from a portion of its land in the nation amid declining oil prices, subpar investment outcomes, and bad management.<sup>19</sup>

### **The Shift in Sino-Angolan Relations (2018-2023)**

Despite its early successes, Sino-Angolan relations have begun to cool. The first of these challenges happened between 2018 and 2023, when Angola’s oil exports to China fell by 20%. Angola has ultimately fallen from China’s second-largest oil supplier, to its seventh.<sup>20</sup> Furthermore, Angola remains deeply indebted to China, with outstanding loans totaling \$17

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<sup>15</sup> China Africa Research Initiative. *Chinese Loans to Africa: Recent Trends and Updates*. Washington, DC: Johns Hopkins University School of Advanced International Studies, 2022. <https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/62584cc7e3d4973db9f8f88e/1649936584769/Chinese+Loans+to+Africa+2022.pdf>.

<sup>16</sup> Vasquez, Patricia I. “China’s Oil and Gas Footprint in Latin America and Africa.” *International Development Policy | Revue internationale de politique de développement*, no. 7.1 (2016). Accessed June 19, 2025. <https://journals.openedition.org/poldev/3174?lang=es>. [journals.openedition.org+7journals.openedition.org+7](https://journals.openedition.org/7journals.openedition.org/7)

<sup>17</sup> Alves, Ana Cristina. “Chinese economic diplomacy in Africa: the Lusophone strategy.” *China returns to Africa: A rising power and a continent embrace* (2008): 69-82. [https://ciaotest.cc.columbia.edu/book/cup/0005392/f\\_0005392\\_4692.pdf](https://ciaotest.cc.columbia.edu/book/cup/0005392/f_0005392_4692.pdf)

<sup>18</sup> Corkin, Lucy. “After the Boom: Angolas Recurring Oil Challenges in a New Context.” Oxford Institute for Energy Studies, May 2017. <https://doi.org/10.26889/9781784670849>.

<sup>19</sup> Downs, Erica. *China’s National Oil Companies Return to the World Stage: Navigating Anticorruption, Low Oil Prices, and the Belt and Road Initiative*. National Bureau of Asian Research, Special Report #68, Asia’s Energy Security and China’s Belt and Road Initiative, 2017: 1–14.

<sup>20</sup> Africa Defense Forum. “As China Buys Less Oil, Angola Struggles to Repay Debt.” *Africa Defense Forum*, September 2024. <https://adf-magazine.com/2024/09/as-china-buys-less-oil-angola-struggles-to-repay-debt/>; Usman, Zainab, and Tang Xiaoyang. “How Is China’s Economic Transition Affecting Its Relations With Africa?.” (2024). <https://carnegieendowment.org/research/2024/05/how-is-chinas-economic-transition-affecting-its-relations-with-africa?lang=en>

billion, approximately 40% of Angola's total debt burden.<sup>21</sup> Though this substantial debt has fueled "debt-trap diplomacy" clichés, the case of Angola highlights a more nuanced reality: China have provided debt relief efforts towards Angola and didn't engage into "debt-trap diplomacy." As of December 2021, the Export-Import Bank of China (EXIM Bank) owed \$4 billion of Angola's recognized debt to China, while the China Development Bank (CDB) owed \$13.6 billion.<sup>22</sup> Additionally, it has taken out loans from the Industrial and Commercial Bank of China (ICBC), the biggest commercial lender in China.<sup>23</sup> In August 2021, Angola was in discussions with China Eximbank for debt alleviation during the final stage of the DSSI. China has halted \$3.9 billion in debt (the entirety of the existing debt service) in Angola, as reported by Jubilee Debt Campaign UK.<sup>24</sup>

In 2017, Angola's new president, João Lourenço replaced José Eduardo dos Santos who had been in office from 1979 to 2019. Under Eduardo dos Santos, Angola developed its relations with China. The Chinese business community enjoyed strong ties with the previous government. After Lourenço took office, he implemented reforms and increased scrutiny of past contracts.<sup>25</sup> As a result, Chinese business must now navigate an unfriendlier environment with greater regulatory oversight, disrupting the previous norms.<sup>26</sup> The Chinese businesses community is pessimistic about the future in Angola, believing that the links of the past will cease. A representative of the

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<sup>21</sup> Africa Defense Forum. "As China Buys Less Oil, Angola Struggles to Repay Debt." *Africa Defense Forum*, September 2024. <https://adf-magazine.com/2024/09/as-china-buys-less-oil-angola-struggles-to-repay-debt/>.

<sup>22</sup> Chatham House. 2022. "The Response to Debt Distress in Africa and the Role of China: 02 Case Studies of Chinese Lending to Africa." Accessed May 31, 2025. <https://www.chathamhouse.org/2022/12/response-debt-distress-africa-and-role-china/02-case-studies-chinese-lending-africa>.

<sup>23</sup> Chatham House. 2022. "The Response to Debt Distress in Africa and the Role of China: 02 Case Studies of Chinese Lending to Africa." Accessed May 31, 2025. <https://www.chathamhouse.org/2022/12/response-debt-distress-africa-and-role-china/02-case-studies-chinese-lending-africa>.

<sup>24</sup> China Africa Research Initiative. *China Africa Research Initiative (CARI)*. Paul H. Nitze School of Advanced International Studies, Johns Hopkins University. Accessed June 19, 2025. <https://www.saiscari.org>.

<sup>25</sup> Paulo de Carvalho, Dominik Kopyński, and Ian Taylor, "A Marriage of Convenience on the Rocks? Revisiting the Sino-Angolan Relationship," *Africa Spectrum* 57, no. 1 (2022): 5-29.

<sup>26</sup> *Idib*.

provincial chamber of commerce, stated that “the smart companies have left Angola and those who have stayed have lost money.”<sup>27</sup>

### **China’s Internal Recalibration**

Chinese oil corporations were notorious for paying exorbitant prices for oil assets during their initial growth attempts, frequently to gain long-term access to resources. The most notable example (albeit outside of Africa) was in 2012 with the purchase of Canadian Nexen Energy by China National Offshore Oil Corporation (CNOOC) for \$15.1 billion even though the firm was only allegedly valued at \$6.5 billion.<sup>28</sup> Also, China’s would overpay for oil (mainly in 2009–2013) as a result of a rush to gain projects combined with a lack of experience in a period of high oil prices and cheaper bank loans.<sup>29</sup>

China is unlikely to make similar acquisitions in the future, due to slowing economic development and greater expertise with international energy ventures. China may have felt overexposed in Angola, possibly scaling back its involvement.<sup>30</sup> China appears to have considered past lessons and is now seeking greater diversification and a future with less Angolan oil supply. Moreover, China’s economy has shifted away from resource-intensive, export-driven growth and heavy industries (“smokestack manufacturing”), systematically reducing their demand for crude oil.<sup>31</sup> This strategic decline aligns with China’s pursuit of energy autarky, prioritizing domestic alternatives and renewables to diminish reliance on petrostates.<sup>32</sup>

China has been moving towards a sustainable consumption-based model that places emphasis on clean energy and services. As they move towards this model, demand for crude oil is bound to fall. Nonetheless, Angola remains a top supplier of Chinese oil, with shipments thinning due to the terms of earlier oil-backed loans, and general debt renegotiations with China. OPEC has

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<sup>27</sup> *Idib.*

<sup>28</sup> “China, Canada and Oil: A Complicated Calculus – The Diplomat.” Accessed January 7, 2025. <https://thediplomat.com/2012/08/china-canada-and-oil-a-complicated-calculus/>.

<sup>29</sup> In response to the global financial crisis of 2008, Chinese government rolled out a stimulus package of four trillion RMB (about US\$586 billion), which provides state-owned companies with easier access to bank loan. (Mu, 2024:11).

<sup>30</sup> Vines, Alex. “Continuity and Change in Angola: Insights from Modern History.” *International Affairs* 92, no. 5 (September 2016): 1229–37. <https://doi.org/10.1111/1468-2346.12709>.

<sup>31</sup> Paulo de Carvalho, Dominik Kopyński, and Ian Taylor, “A marriage of convenience on the rocks? Revisiting the Sino–Angolan relationship,” *Africa Spectrum* 57, no. 1 (2022): 5-29.

<sup>32</sup> Dieter and Biedermann, “New Advocacy for Autarky,” 132.

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also pressured Angola to reduce production, which they seem to have complied with, albeit somewhat bitterly.<sup>33</sup>

China's decision to reduce crude oil imports from Angola is also related changes in pricing power, supply diversification, and adjustments in the global oil market. To reduce dependency on Western pricing benchmarks (e.g. Brent or WTI), China introduced RMB-denominated crude oil futures, and the Shanghai International Energy Exchange (INE). This reduced Sino-Angolan oil flows, as Angolan oil relied on Brent crude Pricing, based on USD. Angola's oil exports tend to be bound under long-term agreements linked to debt repayment agreements with China, particularly through the resource-backed lending model. China now seeks flexible and varied energy sources to reduce economic risk.

### **China's Strategy and Diversification of Oil**

China remains the largest importer of petroleum; as a result, it has established commercial relationships with several nations to meet its domestic energy demands. It adopted a diversification strategy aiming to satisfy the short-term demand, while lowering the risk of challenges to its long-term oil supply. The International Energy Agency projects that by 2035, China's foreign energy dependence would reach 80%.<sup>34</sup> Therefore, their strategy prioritizes energy security. These strategies involve several factors and cannot be reduced to a single issue. For instance, Ang (2015) performed a comprehensive review and identified 83 energy security strategies for different states.<sup>35</sup> In addition, price fluctuations and other global economic variables (such as purchasing power and currency rates), were important. But other significant, and understudied aspects such as infrastructure, social impacts, availability, governance, the environment, and energy efficiency warrant further study.

A favorable global energy environment and the successful execution of energy policy have improved China's energy security. Sun (2014) highlights political unpredictability in oil-exporting nations, arguing that the growing threat of political instability and transportation problems was

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<sup>33</sup> Rania El Gamal and Ahmad Ghaddar, "Angola Agrees to Comply Fully with Oil Cuts after OPEC Pressure, Sources Say," *Reuters*, July 7, 2020, <https://www.reuters.com/article/us-oil-opecangola-idUSKBN2481HQ>.

<sup>34</sup> International Energy Agency (IEA). *World Energy Outlook 2012*. Paris, 2012.

<sup>35</sup> Ang, B.W., W.L. Choong, and T.S. Ng. "Energy Security: Definitions, Dimensions and Indexes." *Renewable and Sustainable Energy Reviews* 42 (2015): 1077–93.

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China's primary source of oil import risk.<sup>36</sup> China is reliant on global oil markets. Effective energy policies are necessary to reduce the risks associated with oil imports to ensure its supply and support long-term economic growth. Diversifying the sources of oil imports is a clear policy goal.<sup>37</sup> According to Stringer (2008), diversification of oil suppliers and energy sources is necessary.<sup>38</sup> Energy diversification can lower future oil supply risks, in part because of local carbon mitigation or reduction initiatives to address climate change and tendencies toward green growth.<sup>39</sup>

### **China Leading the Oil Import Industry in East Asia**

The “Asian premium” is another problem, with consumers of natural gas and oil in Asian nations paying more than customers in North America and Europe.<sup>40</sup> East Asian nations may face more risks while importing oil due to a lack of pricing control and associated price discrimination. For instance, China intends to change things by establishing its first crude oil futures market in Shanghai.<sup>41</sup> AlKathiri (2017) investigated the potential for allying in Asia to increase pricing power in the global oil market.<sup>42</sup> The concept of energy market integration has been used to generally investigate this issue. Establishing strategic petroleum reserves (SPRs) is undoubtedly a simple method of ensuring adequate energy supply while preventing the detrimental effects that abrupt supply disruptions can have on the economy.

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<sup>36</sup> Sun, Mei, Cuixia Gao, and Bo Shen. “Quantifying China’s Oil Import Risks and the Impact on the National Economy.” *2014, Energy Policy*, 67 (n.d.): 605–11.

<sup>37</sup> Lesbirel, S.H. “Diversification and Energy Security Risks: The Japanese Case.” *Japanese Journal of Political Science* 5, no. 1 (2004): 1–22. <https://doi.org/10.1017/S146810990400129X>; Vivoda, V. “Diversification of Oil Import Sources and Energy Security: A Key Strategy or an Elusive Objective?” *Energy Policy* 37, no. 11 (2009): 4615–23. <https://doi.org/10.1016/j.enpol.2009.06.007>.

<sup>38</sup> Stringer, Kevin D. “Energy security: applying a portfolio approach.” *Baltic security & defence review* 10 (2008).

<sup>39</sup> Moerkerk, Mike van, and Wina Crijns-Graus. “A Comparison of Oil Supply Risks in EU, US, Japan, China and India under Different Climate Scenarios.” *Energy Policy* 88 (January 1, 2016): 148–58. <https://doi.org/10.1016/j.enpol.2015.10.015>.

<sup>40</sup> Ji, Qiang, and Dayong Zhang. “China’s Crude Oil Futures: Introduction and Some Stylized Facts - ScienceDirect.” *Finance Research Letters* 28 (2019): 376–80.

<sup>41</sup> Ibid.

<sup>42</sup> AlKathiri, Nader, Yazeed Al-Rashed, Tilak Doshi, and Frederic H. Murphy. “Asian Premium or North Atlantic Discount: Does Geographical Diversification in Oil Trade Always Impose Costs?” *Energy Economics* 66, no. 3 (July 2017): 372–382. <https://doi.org/10.1016/j.eneco.2017.07.005>.

In addition to diversification, China implemented RMB-denominated crude oil futures in March 2018 to lower the risk of oil imports.<sup>43</sup> Moreover, Asian nations' low pricing power is one of the main issues they confront in the global oil market, making them more vulnerable to global threats. In 2018, China introduced its first crude oil futures contract and established the Shanghai International Energy Exchange (INE). According to Ji and Zhang (2018), the RMB-denominated contract quickly gained market acceptance, but this is still far from reaching a real international benchmark price.<sup>44</sup> China can lead the increase Asian dominance in the global oil pricing system, and cooperate with East Asian nations using the INE futures contract as a foundation. Although this advancement might lessen China's reliance on international oil markets, resulting in decreased interest in fostering ties with African oil-exporting nations such as Angola or Nigeria, it is improbable to influence China's overall strategy in Africa.<sup>45</sup> As mentioned before, China's soft power efforts in Africa, like the Belt and Road Initiative (BRI), are components of a broader geopolitical plan. These initiatives, though frequently involving financial commitments, support strategic goals, such as enhancing economic connections, political power, and access to resources. China's aim for increased influence in the global oil pricing system within Asia, utilizing the INE futures contract as a base, does not diminish its interest to Africa.<sup>46</sup>

## General Challenges to Sino-Angolan Relations

However, scholars should not overestimate the specific Sino-Angolan factors in the relationship's cooling. There are general factors, beyond the specific, that have also heavily contributed. China's entire foreign policy posture has seen drastic changes since 2020, primarily due to both domestic and international factors, and the Sino-Angolan relationship has served as an unintended casualty. Chinese investment reached its highest point around 2016. Since that time, Chinese lending to African governments has dropped considerably, decreasing from \$28.4 billion

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<sup>43</sup> Ji, Qiang, Hai-Ying Zhang, and Dayong Zhang. "The Impact of OPEC on East Asian Oil Import Security: A Multidimensional Analysis." *Energy Policy* 126 (March 1, 2019): 99–107. <https://doi.org/10.1016/j.enpol.2018.11.019>.

<sup>44</sup> Ibid.

<sup>45</sup> E. Olawale Ogunkola, Abiodun S. Bankole, and Adeolu Adewuyi, *China-Nigeria Economic Relations*, AERC Scoping Studies on China-Africa Economic Relations (Nairobi: African Economic Research Consortium, 2008), mimeo.

<sup>46</sup> Yu, H. "China's Push for the BRI in a Changing World: Origins and Motivations," in *Understanding China's Belt and Road Initiative*, Asia in Transition, vol. 26 (Singapore: Springer, 2024), [https://doi.org/10.1007/978-981-99-9633-9\\_1](https://doi.org/10.1007/978-981-99-9633-9_1).

in 2016 to \$1.9 billion in 2020, partly because of shifts in domestic Chinese political priorities and partly due to the evident challenges African nations faced in repaying debts.<sup>47</sup> For example, one key factor is that Angola has become far less central to Chinese priorities. As China has pivoted towards Russia and Iran, it has seen its access to global energy markets expand, and its reliance on any single supplier has reduced, reducing the overall reliance on Angolan oil.<sup>48</sup>

In addition, the BRI has suffered due to unsustainable debt levels, and corruption in Angola.<sup>49</sup> Firstly, China's economic growth has slowed, with growing debt, a second Trump presidency, and declining returns cooling the previously booming economy. Without the once common and abundant surpluses, it is unlikely China will so easily commit capital overseas for projects.<sup>50</sup> However, this does not signify a wholesale retreat from global investment. Rather, China is *strategically reallocating* capital toward geoeconomically vital regions, exemplified by its expansion in Latin America.

In May 2017, Latin America was officially incorporated into the cooperative framework of the Belt and Road Initiative.<sup>51</sup> Now, 22 nations have officially participated in the BRI – 13

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<sup>47</sup> Chatham House. 2022. "The Response to Debt Distress in Africa and the Role of China: 02 Case Studies of Chinese Lending to Africa." Accessed May 31, 2025. <https://www.chathamhouse.org/2022/12/response-debt-distress-africa-and-role-china/02-case-studies-chinese-lending-africa>.

<sup>48</sup> "Exclusive: China Quietly Increases Purchases of Low-Priced Russian Oil," *Reuters*, May 20, 2022, <https://www.reuters.com/business/energy/exclusive-china-quietly-increases-purchases-low-priced-russian-oil-2022-05-20/>; "China Is Buying the Most Iranian Oil in a Decade, Kpler Says," *Bloomberg*, August 15, 2023, <https://www.bloomberg.com/news/articles/2023-08-15/china-is-buying-the-most-iranian-oil-in-a-decade-kpler-says>.

<sup>49</sup> United States Institute of Peace. *Why China Is Rebooting the Belt and Road Initiative*. October 2023. Accessed December 24, 2024. <https://www.usip.org/publications/2023/10/why-china-rebooting-beltand-road-initiative>.

<sup>50</sup> Eichengreen, Barry. "China's Slowdown." *KDI Journal of Economic Policy* 46, no. 1 (2024): 1–19. Available at SSRN: <https://ssrn.com/abstract=4763028>.

<sup>51</sup> *China and Latin America's Joint Construction of the Belt and Road: Progress, Challenges, and Prospects*, Center for Strategic and International Studies (CSIS), <https://interpret.csis.org/translations/china-and-latin-americas-joint-construction-of-the-belt-and-road-progress-challenges-and-prospects/>.

from Central America and the Caribbean, along with nine from South America.<sup>52</sup> Secondly, China has seen a rise in tensions in the South China Sea, as its strategic importance and rich resource profile have seemingly invited regional and global challenges. For example, the Philippines has openly resisted China's territorial claims, leading to direct clashes between their vessels.<sup>53</sup>

## Conclusion

In 2018, Angola signed the "One Belt, One Road (OBOR)" memorandum in Beijing.<sup>54</sup> The OBOR has grown to include more than just conventional infrastructure projects. It now encompasses the Digital Silk Road and the Health Silk Road. Chinese tech leaders like Huawei are building the infrastructure essential for establishing the Digital Silk Road in Africa. In March 2022, Huawei and the Angolan telecom company Unitel finalized a deal for Huawei to supply various green energy solutions for Unitel's operations.<sup>55</sup> While oil continues to be crucial for both China and Angola, their collaboration is slowly extending into wider sectors beyond just energy and infrastructure.

Between 2018 and 2023, Sino-Angolan relations underwent a complex interplay of structural, political, and economic changes, weakening their once-strong alliance. Their relationship relied on oil cooperation, but recent events have forced a recalibration. China's strategic changes and Angola's changing internal environment are the source of this calibration. Furthermore, Angola's importance within China's larger energy security framework has been weakened by the country's diversification of its oil import sources, increased emphasis on pricing control through RMB-denominated crude oil futures, and decreased reliance on long-term, debt-backed oil contracts. China seeks to compromise between the need for long-term energy security from Angola and its goals of price control.

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<sup>52</sup> "Brazil-China Partnership: Redefining the Belt and Road Initiative in Latin America," *The Diplomat*, December 2024, <https://thediplomat.com/2024/12/brazil-china-partnership-redefining-the-belt-and-road-initiative-in-latin-america/>.

<sup>53</sup> Kurlantzick, Joshua, and Amelia McGowan. *Why Tensions in the South China Sea Are Bolstering the US-Philippines Alliance*. Council on Foreign Relations, October 2024. Accessed December 24, 2024. <https://www.cfr.org/expert-brief/why-tensions-south-china-sea-are-bolstering-us-philippines-alliance>.

<sup>54</sup> China's Crude Oil Futures: Progress towards a Regional Benchmark," *Silk Road Portal*, October 13, 2023, accessed May 31, 2025, <https://en.imsilkroad.com/p/317203.html>.

<sup>55</sup> Huawei, "Huawei and Angola Unitel Lead Green Site Energy Digitalization," *Huawei*, February 25, 2022, accessed May 31, 2025, <https://www.huawei.com/en/news/2022/2/unitel-green-site-energy-digitalization>.

Ultimately, even though the two countries' relationship has cooled, it would be too soon to declare its death. Sino-Angolan relations are likely to continue to change. Further studies could examine how both states handle these changes and whether different forms of collaboration outside of resource-backed loans might surface. China's economic priorities shift toward third and fourth-sector dominance, in sectors such as digital infrastructure, renewable energy and technology services. In this shift, China's diminished reliance on raw material imports may be offset by its necessity to grow high-value industries abroad, generating chances for novel collaboration types.

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