

Rents in the political economy of colonial Angola - from the coffee boom to Cabinda Gulf ☐

Maciel Santos¹

Abstract

Angolan agricultural and mining capital benefited from a long-lasting boom until the mid 1950s but afterwards the world market of tropical commodities changed and agricultural capitals entered into a trend of falling profit rates.

This paper tries to evaluate this fall and to describe how it was countered by public policies. In fact, during the last two decades before 1974 the colonial State implemented expenditure amounting to more than a 1 billion USD. The State expenditure was funded by the taxation of mineral rents, mainly coming from the diamond and oil sectors.

The local reinvestment of mineral rents, as the recent evolution of the petro-states shows, was an exceptional historical experience. In late colonial Angola capital accumulation came to depend on an increasingly smaller number of rent-generating corporations (in fact, two) and so did the State military expenditure, which included a colonial war budget. This situation generated a political flaw: one of those corporations, *Cabinda Gulf Oil*, was an affiliate of the Gulf Oil Corporation and the visibility of this association led to a public campaign in the US led by a Congregationalist Church.

The campaign against the presence of Gulf in Angola was obviously not successful. Still this model of rent-distributing could have hardly last in a

☐ DOI: 10.21747/21846251/jour2a1

¹CEAUP

capitalist world market and therefore it survived the United Church efforts for only one year more.

Keywords: Rent; Profit rate; Angola; Oil; Cabinda Gulf Oil.

Introduction

“For the economist, rents refer to “excess incomes” which, in simplistic models, should not exist in efficient markets” (Khan, 2000: 21).

This definition of rent by orthodox economics is a *contradictio in terminis*. If a capitalist market exists for any given commodity (and the definition does not apply to any other type of market), while individual costs of production will be different there will be just *one* market price and therefore unequal net results. Some capitals will inevitably yield profits above the average rate (the “excessive incomes”, a designation which assumes the average rate as the fair income)¹. Above-average profits, in other words, super-profits within each productive branch are not only possible but necessary and the accumulation of capital depends upon it (Marx, III: 693). The mass of profits for any given capital can be easily notated, as in the following equation (1):

P the mass of profit;

R_p the regulatory market price for the commodities produced in the branch;

I_c the individual cost of production²;

¹ The absence of rents in the so-called competitive markets assumes that any rise in demand will generate a rise in marginal costs for all producers. But why should marginal costs increase? And why would they increase for all producers? For a demonstration of producer surplus (the above-average profit of the branch in “efficient markets”), see Khan and Jomo (2000):28-29. The so-called resource-based theory conceptualizes differential profits within the framework of orthodox theories. For an update, see Dong (2016).

² In capitalist accounting, the cost of production of every commodity is different from its value because it does not include the total surplus value produced. As the “cost of production” only debits the expenditure of capital, interest (*i*) is only the fraction of the surplus-value which is added to costs. Interest (*i*) is added because it is considered a charge accruing from capital use, be it borrowed or not. Denoting this conceptual difference, according to labour-value theory, the cost of production in capitalist accounting is **I_c + i** whereas the total value of commodities is **I_c + P**, **P** being the total mass of surplus-value (Marx, 1977: III, 46).

and Q the physical output produced, thus

$$P = (R_p - I_c) \cdot Q$$

Profits above the average rate are usually short-lived if they rely on favoured conditions, with no barriers preventing the entry of competitors (Marx, 1977: III, 589-90). Conversely, if super profit factors rely on non-reproducible or exclusive conditions, such as the qualities of certain “natural”³ resources, the time-lag of the super-profits may be extended. As in this world, favoured environments (be it land, fishing banks, intellectual property or, as will be shown in the case of colonies, special labour markets) are always owned by someone, property rights or political power may open them to investment for longer periods. Mining concessions, for instance, used to last for almost a century. Renting out comes at a cost: the owners will force capitals operating therein to split the difference between their revenues and the earnings of marginal producers in the branch (that is, capitals whose sales just yield the average rate of profit). The transfer of all or part of that difference is therefore just a particular case of the distribution of super-profits within each branch and occurs every time the split is time-framed by formal procedures of any kind. In this sense, “rent” includes rentals, taxes, royalties, cartelised prices, copyright fees or bribery schemes.

When super-profits relying on favourable conditions do pay a rent defined as above, the surplus-labour sharing may be achieved in two ways: through differential and absolute rents. When a rent holder pockets the super-profit which the non-marginal capital would otherwise retain (if for instance,

³ Fertility and location depend on the available means of production and transportation. This said it is a fact that competition in the production of, say, coffee or sugar, works only among tropical producers because there are technological limits to the artificial replication of climates and natural environments.

vacant lands were cultivated), the title of property just transfers a share of the value of commodities whose price it did not contribute to setting. In other words, this kind of rent is not the cause of the “excessive income”: rather, it is income diverted from capitalists to the rent-holders. The great bulk of rents paid in mineral or agricultural branches belong to this category of rents, known, since it was coined by Ricardo, as differential rents. For instance, the output of *Diamang*, the Angolan Company of Diamonds, had a value per carat higher than the average output because it usually contained a higher percentage of jewellery stones (during the years 1960-70, stones of this class represented in average 72 per cent of the carats produced)⁴. Point 3 shows how much of *Diamang*'s super profits were paid as differential rents to the owner of the subsoil (and of the social environment), in this case the Portuguese colonial government.

However, even marginal resources do not enter the market for free: their owners will always demand compensation for allowing them to be exploited. For this to happen, market prices must steadily rise to a level that allows for the average profit *plus* the payment of a rent. This second category of rent is designated as absolute because it contributes to setting market prices higher than the level at which it could be sold without them (Marx, III: 683-4). Absolute rents paid by marginal exploitation are thus associated with rates of profit close to the average rate. This was the case of *Petrangol*, the first oil exporter in Angola: during the period 1958-1973 in which the company split its surplus value with the colonial government on a fifty-fifty basis, *Petrangol*'s average rate of profit after taxes was just 5.5 per cent.⁵

⁴ Companhia dos Diamantes de Angola, Exercícios 1960-1970.

⁵ Companhia de Petróleos de Angola (Petrangol), S.A.R.L., Relatório e Contas. All values are given in current USD.

Rents of both kinds⁶ tend to increase with economic growth. This was the case in Angola during the last three decades of colonial administration, which is the main focus of this paper. As all kinds of rents are deducted from the mass of surplus value produced and this mass depends on the rate of profit, the following sections focus on the profit cycles in Angola.

2. Angolan rents and rent-cycles

Colonial Angola can be seen as a typical example of a rent-generating economy. During the years 1953-1973, exports ranged between 27 and 38 per cent of the gross domestic product to which they were closely correlated⁷. A small number of commodities (and exports destinations) were included in the total value of exports. The aggregate share of six of these commodities (three from the agricultural sector, i.e. coffee, sugar and cotton and three from the mining sector, i.e. diamonds, iron ore and oil) went from 51 in 1950 to 77 per cent. in 1973⁸. Most importantly, exports allowed for some branches of agricultural and mining capital to yield abnormally above-average profits. For instance, during the boom phase that lasted until the mid 1950s, the average profit rates of *Diamang* (diamond mining) and *Cotonang* (cotton agriculture) were as shown in Table 1 below:

⁶ Absolute rents raise the price of commodities above the average price of production but generally below their value. A third kind of rent which results from a monopoly production of any sort, may raise prices even above the value. The world market of tropical commodities, especially for the ones produced in Angola, was too competitive for monopoly rents to play any role in Angolan exports and can therefore be ignored in the following points (Marx, 1977: III, 705).

⁷ In 1953-73, Angolan exports and the GNP showed a 0,993296 Pearson correlation. For the exports, Banco de Angola; for the GNP, Roque (1991: 327).

⁸ The concentration trend continued afterwards in Angola and in the rest of Subsaharian Africa (Pimenta and Silva, 2011: 6).

Table 01 – Diamang and Cotonang – Profit after taxes

	Average Rate of Profit
Diamang (1949-1954)	34,6
Cotonang (1948-1955)	30,8

Source: Companhia Geral dos Algodões de Angola, Relatório do Conselho de Administração...; Companhia dos Diamantes de Angola, Exercícios.

Diamonds and cotton were by then enjoying a seller's market and commodities exported from colonial or low-cost labour countries benefited from an additional advantage in their increasing (**Rp-Ic**) gap. Apart from the “natural” advantages of fertility and location that certain areas were supposed to offer, capitals operating therein could benefit from a higher rate of surplus value⁹. In colonial territories such as Portuguese Angola, forced labour and contracts without negotiation were still the rule. The framework of the colonial labour market could thus counter the effects on wage rises that an increased demand for labour in societies with almost no proletarianization, would otherwise cause.

It is true that the higher rates of surplus-value resulting from coercive labour policies could benefit all branches of capital investment and not just agriculture or mining. But agriculture and mining remained capital branches with low organic composition¹⁰ and the benefit of being able to access cheap labour was consequently maximized in these branches. Besides, coercive

⁹ Using the notations of the labour theory of value the value added of every commodity in capitalist production is defined as $v + s$, being v the value corresponding to the labour time paid to the worker as wages and s to the non-paid labour time transferred to capital as surplus-value. The rate of surplus value is s/v .

¹⁰ The organic composition of capital relates the value of the means of production (equipments, other fixed assets, raw materials) to the amount of labour required to operate them. If c stands for the value of the means of production, the organic composition of capital is $c / (v + s)$. For the discussion of this concept, see Emmanuel (1974: 114-16).

labour was more compatible with the tasks of a minimally mechanised agriculture or mining sectors than with those of industry (which by then employed an important proportion of the skilled workforce). The purchase of its most important input, wage labour, gave colonial investments an advantage over competitors located elsewhere. During the recessive phase from 1954-55 to 1962 in which firms were increasing outputs to counter the fall of export prices (see point 2.1), more than a third (34,5 per cent on average) of the Angolan agricultural workforce relied on state-organized schemes of recruitment (*contratados*)¹¹. The same facilities applied to mining capital: in its respective recessive phase, *Diamang* also employed an average of 34 per cent of such workers (in 1953 they reached 40,5 per cent.)¹²

As a result of the availability of that very particular labour market¹³ which mining or agricultural capital owed to governmental policies, a fraction of its super-profits was to be transferred to the State as rents (in the sense defined above). These rent-transfers, independently of their legal form (profits-share clauses in mixed capital corporations, dividends, royalties, taxes, loans at zero or at symbolic interest rates) became an increasing percentage of the incomes of colonial States, especially in booming times (see point 3).

2.1. The fall and rise of Angola's super-profits

The super-profits shown in Table 1 were made during the expansion phase (1948-55) of a business cycle in which the main factors of differential rents

¹¹ The so-called “contracts with intervention of authorities”. Percentage estimation based on Mendes (1966: 56) and Silva (1969: 155).

¹² Companhia de Diamantes, Relatórios. In 1947, *Diamang* was granted a monopoly over recruitment in the whole district of Lunda. According to Portaria n.º 5.889, the workforce of the Lunda was available only “to the corporations operating in district”, that is to *Diamang* only.

¹³ In 1972, according to Correia e Silva, the surplus value rate in Angola was above 400 per cent. (Silva, 1966:62-63).

were acting at the same time in Angola: a large recruitment of cheap labour, rising export prices and the beginning of a public investment programme of infra-structures. Afterwards, only the third factor was enhanced.

Understanding profit rates in Angola is easier if one starts with the figures of foreign trade: the territory had an export-driven economy and it was generally accepted that trade statistics were the most reliable indicators for assessing effective growth. The pace of Angolan foreign trade was impressive and government officials in late colonial years often stressed it: from 1963 to 1972, for instance, its yearly rate was 19 per cent.¹⁴ However, evolution of export prices after the mid 1950s (**Rp** in the basic profit equation), was far less positive. Table 2 shows the average yearly growth rates during the two downward phases of prices (B1 and B2).

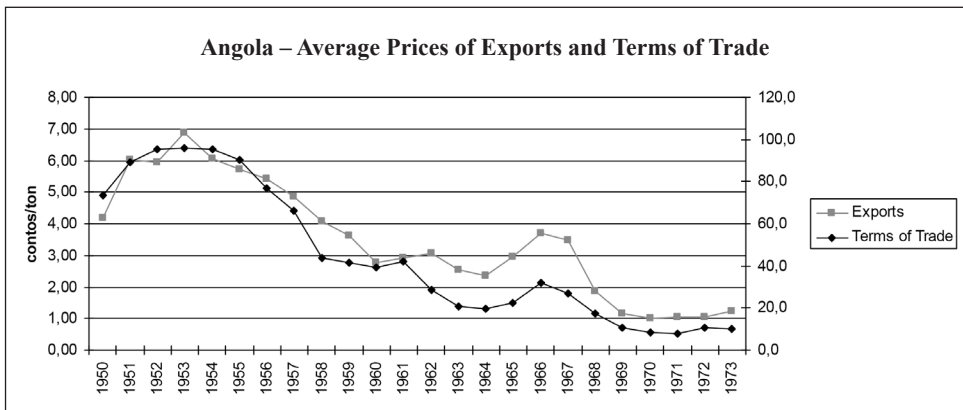
**Table 02 – Angolan Exports:
Average Unit Prices and Terms of Trade – 1953-1970**

Cycle Phase	Yearly Growth Rate	Terms of Trade* (at the terminal year of each phase)
B1: 1953-1960	-12,1	54
B2: 1966-1970	-27,8	12

Source: Banco de Angola.

* Year base = 1950

¹⁴ In absolute figures, from 311,7 to 883,3 million USD (Republica, 1973:222).

Graph 1 - Average Prices of Exports and Terms of Trade

Exports prices fell with only a six -year interval between the two recessive phases (B1 and B2) and during the second phase (1966-1970) more than double the rate of the first one. In current escudos of 1970, one ton of Angolan exports was worth on average less than 15 per cent of its 1953 price. The fall of export prices was not matched by imports, whose prices remained stable (with an average change of less than 1 per cent) in the periods shown in Table 2. In 1970, the volume of Angolan exports would have to be multiplied by a factor of 11 to pay for the imports of 1953.

The concern about the deterioration in the terms of trade was more about its effects on the balance of payments rather than its effects on the balance of trade itself¹⁵. Angola used to have a trade surplus and within the period of Table 2, only six out of eighteen years registered a trade deficit¹⁶. It was widely accepted that the last two deficits (1967 and 1968) had been

¹⁵ The usual deficits in Angola's balance of payments were partially due to the fact that *Diamang* did not convert most of its foreign exchange income into *escudos*, as it was obliged to. There was usually hope that the trade surplus would counter the deficits of the capital-balance.

¹⁶ Four in phase B1 (1957 to 1960) and two in B2 (1967; 1968).

caused by exceptionally high imports of mining equipment, which was obviously seen as a positive indicator of future growth¹⁷. In addition, it was not only the increase in the organic composition of capital of rent-generating branches that was pushing imports. State expenditure was also growing fast (see point 3) which generated a multiplier effect which led to worsening trade imbalances. Between the years 1962 to 1968, industrial branches grew at a yearly rate of 28 per cent and although at the time they contributed to trade imbalances increasing, they were meant for import-substitution in the near future (Oliveira, 1970: 11).

In fact, the main problem with the deterioration of the terms of trade lay elsewhere: in the deterioration of the **(Rp-Ic)** gap and consequently, of the profit rate. To investigate the extent of this gap, this paper considers a sample of four Angolan-based corporations that regularly generated super-profits. Three of them operated in the agro-industrial sector: *CADA* in coffee, *Cassequel* in sugar and *Cotonang*, as introduced above, in cotton. The fourth corporation, and the only representative of the mining sector, is *Diamang*, the largest Portuguese colonial corporation as regards to profits (and for a long time, also in terms of assets).

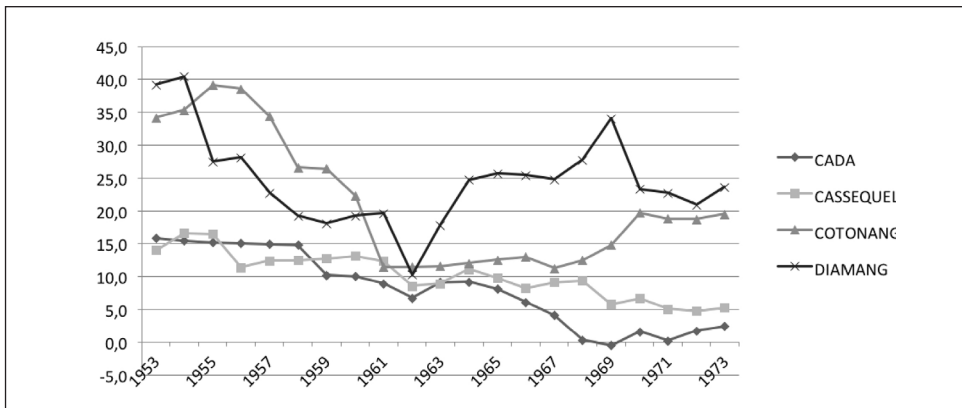
The timeframe of Table 3 comprises the recessive phases (B1 and B2) of two business cycles, considered according to the profit rate of each of these corporations¹⁸. The indicators of the profit rate for each phase are the average rates. In order to provide for an order of magnitude of the changes, the first line gives the peak rate of each corporation before the start of its respective B1.

¹⁷ Reassuring statements about the health and temporary effect of these deficits are common place in studies of Angolan foreign trade (See for example, Marques (1971-8-9); Antão, (1972:11-12); Republica (1973: 222)).

¹⁸ *Cotonang* profit rates show no phase B2 and did not decrease after its lowest rate in 1961 but the non-interrupted growth that followed until 1973 registers a much lower average rate.

Table 03 – Profit rates in Angola – 1953-1973

Cycle Phase	CADA	Cassequel	Cotonang	Diamang
A1 (peak year)	1950	1954	1955	1954
	26,4	16,6	39,1	40,4
B1 (average)	1950-1962	1954-1962	1955-1961	1954-1962
	14,0	12,9	28,4	22,8
B2 (average)	1964-1969	1964-1972	1961-1973	1969-1972
	4,5	7,8	14,4	25,2

Graph 2 - Profit rates in Angola – 1953-1973

It is not hard to see a direct correlation between the average export prices of Angola (Table 2) and the profit rates.¹⁹ However, while the average fall in international prices (**Rp**) was clearly a factor in the downward movement of the profit rates, it cannot fully explain the decrease. Fluctuations of prices

¹⁹ The Pearson correlation coefficient between Angolan average export prices and the rate of profit for the years 1950-1973 for each corporation is as follows: *CADA*, 0,795475; *Cassequel*, 0,859729; *Cotonang*, 0,7549605; *Diamang*, 0,527634.

of the different commodities were not uniform but, most importantly, rates of profit are not determined by market prices but rather by profit margins. Based on the assumption that profit margins can be taken as proxies of the rate of profit, Table 4 takes a closer look at how they changed according to the three other variables of the mass of profit (as in equation (1)). The periods under consideration are the recessive phases B1 and B2 (the two recessive phases of profit rates for each corporation as in Table 3).

Table 04 – Angola – Variables of profit in two recessive phases

B1	Rp	Ic	Q	Ic/Rp
CADA	10,2	8,5	8,5	0,84
Cassequel	9,9	8,6	10,5	0,88
Cotonang	11,0	8,0	9,4	0,72
Diamang	10,7	9,0	12,9	0,84
B2	Rp	Ic	Q	Ic/Rp
CADA	9,0	8,3	6,6	0,92
Cassequel	9,9	9,2	11,0	0,93
Cotonang	9,9	9,3	21,9	0,93
Diamang	8,5	6,2	11,1	0,73

In Table 4, the **Rp** and **Q** figures are the index numbers for the average changes in the prices and volumes produced (assuming a base value of 10 at the starting year of each phase and according to the figures given in the company reports); **Ic** is the value found in function of the rate of profit (**Pr**) of each capital (**K**)²⁰. *Caeteris paribus* for every case, if through each

²⁰ Average profit rates were calculated accordingly to the balance sheets of the corporations. Table 4 assumes that: 1) the margins of profit relate to capitals of the same magnitude, say fractions of 100 monetary units (it considers neither the size of the invested capitals nor

phase (B1 and B2) the respective average profit rate **Pr** remains constant, then the value of **Ic** indicated in Table 4 is the only one compatible with the changes in the index numbers for **Rp** and **Q**.

To put it another way, from equation (1) follows (2):

$$P = Pr.K = (Rp - Ic).Q \Leftrightarrow$$

$$Ic = Rp - ((Pr.K) / Q)$$

If **(Rp-Ic)** is the profit margin, the changes of the ratio **Ic/Rp** may be used as an index of profit margins. As the ratio ranges from 0 to 1 (1 being equal to no profit at all), an increase in **Ic/Rp** indicates a lower profit margin. If Table 4 is adequate for the purposes of modelling what happened to super profits in Angola, the main conclusions are as follows:

- The profit margin **(Rp-Ic)** of agricultural corporations declined since 1953. Table 4 shows that by the end of B2, the three corporations had increased their **Ic/Rp** ratios when compared to B1. These firms were then close to yielding no rents. In fact, this was already the case for *CADA* during phase B2 (see Table 3: profit rate of 4,5 per cent).
- The profit margin **(Rp-Ic)** of the agricultural corporations declined even when there was barely any change in the average market price (the prices of sugar and cotton went up and down, thereby cancelling each other out during the B phases of profits). Meanwhile, *Cassequel* and *Cotonang* managed to increase their volumes of output (the cotton firm even doubled it) but in spite of that both came closer to being marginal producers.

the different turnover ratios); 2) the mass of profits of each capital was determined by **Rp** and **Q** changes of just one commodity (it neglects the fact that in *Cada* and *Cassequel*, for instance, commodities other than coffee or sugar were – even if in small percentages – part of the sales proceeds).

- Mining was a different matter, at least for diamonds. In phase B2, *Diamang* was the sole corporation to have increased its profit margin (decrease of **Ic/Rp** from 0,84 to 0,73). This occurred regardless of an average fall of 15 per cent in export prices and with just a 10 per cent increase in its physical output. This result is compatible with the net results the company balance sheet constantly showed.

Contrary to what was said during the first recessive phase (Figueiredo, 1962:22), it seemed unlikely that in the mass of profit the declining profit margins could be countered by an increase in the volume of output, at least for most of the agricultural commodities. The income elasticity for agricultural commodities is less than one and was decreasing: global demand was not expected to go beyond a yearly growth rate of 3 per cent.²¹ The overproduction of coffee, for instance, was by then almost twice that of world consumption.²² Anyway, for *CADA* increasing output was hardly an option as its coffee yields per unit went into steep decline from 1962 onwards²³. Something similar was happening with *Cassequel*, which despite a decade-long squeeze on its profit margins²⁴ had not been able to

²¹ Silva (1966:68-69). In addition, agricultural commodities show higher elasticity of substitution than manufactured outputs (i.e. it was more likely that consumers would switch from Angolan to Kenyan coffee than from Volkswagen to Renault (Amin, 1988: 150)).

²² In 1960, it was estimated that the stocks would reach 4,4 million tons while world consumption was estimated at 2,5. From 1963 onwards, the main producers including Angola, organized a cartel which managed to establish quotas to improve the market (Cada, Relatório: 6.)

²³ Its average yield for 1964-69 (B2) was 329 kgs/ha, that is, 12 per cent less than for the period 1953-62 (B1). Apart from droughts, the catastrophic harvest was caused by pathogenic agents (*Fusarium* species, vulgo“sudden death”) (Cada, Relatórios, 1967:15; 1968:6).

²⁴ Angolan sugar companies were forced to sell their output at State regulated prices. Cassequel’s administration often complained about government listed prices (which had remained the same since 1964) while production costs were rising (Sociedade Agrícola, 1962:3-4; 1972:5-6).

increase its tonnage of sugar per hectare since 1963. In the late 1960s, both companies were already switching investments to other staples: *Cada* to cotton and *Cassequel* to sisal²⁵.

By contrast, diamonds are raw materials with a very different market. Sold throughout a powerful cartel²⁶ its sales boomed with rising inflation, resourceful advertising campaigns and even with rearmament programmes²⁷. These factors kept international prices on the increase for ten successive years, despite competition in the form of artificial stones and the enlargement of production areas (from Africa to Siberia). Meanwhile, *Diamang* had made some important mining discoveries, had fully mechanized most of the mining operations and Tables 3 and 4 cast no doubts about the outcome as regards profitability. Diamond mining in Angola certainly did not become a marginal investment and demands for new claims were booming. In 1971, *De Beers* joined *Diamang* to start *Condiama* and four other stock corporations followed suit.²⁸ Most of the other mining staples were much less profitable. Iron ore prices, for instance, had been in decline since 1957

²⁵ Cotton crops of *Cada* seemed not to have been successful (*Companhia Angolana, Relatório, 1969: 6-7*). On the other hand, *Cassequel* was doing better with sisal (*Sociedade Agrícola, Relatório, 1973: 4*).

²⁶ From 1931 onwards, *Diamang* sold its output to the Syndicate, controlled by the Anglo-American Corporation which became later known as the Diamond Corporation Limited. (*Companhia de Diamantes, 1931:9*).

²⁷ Diamonds had been used as a store of value for sometime, especially after the devaluation of currencies between the first and second world wars. After 1945, the Syndicate's advertising campaigns for "popular" diamond rings and the military stockpiling of industrial diamonds during international crises (e.g. Korean War, Suez, etc.) gave the industry a sustained boom. For a full description of the diamond market, see *Companhia de Diamantes (1956:8-9; 1968:18)*.

²⁸ *Condiama* was granted the concession in the former area of *Diamang* (1023 thousand square kilometres out of 1246 of total Angola!), when the claims ended in 1971. Three more concessions were granted in the same vacant area (*Companhia de Diamantes, 1971: 41-42; Oliveira, 2005: 78; Guerra, 1979:34*).

and the first net results of the largest mixed²⁹ corporation of Angola, the *Companhia Mineira do Lobito*, only appeared in 1970. By that time Angola mining was about to embark upon the oil cycle (see point 3).

At the end of phase B1, it was already plain to see that if fractions of Angola's agricultural super profits were to keep flowing as rents to the colonial government and if an increase in **Q** was becoming less feasible, something had to be done about profit margins. Restoring the **(Rp-Ic)** gap meant a general increase in the surplus value rate and an acceleration of the capital-output ratio of the Angolan economy. Such tasks required new corporate and public policies which were to be progressively implemented from the late 1950s onwards.

3. State partnership in Angolan super-profits

For many decades, the State had shared the super profits generated in Angola. Point 3 attempts to describe its main purveyors of rent incomes independently of the fiscal procedures of collection i.e., taxes, contract provisions, royalties or dividends.

The Angolan government had been a shareholder in *Diamang* since 1919 when the first concession gave the State 5 per cent of the capital stock. Further contracts came to enlarge its share to 11,65 per cent. Most importantly, since 1937, these contracts ensured that the State was to be given half of the yearly net results. Adding dividends to this 50/50 split, the State was entitled to cash 55,8 per cent of the year profits³⁰.

It is a fact that the contracts also allowed *Diamang* to cover a large amount of profits under depreciation and reserve accounts but it is also a fact that the company remained subject to special national and local taxes before

²⁹ The Portuguese State owned 20 p.c. of a share capital of 1,2 million contos, around 41,5 million USD. Guerra, 1979: 33; *Companhia Mineira*, 1970: 5.

³⁰ *Companhia de Diamantes*, 1963: 13-15; Oliveira, 2005:78.

the split. The company was also regularly asked to grant credit at special-favoured conditions to the Angolan government. Table 5 provides an overall view of *Diamang* rent payments (State share of the profits) and of the balance of loans made to Angola government at an interest rate of 1 per cent, showing the yearly averages during the III Plan of *Fomento*³¹:

Table 05 – Average yearly payments and debit balance of the Government to *Diamang* (million USD)

	Profits and dividends – share of the State	Loans – Government Debit to <i>Diamang</i>
1968-1973	17,8	24,8

Source: Companhia de Diamantes, Relatórios 1971-1973.

Over the six years of the Plan, which coincided with a B phase for the corporation, *Diamang* paid under profit-share clauses and dividends to the Angolan government, amounting to \$106,7 million USD. In addition, more than one loan was renewed so that in 1973, the government debit balance was still 31,1 million. As one of the company's publications put it, their payments and credit represented “a truly remarkable contribution” to the Angolan budget (*Companhia de Diamantes*, 1963:15).

Oil turned out to be an even larger rent-source of State income but not such a rapidly increasing one. The first Angolan oil field had been discovered in 1954, not far from Luanda, by the *Companhia de Combustiveis do Lobito*, later *Purfina*, a subsidiary of the Belgian *Petrofina* (Gomes, 1962:38)³².

³¹ The *Fomento* plans were investment programs covering the whole *escudo* area and were being implemented since 1953.

³² Prospection had started in 1952. *Purfina* ceased its oil search activities in 24-10-1957 when the concession was transferred to *Petrangol*. *Companhia de Combustiveis do Lobito*, Relatório, 1957: 6.

In 1957, *Purфина* transferred the concession to *Petrangol*, a mixed capital corporation with *Petrofina* still the largest stakeholder. *Petrangol* already had 14 productive wells but produced less than 1 million tons/year until its big discovery in 1961. *Petrangol's* net results rose from 0,3 to around 9 per cent in 1960-61 and in 1965 a new concession contract was signed.³³ However, *Petrangol* oil fields turned out not to live up to their promise. During the following four years (1966-69), the accumulated amount of taxes paid by *Petrangol* contributed just 13 million USD to the Angola government, slightly more than just the *yearly* amount paid by *Diamang* in 1969 as profit-share and dividend (12,2 million USD). *Petrangol's* results were close to being marginal incomes (average rate of profit of 5,7 per cent. during its B2 phase) and consequently, the State could just tax it up to the equivalent of an absolute rent³⁴.

Another oil subsidiary operating in Angola for as long as *Petrangol* had quite a different trajectory: *Cabinda Gulf Oil Corporation*, affiliated to US Gulf Oil, obtained its first concession in the northern enclave in 1957. This concession obliged it to pay a 12,5 per cent royalty, to be credited before the split, which was a 50 per cent tax based upon sales prices. The government was also entitled to 20 per cent of the stock capital. The following eight years of on-shore prospecting came to nothing in terms of results and between 1958 and 1966, the State only earned a yearly rental of 0,164 million USD. In 1966, the first off-shore drill found a significant oil deposit. The Government immediately started renegotiations under which the area to a water-depth of 200 metres was added to the concession, in exchange for a cash bonus of 0,699 million USD. As a result of the offshore

³³ Negotiations seem to have been difficult, which might explain the four year-lag after the Tobias discoveries (Oliveira, 2005: 79; Companhia de Petróleos de Angola, 1965: 6).

³⁴ In 1973, the State held 300,000 shares of *Petrangol* stock (Murteira, 1997:111). Framing *Petrangol's* performances in Table 4 shows that during the period 1967-1973 in which the average profit rate fell from 12,6 to 1,6%, the average **Ic/Rp** ratio was 0,95.

concession being too complex and vast to be fully exploited during the legal term of the contract, *Cabinda Gulf* entered into a second round of negotiations. The Government accepted the terms but in exchange for 7 million USD in advance on taxes, plus 2 million USD as a renewal payment and 1 million USD in advances to the Mining Development Fund and rentals. The agreement deferred “relinquishment of any acreage” until 1971 by which time a new arrangement would have to be negotiated based on the OPEC standard³⁵. Table 6 shows the rent effectively paid by Cabinda Gulf in the period 1969-71:

Table 06 – Cabinda Gulf Payments to Angola Government (million USD)

	Royalties	Mining Fund	Concession Renewal	Rentals	Income tax	Total
1969	0,4	0,4		1,7	4,0	6,5
1970	15,1		2,0	0,7		17,8
1971				0,7	5,0	5,7

Source: AHD, Arquivo Emb. Portuguesa em Washington, P. 411, Gulf Oil – Updated statement.

Accumulated payments of 30 million USD during a three-year span came as a smaller wave of windfall profits compared to the diamond boom. But Table 7 below shows that the golden days still lay ahead because oil prices would take off after 1971 and as predicted, the new contract raised the Government share to 70-80 per cent of net results (Farber, 1972: 24).

In mining branches other than diamonds and oil the State partnership achieved varying results. An extreme case was the *Companhia Mineira do Lobito* which exploited the Cassinga iron deposits (Southern Angola). The Company never registered net results for distribution and was only floated

³⁵ AHD, Arquivo Emb. Portuguesa em Washington, P. 411, Gulf Oil Corporation, Summary of Concession Agreement, p. 14.

because of State support. In 1971, its borrowed capital was almost nine times higher than its stock and about two thirds of it came from public loans or were guaranteed by the State³⁶.

Revenues from other big companies in transport or industry were small and irregular: corporations such as the *Benguela Railways*, *Sonefe* or *Companhia de Combustiveis do Lobito*³⁷, just like *Petrangol*, were far from generating super profits; indeed, sometimes they struggled to achieve even net results. Agricultural corporations were mainly taxed by export duties³⁸ and other special tax regimes. Coffee firms, for instance, were obliged to pay a special “overvaluation tax” but point 2 leaves few doubts about the downward trend of this revenue.

The outcome of these contradictory trends as regards fiscal revenues is summarised in Table 7. The period considered is the last complete cycle of profit rates in colonial Angola, 1962-1972 (which includes phase B2 of Table 3). As mineral rents were increasingly determinant both for Gross Product³⁹ and State budgets, the *Diamang* profit cycle may be taken as a proxy⁴⁰.

³⁶ The State only held 41,8% of its stock but in 1971, it had lent or guaranteed about 139 million USD (Companhia Mineira, Relatórios, 1971:6; Murteira, 1997: 111).

³⁷ The State had a part in the net results of the *Benguela Railways* but as mining exports from Zaire and Zambia declined, so did public revenues: from 1966 to 1973 they fell from 1,3 to 0,1 million USD. In 1969, *SONEFE*, the energy corporation in which the State held 10 per cent of the stock, paid just 0,45 million USD. *C^a de Combustiveis do Lobito*, the *Purфина* distributor of refined products in Angola and former oil prospector, as seen above, was a big business only at the Angolan scale (nominal capital of 8,4 million USD). In 1969, the State share yielded just 0,04 million USD (Banco de Angola Relatorios). For a full list of the State share (10 per cent minimum) in big colonial business, see Murteira (1997:111).

³⁸ It was estimated that export duties on agricultural exports represented 10 per cent of its FOB value; conversely, diamond exports were tax-free (Figueiredo, 1962: 44-45).

³⁹ The percentage of the mining sector in Angola gross product shifted from 5 to 9 per cent in the period 1966-1970 (Republica, 1973: 383).

⁴⁰ The end period of Table 7 is 1973 (and not 1972 as it is in the *Diamang* cycle) so that it includes the full implementation of the III *Plano de Fomento* (1968-1973). The III Plan

Rent-transfer impacted all the fiscal headings, namely the “indirect taxes” under which export and import duties were accounted for. Yet in the Angolan budget, the revenues derived from State shareholding (as it occurred in the contracts signed with *Diamang* or the oil firms) and from taxation of rent-generating corporations were encompassed under three headings: “Industries under special regime of taxation”⁴¹, “State corporations and State’s shareholdings” and “stocks and bonds”. The average percentages of these headings in the ordinary revenues⁴² were:

**Table 07 – Angolan Government Budget
Revenues derived from Rents (%)**

Phase	Industries under special regime of taxation	State corporations and State’s shareholdings	Stocks and bonds	Aggregate average %
1962-1969	14,0	8,7	1,4	24,1
1969-1973	26,4	7,0	1,1	34,5

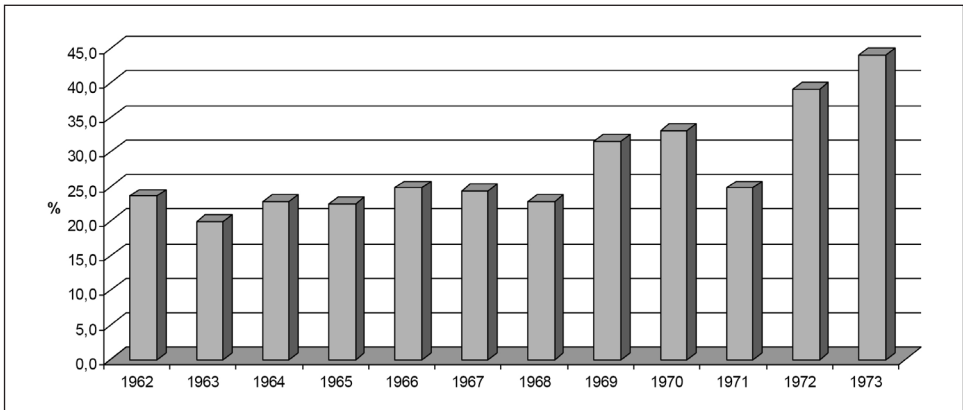
Source: Based on Banco de Angola, Relatórios.

started in the same year of the first year of *Cabinda* oil exports and ended in the last “normal” colonial year.

⁴¹ The industries under the “special taxation regime” included, other than oil related items, taxes on the consumption of tobacco, sugar and beer. From 1969 to 1973, the average percentage of sugar under this heading was 1,9 per cent.

⁴² Ordinary Revenues net of Earmarked Revenues.

Graph 3 Angolan Budget – Rent-related Headings (%)



Average percentages fail to show how fast these rent-related State revenues increased after 1969: in 1973, their aggregate amount reached 156,1 million USD, that is, 44 per cent of Ordinary Incomes (net of earmarking revenues). By the same year, the heading “Indirect taxes”, usually the traditional purveyor of rent funds to the Treasury represented just 26 per cent. On the other hand, Table 7 does show that the increase in the aggregate headings based on rents came from the industries “under special regime” in which about two thirds (65,7 per cent on average) were paid by oil corporations.

Prior to the 20th century, dependence on rent cycles had already been a recurrent story of the Angolan government: rubber, coffee and mining rents followed suit. From the mid 1960s onwards, the concentration trend operated also within the mineral rents: diamonds (a close second to coffee) and oil made up the bulk of taxed super profits. Table 8 shows their absolute and relative part in government revenues during the III *Fomento* Plan:

Table 08 – Oil and Diamonds in the Angolan Ordinary Revenues

Years	Revenues* from Oil and Diamonds corporation (million USD)	Oil and Diamonds in Ordinary Revenues** (average %)	Oil in Ordinary (average %)
1968-1973	322,4	23,1	16,8

**Diamang* loans and dividends not included

** Ordinary Incomes net of Earmarking Revenues

Source: Based on Banco de Angola, Relatórios.

The rising star among State rents was oil revenue: its percentage in Ordinary Revenues went from 7,5 per cent in 1968 to 28,8 in 1973. Within oil taxation, one single corporation, *Cabinda Gulf*, became the main government fund purveyor.

3.1. State policies in support of rent incomes

In 1961-62 the downward phase of the profits rates was over (see Table 3). By that time, around 25 per cent of the government ordinary revenues still came from the budget headings of Table 7 but comparing peak and bottom years, the rate of profit of agricultural capital had plummeted: it was divided by 2 in sugar, by 3 in cotton and by 4 in coffee. The seven years of “lean cows” (Figueiredo, 1962) left little expectations about the restoration of the regulatory market prices: the overproduction of tropical commodities, especially of coffee, was getting worse every year. It was widely accepted that the reversal of the profit margin (**Rp-Ic**) could only be achieved by cutting costs of production.

Cutting costs meant an increase in the surplus-value rate. As there were no conditions to extend working times since the 1961 uprisings, a higher surplus value rate implied a higher *relative* surplus value rate⁴³. For the

⁴³ The surplus value rate (**s/v**) is determined by working time, work intensity and productivity. The relative surplus value rate increases when work intensity and productivity cause **s** to increase proportionally more than **v** (wages).

policymakers, it was clear that work intensity could not be implemented without wage rises and the establishment of a new work environment⁴⁴. Part of the changes were unintended: the starting of the colonial war in 1961 led to the repeal of the Native Labour Code dating from 1928 which had allowed for all sorts of colluding between colonial authorities and employers. There was now the risk that Angolan capital would no longer be able to access a large enough labour force once the coercive schemes were dismantled. In fact, in spite of the efforts displayed by local authorities to keep as much as possible the old *status-quo* under the new legal devices, the worker's struggle made it impossible⁴⁵.

The assurance of a regular supply of labour and of a more “productive” one became *the* priority of the Angolan government's development policies⁴⁶. This was vital for investments of capital of higher organic composition requiring a more motivated and more qualified work force. Importing the necessary “human capital” was no solution because it would decrease the surplus value rate, precisely the opposite of what was needed⁴⁷. If the branches with high capital-labour ratio and benefiting from increasing profit margins such as the oil industry could afford it,⁴⁸ that was certainly not the case for the low-organic and low profit-yielding capital in agriculture.

⁴⁴ “In fact, African entrepreneurs always lived by the rule that they would become as rich as their wage bill got smaller. Not willing to offer wage incentives to recruit labour, they would rather rely on forced labour. These routines could not help but generate an evil system” (Loureiro, 1962: 29-30).

⁴⁵ For labour conflicts and income distribution after the new Labour Code of 1962, see Santos (2016; 2017).

⁴⁶ For the Angolan labour policies under the 1962 Labour laws, see Mendes, 1966.

⁴⁷ The coming of a Metropolitan qualified work force would also widen the wage gap with African workers and the political conditions did not favour such policies. Diogo, 1969: 43.

⁴⁸ In 1972 Cabinda Gulf was paying its expatriated staff (16 p.c. of total employees) *just* five times more than to locals. ADP, Emb. Portuguesa em Washington, P. 411 - Summary of Concession Agreement, 31-03-1972

The Angolan government therefore started a massive educational programme which in seven years, multiplied total enrolled students in primary school by a factor of seven and doubled those in high school. Popular housing schemes were launched in all the districts from 1961, particularly those in charge of the *Instituto do Trabalho*.⁴⁹ Health programmes were also fostered and in 1968, the Angolan government boasted to being the fourth African country as regards the coefficient of health units and medical staff per capita⁵⁰. The changes in the composition of work went along with policies to extend the size of the working class. Costly “development” programmes were implemented to increase the integration of the peasantry in labour markets and to change their work attitudes⁵¹.

The outcome of these policies was partially successful. There were no disruptions in labour supply, the moneyed economy spread across all rural areas⁵², the fall of the surplus value rate was reverted and, at least in mining branches, it was certainly increasing (Santos, 2017)⁵³.

However, a stable or even a higher surplus-value rate was not enough. The recovery of profit-margins in the agricultural branches, which in

⁴⁹ Since 1962 *Instituto do Trabalho* was the new label for the organization supervising labour policies and its budget included “important allocations” for housing schemes. Diogo, 1969: 61-62.

⁵⁰ Nunes, 1968: 104 (mentioned by Diogo, 1969: 66).

⁵¹ Even before the establishment of the *Instituto do Trabalho* labour enquiries about absenteeism and work motivations were being carried out by Portuguese staff. (Ferreira, 2017).

⁵² During the years 1966-1970 non-moneyed flows went from 20,6 to 14,9% of the Angola Gross Product. Republica Portuguesa, 1973: 218.

⁵³ From 1953 to 1962 the average surplus value rate had gone from 133 to 118 percent (Presidência, 1970: 606-607). But in 1966, the wage bill was estimated in just 20 percent of the domestic income, which clearly indicates a significant rise in the surplus-value rate (Correia e Silva, 1966: 63). In the mining branches the average surplus value rate of the years 1970-71 was above 190 percent. (República, 1973: 388).

1970 still represented two thirds of Angolan exports (Presidência, 1970: 81), also required savings of constant capital. Location is a key factor of rents and most of the Angolan commodities with low value density (most of the agricultural ones or iron ore) had long been affected by heavy transportation costs (Figueiredo, 1962: 47-49). As late as 1969-73, about two thirds of the combined *Fomento* items were to be spent on roads, ports, railways and power facilities. Mechanization lacked cheap electric power and a complex programme of hydroelectrical power plants was implemented. Environmental changes due to extensive agriculture made advanced agronomical support vital for the support of old agricultural areas. In the following years, higher capital-output ratios went along with an increased productivity⁵⁴.

As regards state capital, *Fomento* (development) policies led this vast budgetary change. From 1962 to 1973, the yearly growth rate of Ordinary Expenditure was 17,6 per cent. According to official figures, the average percentage of the heading *Serviços de Fomento* was almost three times higher than those of military expenditure (respectively 37 and 13 per cent). But this was not all because an yearly “Extraordinary Expenditure” was added to Ordinary Expenditure. On average, more than 63 per cent of the “Extraordinary” headings were programmes of the *Plano de Fomento*. From 1968 to 1973, the combined expenditure invested for *Fomento* (Ordinary plus Extraordinary expenditure) amounted to no less than \$1,151 billion (1973 USD).⁵⁵

Most of the public investment went towards infrastructural works as demanded by agricultural and mining corporations. State policies obviously increased the multiplier effect through the Angolan economy

⁵⁴ For the modernization of the Angolan economy, see Oliveira (1970); Torres (1983); Ferreira (1985).

⁵⁵ *Serviços de Fomento* contributed with \$801,8 million and *Plano de Fomento* \$350,4 million. Banco de Angola, Relatórios.

and were sufficient to explain the pace of industrial growth of the 1960's. Contrary to the standard expenditure of the petro-states of that time (and of post-1975 Angola), a large share of taxed rents was channelled into gross fixed capital formation. In fact, there was no alternative policy if the State wanted to support a waning rent-generating agriculture. But governmental expenditure whose volume came as a surprise for many⁵⁶ was in itself an effect of rents themselves: more precisely, of oil rents, as shown by Tables 7 and 8⁵⁷. Public policies were simply redistributing them to the remaining branches as outright grants for capital accumulation and military protection

This rent redistribution eased the fiscal and borrowing pressure on most of Angolan agricultural big business and contributed to a higher average rate of profit for Angolan corporations. The more public expenditure was funded by taxes levied on (foreign) super profits, the more capital would be released for self investment or to invest in other profitable branches. Table 9 shows how during the period of the III *Plano de Fomento*, the Bank of Angola progressively spared the contribution of Angolan “forced” borrowers⁵⁸:

⁵⁶ Silva Cunha, the former Minister of Overseas, felt obliged to refute the idea that the volume of expenditure of the II and III *Planos do Fomento* could be linked with the Angola situation (war and the falling economy, “o marasmo”). As he mentioned, “there was even those who made the bad joke of asking for the erection of a monument to terrorism”. Cunha, 1977:145.

⁵⁷ The Portuguese government finally began to implement budget expansionist policies but maintained the colonial principle that colonies should pay themselves. Of the 1 billion USD planned investment of the III Plan, the metropolitan budget was supposed to contribute 7,9 per cent (Banco de Angola, Relatorio 1968: 224).

⁵⁸ The corporations were: *Companhia das Aguas de Luanda* (Water company) *Diamang*, *Petrangol*, *CUCA* (beer), *Benguela Railways* and *TAP* (airlines).

Table 09 – Funding sources of Angolan public debt

	Bank of Angola	Angolan Rent-generating Corporations
1968	8,8	17,7
1973	23,8	4,9

Source: Banco de Angola, Relatorios.

Before 1968, State loans were used to mobilize large fractions of the corporation's cash funds, freezing profits and even circulating capital. Although big business like *Diamang* considered that as late as 1974, the risk of involuntary loans to the Angolan government remained high and kept avoiding it as much as possible⁵⁹, oil rents (from *Cabinda Gulf*) were now available to replace part of them and therefore to accelerate capital accumulation in Angola.

3.2. The rent impact on Angolan politics

If rises in the work productivity and intensity were mainly a business issue, the military control of the rent-generating areas was a State affair⁶⁰. Some of the most important, which were located in border areas or had become military hotspots⁶¹, were directly linked to foreign capital.

⁵⁹ *Diamang* investments out of the branch included informatics, banking, insurance: anything was better than to keep loanable cash reserves. (*Companhia dos Diamantes*, 1971:37).

⁶⁰ As percentages of the Portuguese budget military expenditures went from an average of 26 in 1960 to 40 in 1961-70 (Murteira, 1997: 30).

⁶¹ That was the case for most of the UPA-raided coffee areas in the northern districts, of Cabinda (where MPLA is credited to have for some time suspended *Cabinda Gulf* operations in 1961) and of the *Diamang* concession in Lunda. AHD Arquivo Emb. Portuguesa em Washington, P. 411, Pan-African Movement, 28-10-1971 (quotation of Chilcote, R. H., Portuguese Africa); Farber, 1972:25. Committee: 1971: 12.

Until the *Cabinda Gulf* net results of 1968, super profits made in Angola mainly benefited Portuguese capital and the colonial state. The US investment in Angola was irrelevant outside the oil branch⁶² but therein, it suddenly became out of proportion. In 1970, *Cabinda Gulf* alone had already invested about 150 million USD, that is, 60 per cent of the 250 million USD of total Angolan oil investments. The scale of the oil industry was beyond the standard size of colonial investments: by then *Diamang* had a nominal capital of 35 million USD and *C^a Mineira do Lobito*, the largest as regards fixed assets, of 48 million USD.

Western oil corporations developed the West African oil industry for good reasons. The region was then producing 1,7 million barrels/day and it was still out of the OPEC cartel. Even if the region's oil countries were later to enter into OPEC (as Nigeria would), big oil corporations were still counting on pocketing larger rents based on location (the region's oil fields were closer to European and North American markets) and sometimes on oil quality.⁶³ An additional advantage was that enlarging non-OPEC production would weaken the cartel. West African oil concessions were then part of a strategy of big oil companies which estimated that if all non-

⁶² In 1973, the stock capital of *Diamang* owned by US shareholders represented just 4,5 per cent while the Portuguese (private and public) owned more than 62 per cent (Oliveira, 2005: 77-78.). In diamond prospecting, the firm *Diversa* was mentioned in 1973 but was only just starting operations. General Electric had provided a credit of 1,2 million USD to *Companhia Mineira do Lobito* but in 1971, that represented 0,5 per cent of its borrowed capital. The big investment was a 50 million USD investment from *Tenneco* to exploit a sulphur deposit (AHD, Arquivo Emb. Portuguesa em Washington, P. 411; Pan-African Liberation Committee, 28-10-1971; CIA, Intelligence Hand Book. US interest in Africa, CIA-RDP79S01091A0003000500001-3, p. 25). Other American interests were related to trade and banking but not to the renting branches (for a full list of US investments in Angola, see AHD, Arquivo Emb. Portuguesa em Washington, P. 411, Pan-African Liberation Committee, 28-10-1971.

⁶³ "West African oil is particularly desirable because it is near the big markets of Western Europe and North America and contains little sulphur" (CIA-RDP85T00875R00170003, *Intelligence Memorandum*, 01-02-1972).

OPEC net exports could be captured by Western corporations, around one fourth of the anticipated import needs of OECD nations could be met. By 1968, Angola was already producing almost 7 per cent of West Africa's total oil exports and its market value was expected to rise.

Gulf Oil had entered early in Portuguese Africa⁶⁴ but in Angola faced problems even after its offshore success. Initially, the problem was that the oil was too waxy and at times excessively salty (Faber, 1972). This was followed by faulty storage facilities, leading to cutbacks in pumping output. Once these technical problems were resolved, the Portuguese government imposed an OPEC-style contract which Gulf officials “had hoped to avoid” (Faber, 1972:24). The result was that the “government has squeezed rather hard”. Nonetheless, Gulf Oil went on to become “the largest single American investor in Portuguese Africa” and regarding *Cabinda Gulf* as “one of the major growth areas in the corporation” (Ibid.,1972:24).

By then, there were other American oil corporations in Angola. In 1967, the association of *Getty Oil* with *Sunray (Sun Oil)* and *Clark Oil* was granted a three-year concession⁶⁵. In 1969, *Texaco* associated with *Petrangol* for the exploitation of oil fields in the Congo basin and in 1974, so did *Amoco*, *Occidental* and *Iberian* for the offshore area of the Kwanza⁶⁶. As none of them got close to the net results of the *Cabinda Gulf*⁶⁷, the taxation of

⁶⁴ *Gulf* entered Mozambique before Angola: in 1948, the subsidiary Mozambique Gulf Oil Corporation won a first non successful concession (CIA-1953-05-25 RDP83-00423R000500580001-2, CIA, 25-05-1953).

⁶⁵ AHD, Arquivo Emb. Portuguesa em Washington, P. 411, Southern Africa Task Force, 28-10-1971.

⁶⁶ Companhia de Petróleos, Relatório, 1969:9; 1974:10.

⁶⁷ The association *Petrangol-Angol-Texaco* for the Congo basin produced 68,9 thousand tons in 1972 and 222,8 in 1973 (Companhia de Petroleos, Relatório, 1973). The Angol-Texaco group was expected to invest \$5 million in deep sea oil research by 1975 (AHD Arquivo Emb. Portuguesa em Washington, P. 411, Pan-African Committee, 28-10-1971).

the oil rents remained dependent on just one firm which was the core of American interests in Angola. It was only natural that political objections in the US to Portuguese colonial rule would centre on the role of *Cabinda Gulf*. A series of events that took place in the years 1971-72 brought into public discussion the link between rents and political power in colonial Angola. It may be useful to compare what was argued with some of the trends described in previous points.

3.2.1. Challenges to *Cabinda Gulf* rents

In February 1971, three *Gulf Oil* shareholders acting on behalf of the Southern Africa Task Force of the United Presbyterian Church⁶⁸ sent the Gulf Oil Board four proposals to be presented at the Company's annual meeting, to be held in April in Atlanta, Georgia.⁶⁹ The Task Force had been organised by the Church General Assembly of 1969 "to co-ordinate the programs and concerns of the church regarding racism, colonialism and apartheid in Southern Africa". The proposals were: 1) to establish a Committee to examine Gulf involvement in Portuguese Africa; 2) the disclosure of donations and gifts (to the Portuguese Government), 3) to enlarge the Gulf Board to up to 25 members; 4) an amendment of article 2 in *Gulf*'s Charter in order to forbid operations in territories under colonial rule.

An immediate goal of the campaign was "to get *Gulf* out of the Portuguese colonial areas". In addition, the Church also wanted to take advantage of the "educational possibilities of the *Gulf* campaign to build support for the

⁶⁸ The Presbyterians were the third largest denomination in the USA with about three million members, disposing of a network of 10,000 ministers throughout the country (Evening Star, Church Challenges Gulf Oil , 06-04-1971).

⁶⁹ "Timothy H. Smith, owner of 5 shares, David W. Robinson, Jr, owner of 200 shares, and Wilbur K. Cox, Jr, owner of 2 shares" (AHD, Arquivo Emb. Portuguesa em Washington, P. 411 Southern Africa Task Force, 24-3-1971).

greater objective: to end the U.S. support for Portugal's colonial wars."⁷⁰ Needless to say, although the *Gulf* Board had accepted the four proposals to the shareholders meeting (with a negative recommendation and after a first attempt to nullify them), they were rejected by 98 per cent of the votes.⁷¹ The Church expected nothing less but the campaign had been launched. Some Congressmen joined in and colleges, foundations, banks and other institutions were asked to adhere. The Task Force published a list of 39 universities owning *Gulf* stock which showed that, all together, they owned 1,1 per cent of the shares; but it was expected that public opinion could be moved if they were convinced to sell them out.

Harvard University was particularly focused: of the 39 institutions, it had the larger share (that is 0,3 p.c. of the *Gulf* stock) and it was considered that its attitude would have a greater political impact: "if Harvard can be made to sell its shares, others can certainly be made to follow suit"⁷². The University was wealthy enough to gain time by sending "a representative, Stephen J. Farber, to Angola to provide first-hand information". His report, clearly biased towards the continuity of the *Gulf* presence in Angola, as well as much of the material published during the campaign, provide important information for an assessment of the political effects of the Angolan rents and particularly, of *Cabinda Gulf*.

The Task Force was right in pointing out that the colonial war "were placing a tremendous strain" on the Portuguese economy but certainly was not when it considered this to be "the one factor that forced her to open her African colonies to foreign investment in the mid-60's". *Diamang* contracts since 1919 show that the colonial government never missed a chance to

⁷⁰ AHD, Arquivo Emb. Portuguesa em Washington, P. 411, Southern Africa Task Force, 24-03-1971; American Committee on Africa, 01-02-1971.

⁷¹ AHD, Arquivo Emb. Portuguesa em Washington, P. 411, Southern Africa Task Force, 28-10-1971; Gulf Oil Corporation, 12-05-1971.

⁷² AHD, Arquivo Emb. Portuguesa em Washington, P. 411, Charles Diggs, 28-10-1971.

become a rent partner of any capitalist corporation, whether national or foreign, all the more in a recession. The exchange decree of 1931 which allowed foreign capital in Angola to repatriate profits before all others is an example of the regime's priorities (Clarence-Smith, 1985:170).

The situation was similar by the mid 1960s, when the deterioration of terms of trade was decreasing the import capacity and thus, reducing the renewal of equipment vital for cutting production costs. According to official economists, the only alternatives to slow growth would be either a big oil discovery (which prophetically would occur that very year in *Cabinda*) or a massive flow of foreign capital (Correia e Silva, 1966:68-69). Foreign capital did begin to flow at a faster pace after 1965 but that was related just to the mining boom and not to any change of governmental policies. It is a fact that Portuguese government favoured the buying of foreign profitable corporations by nationals whenever possible and even mobilized public money for this purpose (as it happened with the transfer of *CADA* from the Belgian *Hallet* group in 1943-44 with the financial backing of *Caixa Geral de Depositos*, the State bank). But repatriation of profits and capital guarantees had "always been an integral part of Salazar of Salazar's dealings with foreign investors" (Clarence-Smith, 1985:204). As *Gulf* acknowledged, despite the new contract, the Portuguese Government never requested retroactive payments and "unlike some other governments, it showed a predictable quality". (Farber, 1971:24).

The qualitative advantage of oil self consumption and therefore, its direct use in the war machine, was also stressed by several Task Force publications.⁷³ *Gulf's* reply to that showed that it had a more accurate perception of the Angolan political economy than the Church. It was a reminder that all of

⁷³ An interview with the Angolan Governor Rebocho Vaz talking about the "valuable support of Angolan oils for our armed forces" was often quoted in papers of the Task Force (AHD, Arquivo Emb. Portuguesa em Washington, P. 411, Arquivo Emb. Portuguesa em Washington, P. 411, Southern Africa Task Force, 24-03-1971).

Angola’s oil and refinery needs were supplied by *Petrangol* and its refining complex and most importantly, that in oil contracts, all governments had the right to take in kind 50 per cent of the output. Still “these particular government rights have never been exercised” in Angola, not because this would trigger a penalty but rather, because the Government preferred tax revenues⁷⁴.

The central focus of the United Church campaign was the direct contribution of *Cabinda Gulf* to the colonial war effort. To counter this, the Farber report repeated the *Gulf*’s point of view that “the Angolan insurgency was almost in its seventh year before *Gulf* discovered oil” and referred to the low figures of the pre-1971 payments. The report was correct in pointing out that much of the budget figures were *para ingles ver* (in Portuguese in the original meaning: fake statistics). But the fact is that even the published official sources could not hide the undeniable reality. The *Banco de Angola* data make it possible to compare the cumulative amount for military expenditure and oil-related taxes during the years of the III Plano:

**Table 10 – Angola – Military Expenditure and Taxation*
of Oil industry – 1968-1973**

A – Military Expenditure (million USD)	B – Oil-related Taxation (million USD)	B/A
367,1	200,4	54,6

*Excluding taxes on the consumption of refined products

Source: Based on Banco de Portugal, Relatorios.

⁷⁴ Farber added that the *Petrangol* refinery could hardly use Cabinda oil due to its high paraffin content and that as Cabinda crude was especially appropriate for the refining of fuel oil, it was better to export it, considering the limited market in Angola (Farber, 1972:25).

These figures were not available to Farber at the time of compiling his report but it was no secret that the crude oil-industry – mainly *Cabinda Gulf* – was paying for more than half of the colonial war effort. The realistic prospect was that it in the near future it would pay even more because “less predictable factors” were emerging: the blast of oil prices decided by OPEC at the end of 1973 (with effects on revenues of 1974) and the premium that West Africa would benefit from after another closure of the Suez Canal (in the aftermath of the Middle East war of 1973).

But that was not all and even the Task Force underestimated the possible effect of an oil-rent vacuum in colonial Angola. Were it to come true, it would not just lessen the military performance of the colony but shrink its support base. Namely, the modernization of its infrastructure depended on the taxation of (oil) super profits⁷⁵ and a large part of colonial profits now depended on that state-led modernization. As section 3.1 showed, the 1968-1973 *Fomento* Plan redistributed taxed super profits of mining branches as indirect subsidies to the less prosperous branches of agro-industry, once the main exporters. Local industrial incomes were also expanding but even this could not save the amounts required by the public investment programmes (during the III Plan years, total expenditure kept growing at a yearly rate of 16 per cent). In fact, the demand for import-substitution commodities was itself a side effect of the rent-induced boom. The projection for the near future was that “growth” was not sustainable without public investment which still represented 30 per cent of capital accumulation in Angola (Patinha, 1972). In short, given the ongoing trend of the profit rate in non-mining capital, capital flight and its political consequences were to be expected if there were no more oil-profits to tax.⁷⁶

⁷⁵ For a description of the distribution of surplus value available in Angola, see Silva (1966:263).

⁷⁶ The Farber report considered the scenarios emerging of a Gulf withdrawal from Cabinda (government take over, replacement by Petrangol or other concessions) only to rule out the

Conclusion

It is established that as production conditions change so do distribution rules. Recent studies confirm that shares of surplus value paid as rents or taxes were – and increasingly are – due to a wider range of “scarce” goods than classical economics has tended to include. Coercive labour was one of those. From the moment that capital had access to a cheaper workforce than in the markets it came from, political forces providing access to this advantage were entitled to participate in the distribution of differential rents. The colonial labour environment had a competitive edge but came at a cost and capital exports and colonial administrations intertwined for decades.

The allocation of the surplus value (as profits, land rents or taxes) depends on its volume which is determined by the rate of profit. The assessment of the rate of profit in late colonial Angola is the core of section 2. Angolan agricultural and mining capital benefited from a long-lasting boom until the mid 1950s. Afterwards, the world market of tropical commodities changed and its capitals entered into a trend of falling profit margins. The available data show that:

- the profit rate declined along two long recessive waves, the most recent lasting until the end of the colonial administration;
- profit margins decreased much more in the agricultural sector than in the mining sector;
- an ongoing trend was to reduce the number of rent-generating branches and within each one, to reduce the number of rent-generating corporations.

These factors changed the surplus redistribution. The proportion to which the surplus value is distributed among capital and *rentier* classes (including the

idea that such withdrawal could be harmful for the Portuguese government. It is certain that much would depend on the time span of the income disruption.

State as tax collector) is a key issue of debate since “classical economists”. The outcome of it has not changed much since then: considering that profits are said to be the only source of capital accumulation, “it was better that the social surplus should consist of profit rather than rent” (Meek, 1979: 84). The class-allocation of the surplus determined whether it would be invested or “wasted”, that is spent in non-productive uses. This is surely the reason why current orthodox economics, even if it rejects the labour-value theory which grounds the concept of surplus value, has developed such a long tradition of association of rents to inefficiency “or lost growth opportunities”.⁷⁷

Empirical evidence shows that the 19th century’s labels for the fractions of the surplus value mass (profits, rents and taxes) no longer corresponded to the role economists had assigned them. In current capitalist societies, big corporations tend to “waste” more and more profits in non-productive uses (Baran and Sweezy, 1978) and conversely, landlords and the State have been credited to have played an important role in capital accumulation during many “development” processes (from feudal Japan to centrally-planned capitalism in modern China).

The case of colonial Angola contributes to this discussion and section 3 focused on how taxed super profits were spent by the administration. It showed that the colonial state redistributed rent in counter-cycle policies. Just in six years (1968-1973), the State expenditure in the implementation of more efficient labour markets and infra-structures amounted to more than a 1 billion USD. A large part of the mineral rent was put back into “development” policies in order to raise the organic composition of work⁷⁸

⁷⁷ For the classical source of identity between taxation and non-productive expenditure, see Ricardo (1978:173).

⁷⁸ The concept of organic composition of work is related to the costs of education and training. In an analogical comparison with capital organic composition, Emmanuel developed Marx’s idea that the same labour time can produce different value outputs according to its qualitative differences (simple or qualified work force) (Emmanuel, 1974: 122-123).

and of capital. By doing so, it also progressively integrated peasant society within the market economy.

But does this kind of income distribution really deserve to be considered a case of “good rent” use according to orthodox standards?”⁷⁹ Growth in capitalist production means only profit-growth: net results not gross results. One of the most striking contradictions of capital accumulation in Angola during this period showed itself in the State budget: on the one hand, a concentrated dependence on an increasingly smaller number of profit-generating branches (in fact two) and on the other hand, more and more governmental expenditure to enlarge the capitalist social relationship for the sake of the low-profit branches. Coffee, for instance, was seen by the coffee producers themselves as an unrecoverable *rentier*-branch since 1961⁸⁰ but that did not prevent the State from undertaking significant and costly infra-structural implementation (in road building and development programmes both in the Central plateau, where its labour force came from, and in the coffee-growing districts). *Companhia Mineira do Lobito* lost (State borrowed) money in all but one of its years of activity and yet the *Fomento* Plan kept funding the building of one of the three biggest ore carrier harbours in the world (Mossamedes).⁸¹

There is still insufficient available data on Angola corporations to definitely validate the trend of falling profits drawn from Table 3. Even if that sample

⁷⁹ For “good” and “bad” rents”, see Khan, Jomo (1979: 20-69), Goumeziane (2003) and the *rentier*-theory, that is, several attempts of the bourgeois economy to evaluate the role of rents in the world market. For an overview of *rentier-theory* applied to the Angolan case, see Carneiro (2004).

⁸⁰ Coffee producers such as CADA were diversifying crops (see footnote 26) and economists had been advising them to do this since 1961 (Pires, 1961: 61-63). The short recovery of coffee profits in the mid 1960’s did not change the trend.

⁸¹ In the words of the president of the 1974 Inter-Ministerial Board for assessing the mixed colonial corporations inherited by the new regime, “the lack of a coherent strategy for public capital is striking” (Murteira, 1999:111).

is confirmed, this should not rule out the possibility of super profits being made outside oil and diamonds. Certain branches were recovering from low prices and also low profits, as for instance sisal in 1972-73. Rises in profit rates would certainly result from the public and private investments to increase the relative surplus value rate. It is also possible that the multiplier effect of oil and diamond rents could be increased, especially as more and more mining concessions had been granted since 1971. The taxable mass could also be extended (in the fast-growing industrial sector).

But irreversible negative trends were also on-going. In the market of tropical commodities, the traditional agro-industrial staples of Angola such as coffee, sugar, cotton or palm oil faced the competition from more favored suppliers or just from massive peasant production, all of them contributing to the decline of Angolan rents and profits. Under these conditions, as the demand for Angolan wage labor was falling and capital intensification was coming to a halt, only the State was enlarging labour markets and productive infrastructures in order to meet a demand curve which no longer existed for Angolan exports. For some officials, the “Angolan model” of growth, i.e. State-led capital accumulation in “extensive”-low profit sectors, had reached its limits⁸². These limits were of course those set by the world market which imposed only labour-saving growth and was pulling capital outwards: precisely the opposite to what late colonial administration was doing⁸³.

⁸² A “simple model” showed that with an output-capital ratio of around 0,36 (“necessary to respond to international competition”) a yearly growth rate of 7 per cent would require investment of something close to 20 per cent of the GNP in Angola. It was not foreseeable that “inner initiatives” (that is, Angolan capital) might implement such investments. It was also expected that decline in mineral rents would lead to “a certain contraction of public expenditure” (Serrão, 1972: 54-55;64).

⁸³ The regimes after 1975 complied much better with the capital accumulation logics, both in Portugal and in Angola (from where most of the oil rents are fleeing to be invested abroad). One of its leading ideologists and official economist, Silva Lopes, wrote about the previous era: “The New State gave private initiative the fundamental role in economic activity but was not much a believer in the market economy” (Lopes, 1996: 267). Lopes had been severely criticized by the

Rent transfer is part of class struggle. Angolan differential rents would have never been as high as they once were without the political control of the work force. But as the international division of labour started undercutting them in the branches which used to employ labour on a large scale, the colonial administration was becoming politically useless, even more as it insisted on diverting its surplus value shares to subsidize non profitable capital⁸⁴. As neither colonial nor post-colonial Angolan governments would ever leave the world market nor develop alternative policies to capital accumulation, this contradiction could not last long.

During the last three years of colonial rule this model of rent-distributing developed an additional flaw: it increasingly relied on the most political of all commodities, oil⁸⁵ and on one corporation, *Cabinda Gulf Oil*, an affiliate of an oil-multinational exposed to a large international visibility. The United Church campaign against *Gulf Oil* in 1971 could have hardly succeeded but was framed in a context of changing public opinion about colonial regimes that neither big business⁸⁶ nor the Portuguese government⁸⁷ could ignore on the long run.

high staff of colonial Angola for his policies of submission to international capital.

⁸⁴ Sedas Nunes, a leading sociologist of the academic establishment would openly define the criteria of the development policies to be implemented as “non-capitalist”. Sousa, 1965: XXI. For a discussion of the sustainability of the model as regards the integration of Portugal and Angola in the European capitalism, Torres, 1983.

⁸⁵ Oil is 10 per cent economics and 90 per cent politics” (David Yerguin quoted by Lopez, 2006:9).

⁸⁶ The same year, the Episcopal Church organised its own campaign against the \$125 million investment of General Motors in the South Africa. (The Evening Star, *Church Challenges Gulf Oil*, 06-04-1971).

⁸⁷ The correspondence from the Portuguese Embassy in Washington shows that much more attention was paid to this campaign than it looks by reading the memoirs of the former Ambassador (Themido, 1995:99).

Archival sources

Arquivo Histórico Diplomático – Arquivo da Embaixada Portuguesa em Washington, P. 411

Corporations

Banco de Angola (several years), *Relatório e Contas*, Luanda.

Companhia Angolana de Agricultura – CADA (several years), *Relatório e Contas*, Lisboa.

Companhia de Diamantes de Angola – DIAMANG (several years), *Relatório do Conselho de Administração*, Lisboa.

Companhia de Petróleos de Angola – PETRANGOL (several years) *Relatório e Contas*, Lisboa.

Companhia Geral dos Algodões de Angola – COTONANG (several years), *Relatório e Contas do Conselho de Administração*, Lisboa.

Sociedade Agrícola do Cassequel, *Relatório e Contas*, (several years), Lisboa.

Official publications

Presidência do Conselho (1970), Secretariado Técnico, *Relatório da Execução do II Plano de Fomento Ultramar 1959-1964*, Lisboa: Imprensa Nacional.

Republica Portuguesa (1973), *Projecto do IV Plano de Fomento*, Secretaria-Geral da Assembleia Nacional e da Câmara Corporativa, tomo II – Ultramar (Cabo Verde – Guiné – S. Tomé e Príncipe – Angola), Lisboa: Imprensa Nacional.

“Trabalho” (several years), Luanda.

Digital sources

CIA – FOIA

<https://www.cia.gov/readingroom/search/site/Angola>

Bibliographic references

- Amin, S. (1988) *L'accumulation à l'échelle mondiale*, Paris: Anthropos.
- Antão, M.P. (1972) Problemática do investimento externo em Angola, razões para um colóquio realizado em Lisboa, *Actividade Económica de Angola Revista de Estudos Económicos*, 97, Julho a Setembro de 1972, pp. 5-12.
- Baran, P.A. and Sweezy, P.M. (1978) *Capitalismo monopolista. Ensaio sobre a Ordem Económica e Social Americana*, Rio de Janeiro: Zahar Editores.
- Carneiro, E. M. (2004) *Especialização Rendeira e Extroversão na África Subsariana. Caracterização e Consequências*, Cascais: Principia.
- Committee of Returned Volunteers (1971), *Gulf Oil a Study in Exploitation*, New York
- Correia e Silva (1966) Desenvolvimento económico do espaço português. *Actividade Económica de Angola, Revista de Estudos Económicos*, 75, pp. 57-74
- Cunha, S. (1977), *O Ultramar a Nação e o "25 de Abril"*, Coimbra: Atlântida Editora.
- Dong, J. Q. (2016) On the contingent rent-generating potential of firm-specific managerial experience, *Journal of Business Research*, vol. 69, issue 10, pp 4358-4362.
- Emmanuel, A. (1974) *Le Profit et les crises. Une approche nouvelle aux contradictions du capitalisme*, Paris : François Maspero.
- Farber, S. B. (1972) Gulf and Angola, *A Journal of Opinion*, vol. 2, no. 3, pp. 21-31
- Ferreira, E. S. (1985), A lógica da consolidação da economia de mercado em Angola, 1930-1974, *Análise Social*, vol. XXI, pp. 83-110
- Ferreira, N. (2017), *Os factores humanos da produtividade: Absentismo e a Instabilidade da mão-de-obra em Angola e Moçambique* segundo o relatório preliminar apresentar por Portugal sobre o Projecto Conjunto nº 5 da C.C.T.A. *Africana Studia*, 28, pp. 203-220
- Figueiredo, J. (1962) *Economia de Angola*, Luanda: Edição do Autor.
- Goumeziane, S. (2003) *Le pouvoir des rentiers*, Paris: EDIF.
- Guerra, H. (1979) *Angola Estrutura económica e classes sociais. Os últimos anos do colonialismo português em Angola*. Lisboa, Edições 70.
- Khan, Mushtaq H and Jomo K.S (2000) *Rents, Rent-Seeking and Economic Development. Theory and Evidence in Asia*. Cambridge University Press.
- Lopez, P. S. (2006) *Geopolíticas do Petróleo*, Instituto Piaget.
- Marques, W. (1971) A Economia de Angola, *Actividade Económica de Angola, Revista de Estudos Económicos*, 92-93, pp.5-21.

- Marx, K. (1977) *Le Capital*, Paris : Editions Sociales.
- Meek, R. L. (1979) *Studies in the Labour Theory of Value*, London: Lawrence and Wishart.
- Mendes, A (1966) *O Trabalho Assalariado em Angola* Dissertação de doutoramento apresentada ao Instituto Superior de Ciências Sociais e Política Ultramarina. Lisboa: Instituto Superior de Ciências Sociais e Política Ultramarina.
- Murteira, M. (1999) *Formação e Colapso de uma economia colonial*. In: Francisco Bettencourt and Kurti Chaudhuri (Eds.) *História da Expansão Portuguesa*, Lisboa: Circulo de Leitores, pp. 108-143.
- Nunes, J.A.P. (1968) *Serviços de Saúde e Assistência de Angola, Ultramar*, 1st trimestre.
- Oliveira, J. E. da C. (1970) *Economia de Angola. Evolução e Perspectivas*, Luanda.
- Oliveira, J. E. da C. (2005) *Memórias de África*, Lisboa: IPAD.
- Pimenta, C. and Silva, H. P. *Contributos para o estudo da economia rendeira e extroversão em África. Análise das exportações 1980-2004 por países e produtos* http://www.africanos.eu/images/publicacoes/working_papers/WP_2011_21.pdf WP/CEAUP 2011/01.
- Pires, A. (1962), *Novos Rumos para a Economia de Angola (Conferência inaugural do ciclo promovido pela Associação dos Agricultores de Angola, proferida no Palácio do Comércio de Luanda, em 22 de Julho de 1961)*. *Actividade Económica de Angola.*, n.os 61 a 63, Setembro/Dezembro de 1961 e Janeiro/Agosto 1962.
- Roque, F. et al. (1991) *Economia de Angola*, Lisboa: Bertrand Editora.
- Santos, M. (2016), Capital e trabalho em Angola – as “relações industriais” na Diamang durante a década de 1960. In: Francisco Topa and Irene Vishan, (eds.), *Manuel dos Santos Lima, escritor angolano tricontinental*, Porto: Edições Afrontamento.
- Santos, M. (2017) Trabalho e sindicatos em Angola (1950-1970) – o “impasse” na acumulação de capital, *Africana Studia*, 28, pp. 223-250.
- Smith, G.C. (1985) *The Third Portuguese Empire 1825-1975 A study in economic imperialism*, Manchester University Press.
- Sousa, Alfredo (1965), *Economia e sociedade em África*, Lisbon (“Prefácio” of Sedas Nunes)
- Themido, J. H. (1995) *Dez Anos em Washington 1971-1981*, Lisboa: Publicações Dom Quixote.
- Torres, Adelino, *Pacto Colonial e industrialização de Angola (anos 60-70)*, Análise Social, vol. IXI, (77-78-79), 3º,4º, 5º, pp. 1101-1119