Isabel dos Santos, daughter of Angola's president | Epa

Portugal is becoming an Angolan financial colony

An influx of oil money has made Lisbon a playground for Angola's upwardly-mobile middle class.

By **PAUL AMES** | 28/4/15, 1:58 PM CET | Updated 28/4/15, 3:40 PM CET

LISBON — When Isabel dos Santos, Africa's richest woman, made a rare public appearance at an art-show opening in Portugal's northern city of Oporto last month, the press came out in full force.

"She exuded class, elegance and education," gushed Caras, a celebrity weekly, of dos Santos, Africa's first female billionaire and daughter of Angolan president José Eduardo dos Santos. She had just unveiled plans for a merger between two major banks, Millennium BCP and Banco BPI, which would create a new financial giant in Portugal. The deal underscores the influence of Angolan capital in the Portuguese economy, which is still struggling to recover from the eurozone debt crisis.

"There are strong, emotional ties between Portugal and Angola. They share a language. There's a cultural affinity, there are often family links and friendships, but there's a feeling that the historical roles have been inverted," says Celso Filipe, deputy director of the Lisbon business daily Jornal de Negócios. "Portugal, which was the colonizing country, has become colonized by Angolan investment," Filipe said.

The proposed merger would create Portugal's biggest bank, with combined assets estimated at €124.6 billion. The new bank would be a major player in Angola, Poland and Mozambique, in addition to controlling 30 percent of the Portuguese market.

Dos Santos' holding company Santoro already owns 19.4 percent of BPI, and the Angolan state oil giant Sonangol holds a similar stake in BCP.

Forty-one-year old Isabel dos Santos is leading a new movement of Angolan investors who are pumping money into their former imperial ruler. Angola is the only African country where outward investment exceeds the sum of foreign money flowing in. From 2010 to 2014, Angolan investments in Portugal rose from €645 million to €1.53 billion, according to Bank of Portugal figures.

Angola's emerging middle class has made Lisbon its playground over the past decade as Angola has been enjoying economic growth rates averaging more than 8 percent. Their spending sprees in the boutiques of Lisbon's upscale Avenida da Liberdade have drawn envy, and derision from locals. Last year, a hit Portuguese show featured a well-known comedian in gaudy dress and black-face rushing from store to store, accompanied by her gold-chained, hip-hop blaring offspring, declaring, "I'll buy it all."

> "Angola's emerging middle class has made Lisbon its playground over the past decade, enjoying spending sprees in the boutiques of Lisbon's upscale Avenida da Liberdade

And as Angolans are flocking to Portugal, tens of thousands of Portuguese citizens have headed south to Angola, seeking an escape from austerity and unemployment in Angola's oil-fueled boom.

The migrants are providing Angola with workers for highly-skilled sectors like construction, marketing, and education, all in short supply in an economy that has yet to finish rebuilding the damage wrought by a civil war that raged from 1975 until 2002, when dos Santos Sr. finally defeated the UNITA rebel movement. In 2013, Portuguese workers living in Angola sent over €304 million back to their cash-starved homeland.

Money from Angola has flooded into virtually every sector of the Portuguese economy. But it's not just Angolans who are spending their fortunes in Portugal.

Ever since the European Union and International Monetary Fund rescued Portugal with a €78 billion bailout in 2011, Portuguese Prime Minister Pedro Passos Coelho's center-right government has worked hard to lure foreign investment, raising over €8 billion in a series of privatizations.

Chinese buyers have played a prominent role, snapping up a leading privatized insurance company as well as major stakes in the country's power grid operator and main electricity generator.

To further tempt investors, Portugal offers EU residency visas to anyone who transfers €1 million in capital, invests €500,000 in property, or sets up a company that employs at least 30 people.

This "golden visa" scheme has raised €1.39 billion since 2012. Chinese investors make up over three-quarters of the 2,290 visa recipients to date. Among others gaining visas are Brazilians, Russians, South Africans and Angolans.

The program has raised eyebrows in Europe amid concern about immigration controls and organized crime.

Opposition lawmakers in Portugal intensified demands it be scrapped after the arrest last year of senior immigration officials. Prosecutors are suspicious of corruption involved in the granting of visas, after the scandal forced then-Interior Minister Miguel Macedo to resign.

Critics say the effort reflects an investment-at-all-costs approach that has allowed Angola's government to gain a detrimental influence in Lisbon.

President José Eduardo dos Santos has held power for over 35 years, making him one of the world's longest-serving rulers. Among non-royal heads-of-state only the leaders of Cameroon and Equatorial Guinea have been in power longer.

Angola abandoned Marxism to embrace the free market at the end of the civil war in 2002, and dos Santos' political allies amassed vast fortunes as state assets were sold and peace led to the exploitation of oil and diamond resources.

According to the IMF, inequality in Angola is among the worst in Africa. Over half the population of 21 million survives on less than $2 a day. Transparency International's

Corruption Perception Index ranks Angola near the bottom among 175 countries.

Portuguese authorities are accused of turning a blind eye to corruption to avoid alienating investors close to dos Santos' regime, and allowing Angolan oligarchs to freely spend dubiously amassed fortunes in Lisbon.

Official rhetoric stresses the deep historic and cultural ties between the two countries, and highlights Angola's role as a partner – the country is Portugal's fourth-largest export market, with sales worth €3.2 billion last year.

"Angola is one of our biggest partners … we are open to investments in Portugal that create wealth here, but also that create wealth there," Miguel Frasquilho, head of the Portuguese trade and investment agency AICEP told POLITICO. "We don't distinguish between investors on the basis of where they come from.

In recent months, Angola's expansion has been hit hard by taking oil prices. Oil makes up more than 90 percent of the country's exports and 70 percent of its tax revenue, the fall in crude oil prices has left the country with a $7.35 billion spending gap, despite a rate of economic growth that the IMF predicts will remain above 4 percent this year.

In response, the government has cut public spending by a quarter, introduced import quotas, delayed infrastructure projects and imposed steep taxes on foreign currency transfers. All of which is hurting Portugal.

Exports to Angola fell by 30 percent over the first two months of 2015. Portuguese companies complain of unpaid bills, and Portuguese workers there can't send money back to their families at home.

But officials in Lisbon are careful not to complain too loudly about the Angolan measures – no doubt in order to avoid repercussions when the market bounces back.

"There are indications the situation is stabilizing," investment agency head Frasquilho says. He noted that Angola remained Portugal's fourth-largest foreign investor last year – behind Brazil, the Netherlands and Spain – despite the oil price slump.

Nevertheless, Isabel dos Santos, who symbolizes the weight of Angolan investment in Portugal like no one else, is pressing forward. Pulling off the merger of Portugal's two largest listed banks would strengthen her position in both countries.

Forbes estimates dos Santos's net worth at $3.4 billion. Besides her share in Banco BPI, her holdings in Portugal include a 42.5 percent share in BancoBIC Portugal, as well as significant shares in the energy company Galp Energia and the leading telecommunications and media group NOS.

In her rare media interviews, Isabel dos Santos fends off accusations that her fortune was built on the back of her father's power. "There's lots of people with family connections but who are actually nowhere," she told the Financial Times in 2013. "If you're hard-working and determined, you will make it and that's the bottom line. I don't believe in an easy way through."

The effort to bring the banks together comes on the heels of her failed attempt last year to prevent France's Altice from taking over Portugal Telecom. "We are bringing back a sense of ambition to the Portuguese financial sector," dos Santo's office said in a statement last month.

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