

TRANSNATIONALISM AND PARADIPLOMACY IN THE ECONOMIC RELATIONS BETWEEN BRAZIL AND ANGOLA: THE CONSTRUCTION OF THE CAPANDA HYDROPOWER PLANT BY THE CONSTRUTORA ODEBRECHT

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Introduction

The diplomatic relations between Brazil and Angola can be traced from the independence of Angola in 1975 upon the pragmatic involvement of the Foreign Ministry, despite the internal pressures for bringing the country closer to the Popular Movement for the Liberation of Angola that was being supported by the USSR and Cuba.³ In 2010 (Brasil 2010) the relationship changed from a pragmatic approach as started in 1975 to a strategic partnership that consolidated the need for a South-South approach in the diplomacy to strengthen the autonomy through diversification of partners. Thus, the relations between Brazil and Angola are a rich empirical field that goes beyond the rational actor model to an understanding of the diverse and complex nature of the Global South and the participation of the new transnational actors in this scenario.

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The reconstruction of Angola after its independence from Portugal and later with the end of the civil war in the 1990s depended on, and still depends on, largely on the foreign investments. Therefore, the country has offered incentives for investments whose utility aroused interests of Brazil, China and the former Soviet Union despite the risks presented naturally in a country with low political and institutional stability during the process of decolonization. This movement had Brazilian companies as important actors investing in the country upon receiving credit lines and incentives specially granted for this purpose.

The stance adopted by Brazil in relation to its diplomatic objectives and the form of the rapprochement with Angola raises questions that guide the development of this work, namely: what is the reason that led Brazil to adopt an indirect influence exercise stance on Angola despite its explicit claim made by its foreign policy of the need to increase the South-South relations? How was the participation of Brazilian companies in this process and what were the implications of participation in the politics and in Angolan society?

The incentive for Brazilian participation in the process of reconstruction of Angola found an echo in the new orientation of Brazilian foreign policy that sought to identify new partners in the Global South with a view to modify the balance existing in the relationship with the North by the application of the principle of autonomy through diversification. Thus, the initial conditions were generated by the international system that in the early 1970 was tested with a growing number of decolonization processes in Africa, the oil crisis and the great dissatisfaction of the developing countries on how were treated by the developed North.

Considering this, the first initiatives of approach took place, having as one of its landmarks the construction of the hydroelectric of Capanda by Construtora Odebrecht (Odebrecht), which had already started its internationalization process by investing in the construction of a plant to provide power and irrigation in Olmos, Peru. The involvement of the Odebrecht in Angola followed an intermediate model to the Chinese model that is heavily dependent on the state and based on sending labor, and the Indian model that is fully driven by the private sector (Leite 2011). Brazil had to encourage and fund companies to participate in the country's reconstruction efforts and at the same time led its foreign policy towards new partners to build new foundations for cooperation.

Upon these initial considerations, the paper develops an analysis by considering two analytical dimensions: theoretical and empirical.

The theoretical dimension is a framework that accounts for transnationalism and paradiplomacy. The hypothesis in this paper is based on the as-

sumption that the participation of Odebrecht in rebuilding the infrastructure in Angola constitutes the practice of corporate paradiplomacy that promotes the transfer of economic, social and cultural capital to the recipient country, turning the company into an important transnational agent with direct political and social influence over national and local society. In this sense, the concept of transnationalism is associated with the activities of non-state actors on the international stage who are able to influence the policy-making process in the recipient states both politically and economically.

The rise of Transnational Corporations (TNCs) as important political actors in international relations is widely recognized by academics and policy makers due to their growing influence on transnational and local affairs. According to Stopford (1994, 274), one of the issues that this influence raises is connected to the competing interests represented by these corporations: “[...] if firms fail to rise to the challenge of acting more as diplomats and continue to act on the basis of short-run perceptions of shareholder requirements, they may provoke policy responses that are the opposite of longer-run shareholder interests.”.

In spite of that, the author argues that instead of waiting for governments to enact new rules for their participation in the economic and political processes in both domestic and international spheres, TNCs should intervene and actively provoke policy responses by means of a triangular diplomacy strategy that will develop a greater degree of partnership between the TNCs and the states in pursuing wealth generation (Stopford 1994).

Stopford (1994) presents empirical evidence that points to the fact that TNCs have been acting in such a way since the 1970s. The author uses the case of General Motors in Brazil, in which the company policies required the establishment of a partnership with local suppliers and workers to set up the business, requiring that hundreds of the company's engineers spend long periods in Brazil to make sure local labor force and suppliers met the standards of the company in the U.S. Has this model been followed by the Brazilian TNCs during the internationalization process? In order to approach this question, I will firstly consider the case of the construction of the Capanda Hydroelectric Plant in Angola by Odebrecht.

The international expansion of Odebrecht began in the 1980s after the signing of a contract with Angola agreeing to provide engineering services to build Capanda.

The reconstruction process, the timing of the Brazilian TNCs internationalization, and the new Brazilian diplomatic approach successfully worked well together in the 1980s, as national and international variables combined. Therefore, the first steps towards the reconstruction of Angola and the con-

solidation of the Brazilian diplomatic strategy to diversify partners have an important link to the construction of Capanda by Odebrecht due to the related facts discussed below. The Brazilian government not only provided political support, but funded the company through a special line of credit to participate in the efforts to rebuild the destroyed infrastructure, as well as the infrastructure necessary for development, thus acting as a facilitator with private interests in expanding business to new markets while building the foundations for cooperation in the Global South. This specific case presents a paradigm that shows companies identifying opportunities and launching into new international markets backed up by states, which consequently initiate state-state relations (Coviello and Munro 1995).

The empirical dimension constitutes a survey and analysis of direct and indirect sources that account for the construction of Capanda and associated initiatives implemented by Odebrecht in connection with the project, as well as its implications on Angolan society. The underlying strategy for this methodology is conducting a micro-analysis in which the case's relevant context, facts, and patterns are examined to find the minimal conditions necessary and evidence to support our theoretical claim and the implications for a future research agenda.

Despite the difficulties that this research can present in terms of the difficult access or one-sidedness of the sources and the treatment of the data discovered within the theoretical framework, we expect to find the presence of the minimally sufficient conditions to confirm the feasibility of the theory presented in this study. Furthermore, the work will identify the additional implications of the presence of the CO in Angola, however, due to space constraints will not be explored here but will certainly contribute to an expansion and / or deepening of the research agendas that focus on this topic or related issues.

The construction of the Capanda Hydroelectric Power Plant by Odebrecht

The development of our analysis starts with the background conditions in relation to both the internal political turmoil in Angola and the economic external pressures that made it possible to accommodate public and private interests. Internally, the decolonization process left the country with an urgent need for structural and institutional reconstruction to provide basic public goods and services to the population. The international pressures generated by the Cold War upon marginalized countries, and severe economic

pressures arising from the oil crisis in the 1970's initiated a revisionist process in North-South relations.

Angola's internal context and international pressures

The fight for independence lasted years; however, formal independence did not bring peace to the country, as the three national revolutionary groups that fought against Portugal began fighting each other for control of government institutions (Visentini 2012). The influence of the Cold War began to be felt within the country's borders. The former USSR and Cuba supported the MPLA. South Africa supported UNITA. Zaire supported the FNLA, which also received the support from Chinese, Portuguese and British mercenaries, and South Africa. The United States initially supported the FNLA but soon started to help UNITA as well, thus, keeping a division strategy in Angola (Whitaker 1970).

The civil war lasted until 2002, in which period several attempts to promote peace were made with special emphasis on the Lusaka Agreement of 1994 (Embaixada da República de Angola em Portugal 1994).

Externally, structural changes in the international system due to decolonization processes (especially in Africa) and the oil crisis in the 1970s had strong impacts on the South. Countries became aware of their vulnerability to the effects of such structural changes, as well as their restricted or complete lack of influence over the centers of power in the North, thus having little or no influence over the world forum and agenda setting before multilateral organizations. Thus, these countries began to act according to the rules of the game, basing their behavior on 1) the decline of the American relative power, 2) the search for support by institutions that could catalyze their interests and 3) the establishment of an ideological coherence between countries in the South, given the sharing of experiences in North-South relations (Krasner 1983).

In this matter, Brazilian diplomacy adopted an approach of building strategic partnerships with developing countries based on speculative and pragmatic factors. While working on furthering its own interests, Brazil sought to identify a new international dynamic that would consider the shared historical process in their relationship with the North and also included a range of views, perceptions and ideas.

Stuenkel (2014) presents a record of Brazil's position in relation to Angola after the Second World War, which was initially marked by the indifference of the elite in minimizing the role of blacks in the formation of

national identity, coming to the point that Juscelino Kubitschek declined to provide support for independence movements. Quadros took the first steps towards forming diplomatic ties in naming the black journalist Raymundo de Souza Dantas to head the Brazilian Embassy in Accra and welcoming the embassies of Ghana and Senegal (the first African embassies in Latin America). General Castelo Branco viewed Africa as a continent of little importance to his policy, only monitoring the context of the “communist threat.”

In the 1970s the scenario changed and relations between Brazil and other countries intensified. According to Borges Filho (1985), the recognition of the independence by president Geisel was based on the premises of a *pragmatic and responsible* foreign policy towards such new international behavior, as he recognized that the MPLA was the only Angolan party with popular representation and support. However, this seems to present an ambiguity in terms of ideology, which is explained by former Ambassador Paulo de Tarso Flecha de Lima: “it was a right-wing government and was a left-wing policy to strongly promote the interests of more conservative segments of society” (Borges Filho 1985, 12). Along these lines, according to Cunha (2002), what draws attention to the recognition of independence conveys more than the political act itself:

Part of the strategy to place Brazil as a bridge between the interests of the first and the third world. (...) On the one hand, it guaranteed Brazil a privileged foothold in Angola and the opening of new fronts in Africa, particularly in Portuguese-speaking countries. On the other, the role of “Western interlocutor” by the MPLA.

The relations with Africa again became cold under the government of Collor who returned to the United States (in the 1980s trade with Africa accounted for 10% of the Brazil’s foreign trade, which was reduced to 2% under Collor). Under Lula, the relationship Brazilian-African gained unprecedented momentum, with 12 trips to the continent in his first term, the opening of 34 embassies on the continent, and the influx of Brazilian investments in Angola after its independence in 1975 increased to US\$ 18 million by 2002, and to US\$ 1 billion by 2012 (Badin and Morosini 2014).

With approaches ranging between idealism and realism in the conduct of foreign policy, Lula stepped up the approach towards Angolan-Brazilian cooperation with a speech extolling the shared culture and language between the two countries, as well as the historical debt to the continent whilst seeking change relationship bases with the North (Vigevani and Cepaluni

2011).⁴

It is in this context of a combination of internal and external conditions that the Capanda project was initiated, being one of the first infrastructure works in post-independence, the greatest work of construction of this kind on the continent and the most important for the Odebrecht that, encouraged by the Brazilian government began its internationalization process.

The Capanda construction is considered the most important infrastructure project in the post-independence era, being the largest construction work of this kind in the African continent. It began in the mid of the 1980s and its construction involves important empirical elements that demonstrates the presence of idealistic and realist approaches in practical Brazilian foreign policy and an important step towards the consolidation of the internationalization process of the Odebrecht.

Building Capanda: a model

In a reference to the Angola Energy Resources Survey 1980, the environmental impact report for the construction of Laúca dam commissioned by the Middle Kwanza Exploitation Office (GAMEK) pointed out the hydroelectric potential of the Kwanza River:

[...] the most notable of which, in terms of hydroelectric generating potential, was the Kwanza River, a finding that served to confirm the SONEFE studies. Based on the results obtained, a decision was taken within the scope of Angola's infrastructure restructuring process to invest in the hydroelectric potential of the Middle Kwanza River Basin through construction of the Capanda Dam, which entered into operation in 2004 with an installed capacity of 520 MW.⁵

Angola recognized this project's importance to the country, especially for the city of Luanda and the surrounding region. However, in terms of resources, the new Angolan government was fully involved with the war. For this reason, until then the government had considered modernizing the Cambambe dam complex to expand its production, rather than start a new project from scratch in an inhospitable area with no minimal infrastructure and with limited funding from the former Soviet Union to supply equipment only.

4 Regarding the historical evolution of the Brazilian position towards Africa see Penna Filho and Lessa 2007; Pinheiro 2007; Stuenkel 2014.

5 Accessed May 21, 2015. <http://www.oekb.at/de/osn/DownloadCenter/projekt-und-umweltanalysen/U807-Final-Report-May-2013.pdf>

On the other hand, in the late 1970s and early 1980s Petrobras (the Brazilian oil company owned by the government), suffering with international financial crises and oil producer boycotts, entered into Angolan oil exploration contracts. (Toscano 2004; Fletcher 1996). By helping Odebrecht participate in the bidding of Capanda and in the construction process, Petrobras could increase the oil volume purchased by the Brazilian government, thus benefitting Brazil. Hence the solution to the problem may appear to have been the result of both corporate-private and corporate-state strategy.

The obstacles for Angola, Brazil, and Odebrecht were overcome according to the document *The Future in Construction*⁶ in the following way:

Marc Altit, who acted as director of business development in the international area of Odebrecht, **has structured an innovative contract with many variables and a guarantee mechanism: the oil produced by Angola.** The idea was presented to the Brazilian government, which although resisted the novelty, had welcomed the prospect of having a reliable source of oil at a stage when international prices were high and there was great contention for the product. Thus, it was that in early 1982, the Brazilian financing transaction was authorized (p.84 - Emphasis added).

It is not the intention of this work to present a complete picture of the grandeur of the Capanda works nor even present to the reader with highly technical and complex information about energy generation.⁷ It is sufficing to say that when it became operational in 2004 the plant began to produce 520 MW, enough to supply electricity to the cities of Malanje and Luanda with 734,000 and 2,449,000 inhabitants respectively (Angolan Statistical Institute), which according to African Dams Briefing 2010:

Capanda Dam **is the largest ever civil construction project in Angola** and provides power to the cities of Malange and Luanda. An estimated \$4 billion has been invested in the project. It was started in 1986 with a state investment of \$750 million **paid in oil supplies to foreign companies** (International Rivers 2010 - Emphasis added).

The deal planned was formally concluded in 1984 between the Anglo-

6 A document published in 2009 by Odebrecht for occasion of the celebration of the 25th anniversary of the signing of the contract for the construction of Capanda. Although it is an advertising piece and provided a one-sided view of the process, the document brings interesting aspects that are not found in other materials and its comparison with other documents analyzed do not show incompatibility or bias that disqualifies as empirical evidence. Available at the Library of the Law School of São Paulo-FGV.

7 For a technical analysis of the construction we suggest: Fedosov 2000.

lan Government and a consortium formed by Odebrecht and Technopromexport for the construction of the Capanda dam in Malanje province. The contract stated the initial cost estimated at US\$ 650 million - the largest involving the participation of a Brazilian company overseas – to provide engineering services that would be partially paid by Angola using oil (10,000 barrels/day). Technopromexport was responsible to the supply and install the necessary equipment for operation (Santana 2003, 22).

It is important to note that this was not the first contract between the two companies, as both companies had already participated in a joint project of irrigation and power generation in Olmos, Peru in 1979. Therefore, when the Angolan government decided to launch the construction bidding process, Technopromexport executives suggested to Odebrecht executives thus: “Why not Capanda in Angola?” (*The Future in Construction*, p.83 and Zebinden, Oli-va and Gaspar 2007).

According to Fragoso (1984) and Calcagnoto (1985), it was exactly during the second half of the 1970s that progressive emphasis took place in relation to the export of Brazilian technology and service sales operations - specifically in the areas of civil engineering, connected to business enterprise, such as the construction of industrial plants and infrastructure projects involving the construction of roads, railways and hydropower.

Cooperation agreements and exploration contracts that can be seen as the result of the adoption of the strategy mentioned by Minister Antonio F. Azeredo da Silveira in that 1976 secret memorandum:

What impressed me most after hearing those evaluations was that the price factor per barrel of oil is today a less determinant element than it was a few years ago. I believe, therefore, that while it is indispensable to endeavor to obtain the lowest possible price, it is even more important that, in the final analysis, the net balance for Brazilian trade should be the least negative possible. **For this reason, it seems to me essential that oil purchases always be made in parallel with the sale of Brazilian products to the suppliers of that fuel** (Wilson Center 1976 - Emphasis added).

In the same memorandum as mentioned before for President Geisel, Antonio F. Azeredo da Silveira, after a meeting regarding the main aims of Brazilian International Petroleum Policy with several Petrobras directors, Scholl Isnard, Carlos Sant’Anna and Plínio Junqueira, he wrote:

Dr. Isnard, in particular, made a thorough investigation of the principles that guide the oil purchase policy followed by our State Company. He stressed the dominant concern with the assurance of supply, which has in-

spired origin diversification initiatives and categories of suppliers that have been adopted lately. He gave the recent purchases of Nigerian, Mexican and Algerian oil, as examples. As a counterbalance to the effects of the cost increases generated by this question, Director Isnard stressed that PETROBRÁS has been increasingly interested in pursuing trade opportunities that may bring a better balance for global Brazilian purchases (Wilson Center 1976).

Following this strategy in the case of Iraq, Interbrás (a subsidiary of Petrobras created in 1976) emerged as an arms-length trading of BRASPETRO. The official justification for the creation of this entity was to leverage Petrobras' purchasing power to promote a state-incentive policy regarding the export of Brazilian enterprises' goods and services.

During the Brazilian currency crisis, Interbrás signed, with the intermediation of Petrobras, a barter agreement with Iraq in which Brazil exported manufactured goods and received payment in oil. To that end, a symbolic exchange contract was put in place to feed the Brazilian Central Bank's datasets. In this operation, the negotiated structure involved consisted of: a) The construction services rendered by Mendes Junior; b) Banco do Brasil granting credit to enable the exportation of services; c) The payment was to be made by the Iraqi government part in cash and part in oil barrels; d) The transfer of the credits regarding the oil barrels to Interbrás/BRASPETRO by Mendes Junior; and e) The payment to Mendes Junior.

This case is a form of counterpurchase that in the words of Mensah (1989, 14) is:

A scheme whereby an exporting country sells to a foreign trade organization and contractually agrees to make reciprocal purchases from that organization, or from another commercial agency in the same country, within a specified period of time (often of a short-term duration). It operates through the use of two separate contracts which may be linked by a Protocol.

In order to be compatible with the expectations of a countertrade operation, a network of contracts had to be in place between Angola and the consortium to facilitate the operation (De la Rosa 2011, 27; Fletcher 1996).

The contract network was set up as follows: a) in September 1982 an umbrella contract was signed between the Government of Angola and Consortium Capanda, b) in December 1983 the Credit Agreement between Angola and Banco do Brasil was set up, c) in November 1984 an amendment was made to the Master Contract and General Conditions of Contract, and d)

in the same month in which they enter into the Consultancy and Technical Assistance Agreements between GAMEK and FURNAS (Revista Furnas, year XXXI, n° 322, July 2005 and Decreto Presidencial 26/84, published at the *Diário da República*, series I, No 263 of December 1st, 1984 -attached at the end of this work). Furthermore, there was the need to set up an internal contractual network to secure the intervention of the Banco do Brasil to provide credit advancing and flow in order to start the project, which made it necessary to create a line of credit that, according to some analysts, absorbed US \$ 1.5 billion (Pinheiro 1987).

Upon completion of this contractual network, the challenge was the construction and delivering promises made. The construction plans started in 1985 with Odebrecht taking measures regarding the safety of workers and equipment, as well as making plans to gain access to the construction site that was located in a region where armed conflicts were still in place. The building works at the site initiated in 1987 (Francisco 2004).

Although the project foresaw starting power generation in December 1993, the UNITA attacks at the end of 1992 led to the disruption of activities and the evacuation of the construction site (Francisco 2004). From 1992 to 1994 the construction site was under the control of UNITA, causing severe damages to the previously constructed structure, which continued to deteriorate even after UNITA left the site in 1994 as it was then occupied by the population living in the region and by the Angolan military army (Francisco 2004). During successive periods of occupation, the structure did not receive any maintenance that could preserve it for a period of approximately five years, which meant losing a significant portion of the initial investment (Francisco 2004).

In May 1997, the parties resumed a series of technical visits and inspections with the aim of establishing an infrastructure recovery plan that was set in motion in 1998. The construction site was attacked in 1999 and the work halted once again until January 2000. However, this time, contrary to what had occurred previously, the site was under the control of the Angolan army. This prevented attacks further damaging construction that had been made up to that point. The work resumed in January 2000 (Francisco 2004).

Nevertheless, in addition to the fact that the country had been plunged into civil war, and that the works were taking place in an inhospitable region without infrastructure 450 km from Luanda, there was still the problem of the lack of skilled workers. The strategy of Odebrecht to overcome this challenge was crucial for business continuity in the country.

The company adopted an approach that favored the gradual replacement of Brazilian employees initially sent on a large scale, by local workers

trained throughout the construction phases with the help of special programs. In the first year of the construction of Capanda, there were 1,100 Brazilians and 300 Angolans. In 1992 at the work's zenith, out of 4,200 employees, 530 were Brazilian. In its 2013 activity report CO reports that Angola makes up its third largest workforce (9,169 employees), behind Brazil (127,166) and Peru (10,541), thus being one of the largest private employers in the country.

Much time has passed by since the beginning of the project and so many dramatic events occurred during its execution that its completion was no longer seen as a technical challenge or even merely the performance of a contractual obligation. Those involved in the project came to see it more as a demonstration of victory than the carrying out of a duty. The finished project was delivered to the Angolan government in 2002 at an estimated total cost of US\$ 4 billion, of which US\$ 400 million resulted from damages caused by the civil war (Francisco 2004). Therefore, the case is representative in the way that Odebrecht adopted a contingency approach, meaning that the company transformed the needs of the states (Brazil needed oil and Angola needed infrastructure but had no money) into a window of opportunity, so these factors determine a model for entering into a new foreign market, and keeping the business by building thrust (Turnbull 1987; Okoroafo 2001).

It is important to emphasize that in addition to the direct economic benefits generated by Capanda, Odebrecht received an additional benefit: the knowledge of creating and operating a subsidiary abroad enabled it to become specialized in international business brokerage, as had occurred with Petrobras by virtue of its international operations with BRASPETRO. Odebrecht also made use of its accumulated experience in coping with complex situations during the construction planning and execution abroad, enabling it to become a market broker (*empresariadora de mercados*) (Wosiak and Nique 2007), thereby diversifying its operations beyond participation in tenders of infrastructure construction. With this knowledge of the international engineering and construction services market, the company is now able to provide diverse planning and development projects and expand and consolidate relationship networks between subcontractors and service suppliers (Wosiak and Nique 2007). This is what Wosiak and Nique (2007, 36) called "delegated entrepreneurship", as described in their words:

Odebrecht not only generates income for the country, but also provides conditions for small and medium enterprises to also conquer opportunities in the international business arena. Of the approximately 1,700 exporters partner suppliers, about 1,550 are small and medium-sized companies that would not export alone and whose exports of goods and services brought approximately US \$ 2 billion to Brazil between 2000 and 2005, Thanks

to Odebrecht contracts, these companies export food, steel products, light and heavy equipment, clothing, electrical materials, tools, engineering and environmental studies, and other technology-intensive products.

However, that could easily qualify as “intermediation” that, according to the document entitled “Odebrecht Entrepreneurial Technology” (TEO), which provides the ethical, moral and conceptual blueprint for members of the Organization’s actions. The potential of human beings is valued, such as the willingness to serve, the capacity and desire to evolve and the will to overcome results. The document also provides for a planned delegation process, based on trust and partnership between leaders and subordinates.

According to Roberto Dias, director of institutional relations of the Odebrecht Group:

Our team also has the advantage of bringing on board several Brazilian companies to develop our work. They consist of design firms, suppliers of building materials, equipment, vehicles, and even suppliers of supermarket items. **Thus, they not only represent Brazil abroad but also further the country’s own interests and, as it turns out, that of Brazilian business itself** (Engenharia v. 580, 2007, 75- emphasis added).

In addition to the condition assumed by Odebrecht as an intermediate, which for us presents the elements of corporate paradiplomacy, the company also started to interject in the cultural arena in recognizing and promoting cultural bonds between the two countries and people.

According to Cunha (2002), the company has adopted a clear strategy. The company has sponsored some Angolan-focused initiatives, such as the African music group Ile Aiye Bahia’s CD record, as well as the Angola Week event held in Salvador (State of Bahia), and has promoted television debates between Brazilian personalities and Angolan authorities, in which Angola took every opportunity to demonstrate that it was there “to stay”. In an interview with Francisco (2004), a director of the Brazilian company, he mentions that one of the strategies to convince the representatives of the Angolan government of the existing cultural proximity between the Brazilian company and the African country was to present it as a “baiana” company and use Bahia as a synecdoche for Brazil. To achieve this, numerous events were conducted to highlight the cultural links between Bahia and Angola (Francisco 2004).

An example of this partnership is the Casa de Angola, a cultural center that “aims to consolidate the cultural ties between Brazil and Angola, enabling the Bahian community access to Angolan culture in particular and

to Africa in general,” created by Angolan Embassy’s initiative in Brazil, with support from the Government of the State of Bahia, Municipality of Salvador, and Odebrecht (there is no evidence at this point of the volume invested to set up or to sustain the activities).

In this context, this paper expands the analysis of the business strategies adopted by Odebrecht vis-a-vis the theoretical framework comprised of transnational theory and the practice of corporate paradiplomacy. The next section aims to present an analysis showing how and to what extent Odebrecht began to influence the formation of public policies on both sides of the Atlantic.

Transnacionalism and Paradiplomacy in the actions of Odebrecht

Nowadays globalization is undoubtedly a phenomenon with normative pressure and a decisive policy presence in international relations, putting pressure on States to become minimalist, increasingly deregulating the market and embracing free trade to focus exclusively on the functions of state, while civil society takes on more control over operations and other actors emerge with importance in political, institutional and legal dimensions (Dupas 2005; Matthews 1997). In recent decades, we have increasingly seen the development of some positive aspects in terms of policy that may translate into a greater number of elected governments, which in turn start to adopt policies related to economic liberalization, law’s empire and respect for human rights.

Paradoxically, these achievements have the power to weaken the state while strengthening the participation of civil society in the course of world politics, bringing new and powerful players who come to compete with the state on some fronts given their influence or economic power, thereby marking a profound change in local and global economies, defying the basic understanding of the world order to expand the forms of regulation and governance. Thus, the heavy investments in infrastructure are made by the international investment funds, foreign companies or the establishment of public-private partnerships; the minimum realization of the human rights or environmental protection depends on the direct and decisive participation of the non-governmental organizations (NGOs); and the rating agencies have a significant impact on how countries conduct economic policies, constitutes a direct link between how successful states are in implementing their public policies and the performance of the non-state actors in maintaining opera-

tions around the world, thereby, generating a new dynamic policy and reality in the relations between these units.⁸

The communication improvements that technology has brought the world has had great influence upon this process, with information being quickly disseminated and shared, especially among countries' elites (in this sense not only the rich, but interest groups). Whether developed or developing, such elites possess shared values and identities. Thus, the proliferation of non-governmental organizations with various agendas has spread to such an extent that they are now increasingly responsible and more effective in providing, for example, humanitarian aid, than the United Nations itself (Mathews 1997).

TNCs embarked on this process at the end of the Cold War, which encouraged increased economic exchanges among nations, with private investment increasing six fold in relation to the international aid system led by World Bank and IMF (Garten 2002, 156). TNCs also greatly benefitted from increased communications speed, taking into account that in business agility is critical. For them, operations can take seconds whilst for states and their bureaucratic structures, they can be counted in days, at best, taking into account that have the capability of response (Mathews 1997).

Conceptually, a TNC is

[...] an enterprise comprising entities in more than one country which operate under a system of decision-making that permits coherent policies and a common strategy. The entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the others and, in particular, to share knowledge, resources and responsibilities with the others. (UNCTAD 2015).

Regarding the expansion of the TNCs in the world, Sauvart, Mendoza and Ince (2008, 7) point out to 3 main factors that made it possible:

[...] the worldwide liberalization of FDI regimes, which opens new opportunities for firms to expand; advances in transport, communication and information technologies, which create opportunities to manage integrated international production networks consisting of parent firms and their foreign affiliates located in various countries; and competition among firms, which drives firms to take advantage of these new opportunities and possibilities.

8 According Cohen and Kupçu (2005, 8), the relationship between states and non-state actors have the direct engagement dimensions, selective engagement or episodic burden sharing, non-state actors circumventing States, conflictual relations, and agenda setting.

The expansion to new markets requires from TNCs a set of competences such as the development of new relationships, which is incremental over the years as it follows the “learning by doing” model, and maintaining the knowledge acquired (Górska 2013; Fleury and Fleury 2011).

The expansion, however, is not without obstacles and criticism. The most important obstacle is the risk of direct investment commitment in unfamiliar surroundings, which is a transactional cost (Wink Junior; Sheng and Eid Junior 2011). As a way of dealing with this risk, the Uppsala School maintains that TNCs seek to start its internationalization process in culturally close foreign countries. The case of Odebrecht in Angola seems to confirm this assumption.

Its supporters depart from liberal doctrines used in the economy to justify trade liberalization and free competition as factors that will benefit emerging markets, which traditionally receive the greatest influx of FDIs. Sauviant (2009, 10) even claims that “[...] they need to see the rise of TNC’s from emerging markets not as a threat but an additional avenue of opportunity to integrate emerging markets fully into the world economy.” On the other hand, some claim that the TNCs are:

[...] instruments of a market tyranny that is extending its reach across the planet like a cancer, colonizing ever more of the planet’s living spaces, destroying livelihoods, displacing people, rendering democratic institutions impotent, and feeding on life in an insatiable quest for money’ The worst aspect of this tyranny is that it hits hardest at the most vulnerable people, the poor (Sauviant 2009, 10).

By looking at Capanda in light of increasingly intense movements of TNCs in the world and the fact that the State still remains the most important catalyst force of the national interest, we see interesting implications emerging as the concepts of transnationalism and paradiplomacy are applied to the case, confirming that Brazil chose to seek new partners to change the existing balance of power between the North and the South as part of its foreign policy strategy (Fletcher 1996). In this sense, its approach to Angola occurred naturally considering the shared history between two countries with regard to Portugal and their shared language, arguments that were later on amplified by Lula in his speech suggesting that Brazil has a “historical debt” with Angola.

This approach towards Angola was made via the promotion of investments granted to Brazilian companies that decided to invest in Angola by Banco do Brasil and the BNDES. This contract contained a collateral clause (called the Angola model), which according to Corkin (2012, 7): “As in the

Chinese case, the loan is also collateralized by oil. The Angolan government has pledged to provide 20,000 barrels of oil per day to guarantee the loan.”⁹ Upon this model, the relations between the countries progressed strongly to other fronts of cooperation and development.¹⁰

The foundations laid by Capanda made it possible for Odebrecht to stay in Angola up until the present day, leading to increasing involvement in infrastructure projects and mining. This has occurred because: 1) CO kept its commitment to the project even during the civil war; 2) the government and its agents possess a good reputation, and 3) especially its involvement with Angolan society in developing ground rules that generated social development (Roberto Dias in *Engenharia* vol. 580, 2007, 75).

The concept of paradiplomacy refers to a set of activities or initiatives undertaken by provinces, states, municipalities, autonomous communities as in Spain, landers in Germany and oblasts in Russia to promote their interests, without interfering with the state foreign policy (Soldatos 1990). In this sense, Kuznetsov (2015, 3) states that:

[...] paradiplomatic activities, even if they only include the articulation of some regional “private interest” often represent the force within the state from its lower levels, which plays a significant role in shaping the foreign and domestic policies of the central governments.

The introduction of new players in this scenario is part of the process of globalization and transnationalization, which has been characterized by the increasingly active participation of TNCs in spheres once dominated by governments alone, influencing public policies to some extent whilst setting up business, thus practicing corporate diplomacy (Dasie 2011).

Kuznetsov (2015, 50) teaches that paradiplomacy operates in 11 possible dimensions ranging from traditional paradiplomacy to the dimension of globalization, which for the purpose of study the dimension of interest is the link between transnationalism and the activism of the TNCs.

Thus, the presence of new actors with great political importance and capable of producing changes in the international system becomes critical to understand the paradiplomacy practiced by the TNCs. In this sense:

[. . .] The point is merely that states are still the primary medium through

⁹ See also Zongwe 2010.

¹⁰ “In 2008, Angola was Brazil’s second largest African trading partner, comprising 16% of Brazil’s total trade with Africa, after Nigeria (32%)” (Corkin 2012, 7).

which the effects of other actors on the regulation of violence are channeled into the world system. It may be that non-state actors are becoming more important than states as initiators of change, but system change ultimately happens through states. In this sense states are still being the center of the international system. (Kuznetsov 2015, 75)

In this same sense, Senhoras (2011, 2) states “corporate paradiplomacy” refers to companies’ international operations covered by a set of guidelines, principles and strategic practices that display greater autonomy from state diplomacy. Autonomy understands the premise that corporate paradiplomacy has different incentives from those that explain the actions of state diplomacy, although sometimes they may develop simultaneously, in parallel to each other and may, in certain situations, share the same interests. He also considers the hypothesis that the relative position within a network of relations is essential to build power, whether it is political (in the case of the State), or economic (in the case of a company). It is clear that some past events, involving the Angolan State and the Brazilian State, and the Odebrecht company can be seen as clues to measure the results of this strategy: Brazil was the only State with whom Angola managed to solve the payment of external debt, from 1980s to 2000s. Still, Odebrecht is the largest foreign company acting in the country. The framework of organized “exchanges” is most likely rooted in these results, previously based on countertrade economic operations.

While the drivers for State diplomacy are the national interest, macroeconomic stability and peacekeeping, for TNCs the motivations are the need for growth, increasing returns (profits) and increase in production scale. There is, however, an interest in which is possible to see an alignment between both: access to scarce natural resources.

The concept of paradiplomacy also allows the theoretical exploration of another dimension of autonomy: the issue of dependence on business-state relationships in the international arena. The mutual dependence between TNCs and nation states can be traced from the creation of large mercantile companies, for instance, through the comment attributed to Charles E. Wilson Eisenhower that *what is good for GM is good for the United States*.

In addition, the efforts in keeping up with Capanda in spite of variable conditions might be explained as a strategic position adopted by Odebrecht in obtaining the privileged position as “broker” for the Angolan State. In both situations it is obvious that the relative position within a network of relationships is essential to the construction of power, be it political (for the state), or economic (for the company) as pointed out by Fletcher (1996). In this sense, Brazil was the only state with whom Angola was able to renegotiate its foreign

debt from the 1980s up to the present day. According to Moreira (2006) the Brazil - Angola Memorandum of Understanding (MEBA) signed at the end of the 1980s, and renewed twice (in the 1990s and 2000s) enabled Angola to have access to US\$ 1 billion and for Brazil in turn to receive oil from Angola, which amortized the debt and regained 45% of the payment in the form of new loans to import Brazilian goods and services. Also, according to Moreira (2006), on April 2004 the renegotiations resulted in granting an additional credit of US\$ 150 million to Angola until 2006.¹¹

In addition to the legal and political aspects of the Odebrecht operations in Angola, its relationship with civil society and its ability to alter individual and collective status during and after the construction of Capanda were important to the business continuation to enjoy relatively good reputation before the civil society, which makes important contributions to our hypothesis.

One of the most important connections between the company and Angolan society was built through the company's workforce in the country. As seen before in this study the company decided to increase as much as possible the local workforce. Angolan personnel started working on low-skilled jobs, but after receiving training and incorporating the company's values, they started to gradually fill higher-level positions in different sectors. There are plenty of stories reinforcing the company's discourse regarding employee qualification and its positive impact on their lives in the company's web journal *Odebrecht Informa*, for instance:

Odebrecht has brought a lot to Angola, mainly the empowerment of people. One of my children, for example, studied to be a power technician in the company, working at Capanda. **After he was demobilized, he had no trouble finding another job. (...) The qualification made the difference** (Odebrecht - Emphasis added).

The investments made in the training of local people are one of the factors that promotes continuity and stability for business in Angola. Nowadays Odebrecht has 27.000 locals working for it:

Training workers is an essential part of every project implemented by Odebrecht. As of mid-2012, 79,000 Angolans have benefited from the company's training programs. University student recruits receive special training and are prepared to occupy senior positions in the company. In major projects, Odebrecht also offers technical training for the population living in the surrounding areas, preparing any interested young people – not just

¹¹ There is hypothesis that sees the discourses of friendship and historical debt as a form of sub imperialism (Bieler 2004).

potential employees – for construction jobs. These technical courses are provided through the company’s “Believing program”, which so far has trained some 3,000 workers in its three Angolan units (Odebrecht).

According to the accounts of Justino Amaro, the first Angolan employee promoted to the post of manager, Capanda served as a “school of the elite” that trained technicians, who afterwards went to fill up important positions in government and business. He was one of the first employees who faced the hardships of jungle and civil war, and in staying at Odebrecht, they provided to him with the means to support him to continue his distance-learning studies in economics, even taking courses in Brazil.¹²

This trend is also found in the report provided by Rufino Alvarez, a Peruvian Odebrecht employee for over 25 years. He went to Angola in 2009 to work in a two-front job. He describes his role in his own words: “I have one job at the work site and another teaching Angolans, so that this country can continue to grow” (Osava).

These are only two examples that show the compromise with the TEO that is a set of principles and concepts directed to the making of a policy of corporate responsibility focused on the formation and the evolution of the human being,

Training workers is an essential part of every project implemented by Odebrecht. As of mid-2012, 79,000 Angolans had benefited from the company’s training programmes. University student recruits receive special training and are groomed to occupy senior positions in the company. In major projects, Odebrecht also offers technical training for the population living in the surrounding areas, preparing any interested young people – not just potential employees – for construction jobs. These technical courses are provided through the company’s Believing programme, which so far has trained some 3,000 workers in its three Angola units.¹³

Given its economic weight and its social presence, the company is in a position to influence the conduction of some public and social policies in the country (despite the complaints of slave labor by Brazilian personnel), thus, acting as a true paradiplomatic agent, for instance:

¹² Accessed June 22, 2015. <http://www.democraciaycooperacion.net/espacio-colaborativo/america-latina/adjunta-tus-documentos-para-el/traduccion/ptugues-387/article/a-diplomacia-da-construcao-angola>

¹³ Accessed June 22, 2015. <http://odebrecht.com/pt-br/organizacao-odebrecht/tecnologia-em-presarial-odebrecht>

This year the Brazilian multinational Odebrecht will invest between 800 million to one billion dollars in the country's most diverse areas; it was announced on Wednesday, in Luanda, by its head, Emilio Odebrecht, at the end of a meeting with Angolan President José Eduardo dos Santos. Regarding the meeting, Emílio Odebrecht told journalists that he was always looking for an opportunity for "*accountability to the President about what he has entrusted to us, not only in the area of service delivery but also in Brazilian investments in Angola*" (Jornal de Economia e Finanças 2009). (Emphasis added)

Conclusion

It is undisputed that the news we see coming from Africa are often associated with humanitarian catastrophes, which background conditions are usually the disputes for power and low degree of institutionalization that can guarantee the most basic needs of its population. These two factors can be generalized to the continent as a whole, however, it cannot be the only ones to be used to draw conclusions or even promote an analysis of countries considering their individuality. In this sense, the development of models that had a positive impact on society, especially in periods of great turbulence that were the case of the decolonization processes (notwithstanding the challenges that arose in the period soon followed), took into account the importance of the foreign investment.

The development model that Odebrecht actively worked to implement in Angola shows traces of a very successful one in many instances, that sheds more light on the issue of TNC's behavior in the international arena, which in the 1970s and 1980s is associated with business expansion without any corporate responsibility towards developing countries whatsoever, leading to several scandals and environmental accidents. It has had a positive impact upon Angolan society in a period of great turbulence, right after the decolonization process, followed by the civil war that left the country both economically and politically broken, thus in great need of FDI for reconstruction.

The construction of Capanda by Odebrecht followed this model and gave rise to a relationship with the government and civil society of such a magnitude that the company not only consolidated its position in the market, but also demonstrated the ability to invest in local people. Local workforce replaced Brazilian employees after an intense process of training and investment, including promoting a greater participation of Angolans to supervisory, managerial and directorial positions.

In addition, the local community is involved with other initiatives

such as the Program Accredited that promotes necessary construction training as well as related projects that can assist the country as a whole in the reconstruction efforts by providing the skills that locals will use for their country's benefit.

Of course, such model is not flawless or exempt of criticism. However, the case presents many positive dimensions that outnumber the negative ones, which are more related to Brazilian workers and how Brazilian labor law regards some aspects of working abroad than to Angolans per se. As such, in this context Odebrecht appears as an important agent of Brazilian foreign policy seeking to establish the country's presence as an interlocutor between South and North, while Odebrecht internally consolidated its presence in Angola by building a good reputation with government and society.

In conclusion, the evidence found in this case study indicates important implications regarding how TNCs participate in the global arena, sometimes as precursors of Nation States seeking to implement foreign policy goals indirectly, thus confirming that the theoretical framework of transnationalism and paradiplomacy is appropriate, although we recognize that it is only an initial analysis, contributing to a larger research agenda.

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ABSTRACT

The reconstruction of Angola, with the end of civil war, depended and still depends largely on receiving foreign investments, thus, the reason for having the Brazilian companies as key allies as receivers of special government credit lines. What led Brazil to adopt an indirectly influential stance toward Angola despite its explicit foreign policy directed to increase the South-South trade? What has led the Brazilian companies to accept the risks of doing business in a country with low political and institutional stability, plagued by a civil war, and without a stable international legal framework in place? Using the concepts of transnationalism and paradiplomacy as theoretical framework, the answers to these questions will be discussed in this article, which focuses on the case of the construction and expansion of the Capanda hydroelectric plant.

KEYWORDS

Transnationalism; Paradiplomacy; Brazil; Angola; Capanda; Odebrecht.

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