

ANGOLA

TRADE SUMMARY

The U.S. goods trade deficit with Angola was \$7.6 billion in 2005, an increase of \$3.6 billion from \$3.9 billion in 2004. U.S. goods exports in 2005 were \$928 million, up 56.2 percent from the previous year. Corresponding U.S. imports from Angola were \$8.5 billion, up 87.7 percent. Angola is currently the 66th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Angola in 2004 was \$1.1 billion, the same as in 2003.

IMPORT BARRIERS

Tariffs and Non-Tariff Measures

Angola is a member of the WTO, the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC). In March 2003, Angola agreed to adhere to the SADC Protocol on Trade that seeks to facilitate trade by harmonizing and reducing tariffs and by establishing regional policies on trade, customs, and methodology. However, Angola is delaying implementation of this protocol until the country can re-launch internal production of non-petroleum goods, which remains extremely low due to an infrastructure devastated by 27 years of civil war. The government is concerned that implementation of the SADC Protocol on Trade would lead to a flood of imports, particularly from South Africa.

The Angolan government implemented a new customs law with revised duty rates effective in January 2005. The new program reduced tariff barriers by eliminating duties on basic products such as rice, wheat flour and beans, and reduced other duties by between 5 percent and 10 percent. Customs duties fall into 6 categories ranging from as low as 2 percent, which applies to raw materials necessary for the nation's development, up to 30 percent. Additional fees include clearing costs (2 percent), VAT (2 percent to 30 percent depending on the good), revenue stamps (0.5 percent), port charges (\$500/20 foot container or \$850/40 foot container), and port storage fees (free for the first 15 days, then \$20/20 foot container or \$40/40 foot container). In December 2004, the government announced a new special customs regime for the port of Cabinda which eliminates import and export duties for Cabinda province. The new regime does not apply to the petroleum industry, passenger vehicles, alcoholic beverages, tobacco, or jewelry.

Tariff obligations for the oil industry are largely determined by individually negotiated contracts between international oil companies and the Angolan government. In December 2004, Angola promulgated a new Petroleum Customs Law, which aimed to standardize tariff and customs obligations for the petroleum industry while protecting existing oil company rights and exemptions negotiated under prior contracts. According to customs officials, the new law does not provide for duty exemptions on imports by oil companies that are not directly used as equipment in oil production, as had been the case previously. Oil companies are currently disputing the customs officials' interpretation of the new law. Because most U.S. exports to

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Angola consist of specialized oil industry equipment which is largely exempt from tariffs, the impact of tariff barriers on U.S. exports is relatively low, in the range of \$10-25 million.

Customs Barriers

Angola is a member of the World Customs Organization (WCO) and signed the Letter of Intent to implement the WCO Framework in October 2005. In September 2005, the government approved a new customs code with the objective of facilitating clearance of commodities and reducing costs to importers. It replaces an outdated customs code dating back to colonial times and is harmonized with the Istanbul, Kyoto, and SADC international conventions.

Administration of Angola's customs service has improved in the last few years but remains a barrier to economic growth. In 2002, the Angolan government contracted with a British company to improve its customs clearance practices and, as a result, the average port clearance time has fallen from several months to less than two weeks. As of October 2005, port clearance time averaged seven days including weekends. In November 2005, the government approved an extension of the contract for the customs clearance contractor for another three years.

The government announced in October 2005, that it will not renew the contract with another contractor responsible for pre-shipment inspections (PSI) of imported commodities into Angola. The contract will end in March 2006 and importers will no longer need to submit most imports to pre-shipment inspections. However, the government will soon announce a list of selected products that will be subject to pre-shipment inspection. These inspections will be supervised by the customs service under guidelines to be established by the Ministry of Finance.

The importation of certain goods into Angola requires an import license issued by the Ministry of Trade. The import license is renewable annually and covers any good imported by the licensed importer. The importation of certain goods also requires specific authorization from various government ministries, which can delay the customs clearance process. Goods that require ministerial authorization include: pharmaceutical substances and saccharine and derived products (Ministry of Health); radios, transmitters, receivers, and other devices (Ministry of Post and Telecommunications); weapons, ammunitions, fireworks, and explosives (Ministry of Interior); plants, roots, bulbs, microbial cultures, buds, fruits, seeds, and crates and other packages containing these products (Ministry of Agriculture); fiscal or postal stamps (Ministry of Post and Telecommunications); poisonous and toxic substances and drugs (Ministries of Agriculture, Industry, and Health); and samples or other goods imported to be given away (Customs). If companies operating in the oil and mining industries present a letter from the Minister of Petroleum or Mines, they may import, without duty, equipment to be used exclusively for oil and mineral exploration.

Required customs paperwork includes the "Documento Unico" (single document) for calculation of customs duties, proof of ownership of the good, bill of lading, commercial invoice, packing list, and specific shipment documents verifying the right to import or export the product. Any shipment of goods equal to or exceeding \$1000 requires a clearing agent.

Competition among clearing agents is limited as the government has only licensed between 50 and 55 clearing agents. This has resulted in high fees, which often range between one and two percent of the value of the declaration.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

Angola has adopted SADC guidelines on biotechnology, which effectively prohibit imports of biotechnology grain or seed until regulatory systems governing biotechnology have been developed. In January 2005, the government announced the promulgation of a law banning the importation of biotechnology products based on an earlier ministerial decree issued by the Ministry of Agriculture in April 2004. The Ministry of Agriculture controls all agricultural imports, and importers must present documents certifying that their goods do not include biotechnology products. Biotechnology food aid is permitted, but must be milled or sterilized to render the grain incapable of germinating upon arrival in the country and before distribution to beneficiaries. Biotechnology imports for scientific research will be subject to regulations and controls to be established by the Ministry of Agriculture.

Three agencies in Angola assume responsibility for food safety controls: the National Consumer Institute (INADEC), Codex Angola, and the Ministry of Agriculture. The Ministry of Agriculture sets standards and issues regulations for agricultural products produced, imported, and traded in the country. INADEC works to defend consumers' rights by conducting laboratory tests for food safety and quality. Codex Angola coordinates government policy and strategy regarding food safety controls and is working to promote updated food safety and food quality legislation and to create a nationwide network of laboratories. Angola has one well-equipped testing laboratory used to test some imported foods.

Angola does not currently enforce any labeling law. In early 2003, the Ministry of Industry issued a decree that requires labeling in Portuguese, but the rule has not been implemented. In practice, many imports are admitted into the country with little reference to health, testing, or weight standards. Angolan standards, testing, labeling and certification requirements have little effect on U.S. agricultural exports to Angola.

GOVERNMENT PROCUREMENT

Angola is not a signatory to the WTO Agreement on Government Procurement. The government advertises tender notices in local and international publications 15 days to 90 days before the tenders are due. Tender documents are normally obtained from a specific government ministry, department, or agency for a non-refundable fee. Completed tenders, accompanied by a specified security deposit, are usually submitted directly to the procuring ministry. The tendering process often lacks transparency. Information about government projects and tenders is not often readily available from the appropriate authorities, and the interested parties must spend considerable time on research. Announcements for government tenders are sometimes published in the government newspaper "Jornal de Angola." Under the Promotion of Angolan Private Entrepreneurs Law, the government gives Angolan companies preferential treatment in tendering for goods, services and public works contracts.

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The Angolan government has greatly increased spending to rehabilitate infrastructure damaged by the war and for election preparations. Opportunities for U.S. companies include installation of Angola's telecommunications backbone network, air navigation and radar equipment, rail equipment and communications systems, and power transmission lines.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Although Angola has basic intellectual property rights protection and is working to strengthen existing legislation and enforcement, current protection is weak due to a lack of enforcement capacity. Intellectual property rights are regulated by the Ministry of Industry (trademarks, patents, and designs), and by the Ministry of Culture (authorship, literary, and artistic rights). Intellectual property is protected by Law 3/92 for industrial property and Law 4/90 for the attribution and protection of copyrights.

Angola's legislature approved the Paris Convention for the Protection of Industrial Property in August 2005, including the 1979 text and the World Intellectual Property Organization (WIPO) Patent Cooperation Treaty concluded in 1970 and amended in 1979 and 1984. Each petition for a patent that is accepted is subject to a fee that varies by type of patent requested. No suits involving U.S. intellectual property are known to have been filed in Angola.

SERVICES BARRIERS

Foreign participation in the services sector is generally not restricted. The banking sector comprises the bulk of the services sector and has grown substantially over the past two years, with Portuguese banks and private Angolan banks leading the expansion and with South African banks not far behind. The underdeveloped banking sector collects most of its profits from service fees, largely in foreign exchange transactions. The central bank is working with the government to improve banking sector legislation and supervision, and a new financial sector law and money laundering law are awaiting promulgation. As a result of increasing competition and experience, banking services are improving. In addition to banks, Angola's financial sector has four licensed insurance companies, but only two are presently operating. A third is expected to begin operations by the beginning of 2006, partly in response to new laws requiring automotive, aviation, and worker safety insurance.

INVESTMENT BARRIERS

Angola is officially open to foreign investment, but its regulatory and legal infrastructure is not adequate to facilitate much direct investment or to provide sufficient protection to foreign investors. Smaller, non-extractive firms tend to have a more difficult time conducting business in Angola than larger multinational corporations engaged in extractive industries. Angola created a National Private Investment Agency (ANIP) in July 2003 to assist investors and facilitate new investment. In 2003, the Angolan government replaced the 1994 Foreign Investment Law with the Law on Private Investment (Law 11/03). The new law lays out the general parameters, benefits, and obligations for foreign investment in Angola. It seeks to encourage foreign investment by providing equal treatment for domestic and foreign investors, offering fiscal and customs incentives, and simplifying the investment application process.

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However, it is vague on profit repatriation and includes weak legal safeguards to protect foreign investors. In addition, many provisions of the law are subordinate to other sectoral legislation, which allows other government ministries to override some of the protections and incentives offered by the investment law.

Angolan law does not allow for international arbitration and requires that any investment dispute be resolved in Angolan courts. Angola has not ratified major international arbitration treaties. The World Bank's "Doing Business in 2006" survey estimates that commercial contract enforcement, measured by the amount of time elapsed between filing of a complaint and receipt of restitution generally takes more than 1000 days in Angola. A voluntary arbitration law that provides the legal framework for speedier, non-judicial resolution of disputes has been drafted but not yet approved.

Angola's previous foreign investment law expressly prohibited foreign investment in the areas of defense, internal public order, and state security; in banking activities relating to the operations of the Central Bank and the Mint; in the administration of ports and airports; and in other areas of the State's exclusive responsibility by law. Although Law 11/03 does not explicitly restate these prohibitions, these areas are assumed to remain off-limits to investors. Investments benefit from a more standardized set of incentives under the Law on Tax and Customs Incentives for Private Investment, approved by the National Assembly in July 2003. Companies must apply for these benefits when negotiating with ANIP.

Although the new investment law is part of an overall effort by the Angolan government to create a more investor-friendly environment, many laws governing the economy have vague provisions that permit wide interpretation and inconsistent application by the government across sectors. Investments in the petroleum, diamond, and financial sectors continue to be governed by specific legislation. Foreign investors can set up fully-owned subsidiaries in many sectors, but frequently are strongly encouraged, though not formally required, to take on local partners.

Obtaining the proper permits and business licenses to operate in Angola is time-consuming and adds to the cost of investment. The World Bank "Doing Business in 2006" report identified Angola as the most time-consuming country out of 155 countries surveyed to establish a business, requiring an average of 146 days to register a business compared to a regional average of 63 days. According to the new investment law, ANIP and the Council of Ministers should take no more than two months to approve a contract with an investor, but in practice this process normally takes two to three months. After contract approval, the company must register and file documentation with the relevant government ministries.

In August 2003, the government established a one-stop shop, or "Guiche Unico," aimed at simplifying the process of registering a company by unifying under one roof the procedures required by various government ministries. However, the "Guiche Unico" lacks authority over the government ministries that must approve licenses, permits, and other requirements, and thus has had little success in expediting company registration. The two most time-consuming steps are obtaining certification from the Notary Public and publication of the company name and statutes in the *Diário da República*, the national gazette managed by the National Press.

The government is gradually implementing local content legislation for the petroleum sector, originally promulgated in November 2003 (Order 127/03 of the Ministry of Petroleum). The legislation will require many foreign oil services companies currently supplying the petroleum sector to form joint-venture partnerships with local companies. For the provision of goods and services not requiring heavy capital investment and with a basic, medium, or higher level of non-specialized expertise, foreign companies may only participate as a contractor to Angolan companies. For activities requiring a medium level of capital investment and a higher level of expertise, not necessarily specialized, foreign companies may only participate in association with Angolan companies, i.e. through a joint venture.

ELECTRONIC COMMERCE

The country's basic telecommunications law governs information technology, but includes no specific regulations regarding electronic commerce.

OTHER BARRIERS

Corruption

Petty corruption is prevalent due to low civil service salaries, dependence on a centralized bureaucracy and antiquated regulations dating back to the colonial era. Procedures to register a company are complicated and may involve up to 14 steps with many different government ministries, thus giving rise to rent-seeking opportunities. Investors are often tempted to seek quicker service and approval by paying gratuities and other facilitation fees.

Angola's public and private companies have not traditionally used transparent accounting systems consistent with international norms, and few companies in Angola adhere to international audit standards. The government approved an audit law in 2002 that sought to require audits for all "large" companies, but it has not yet been possible to enforce this rule due to the lack of a professional accounting institute. The World Bank is pushing for this institute to be established.

Investors have at times experienced harassment, political interference, and pressure to sell their investments. In some cases, these practices have involved individuals with powerful positions within the government who exert pressure directly or through the established bureaucracy. As a result, some investors have experienced significant delays in payments for government contracts and delays in obtaining the proper permits or approval of projects. Investors report pressure to form joint ventures with powerful local interests.

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Recovering from War

Angola's badly damaged infrastructure substantially increases the cost of doing business. Transportation of goods and persons is particularly costly due to poor roads, destroyed bridges, and mined secondary routes. None of the country's three main railroads is yet functioning in its entirety. The country is in the process of rebuilding its communications, energy, transportation, and road infrastructure. Domestic and international communications, while improving, are difficult and costly. With 500 percent growth in cell phone users over the past three years, the cell phone network is oversubscribed and is occasionally busy and unavailable, but coverage is improving and has been available in all provincial capitals since the end of 2004. There are frequent interruptions in power and water supplies, and power surges can damage electronic equipment. As a result, investors face additional costs to support their businesses, such as paying for security services, back-up generators, and water reservoirs. However, rebuilding infrastructure is a major objective of Angola. The government announced that public investment will reach \$2.5 billion for 2005, and has proposed a 2006 budget that calls for a 20 percent increase in capital spending, to be financed from higher oil revenue.