ANGOLA

TRADE SUMMARY

The U.S. trade deficit with Angola was $3.9 billion in 2004, an increase of $151 million from $3.8 billion in 2003. U.S. goods exports in 2004 were $594 million, up 21.1 percent from the previous year. Corresponding U.S. imports from Angola were $4.5 billion, up 6.0 percent. Angola is currently the 68th largest export market for U.S. goods. The stock of U.S. foreign direct investment (FDI) in Angola in 2003 was $1.5 billion, the same as in 2002. U.S. FDI in Angola is primarily concentrated in the petroleum sector.

IMPORT BARRIERS

Tariffs and Non-Tariff Barriers

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 Free Trade protocol that seeks to facilitate trade by harmonizing and reducing tariffs and by establishing regional policies on trade, customs, and methodology. The protocol has not yet been implemented.

The government recently announced a new customs law outlining revised duty rates that came into effect in January 2005. The new program reduces tariff barriers by eliminating duties on basic products like rice, wheat flour and beans, and reduces other duties from 5 percent to 10 percent. Customs duties fall into one of six 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 stamp (0.5 percent), port charges ($500/20 foot container or $850/40 foot container), and port storage fees (free for the first 15 days). 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, or to passenger vehicles, alcoholic beverages, tobacco and jewelry.

Customs Barriers

Administration of Angola's customs department has improved in the last few years. In 2002, the Angolan government hired the British company Crown Agents 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. Required customs paperwork includes the "Documento Unico" (single document), proof of ownership of the good, bill of lading, commercial invoice, packaging list, and specific shipment documents verifying the right to import or export the product.

Pre-shipment inspection (PSI) by BIVAC International is required for imports of goods valued at more than $5,000. Imports without proper PSI documentation may be charged duties of up to 100 percent *ad valorem*. However, art, antiques, precious metals and stones, cinematographic films, newspapers and periodic publications, and other items defined by law are generally exempted from PSI review. U.S. exporters have complained of over-valuation of goods. Despite a September 2003 announcement that it would be abandoning its PSI system, Angola later reversed its position in favor of keeping PSI for the foreseeable future.

The importation into Angola of certain goods 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, germs, 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 they present a letter from the Minister of Petroleum or Mines, companies operating in the oil and mining industries may import, without duty, equipment to be used exclusively for oil and mine exploration.

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. Angola requires milling or sterilization (i.e. a process that renders the grain incapable of germinating) of whole grain food aid shipments that may contain biotechnology products.

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, imports are admitted into the country with little reference to health, testing, or weight standards.

GOVERNMENT PROCUREMENT

Angola is not a signatory to the WTO Agreement on Government Procurement. The Government of Angola solicits bids for supplies and services in local and international publications 15 days to 90 days before the bids are due. Bid documents are normally obtained from a specific government ministry, department, or agency for a non-refundable fee. Completed bids, accompanied by a specified security deposit, are usually submitted directly to the ministry in question. The bidding process often does not meet international standards of objectivity and transparency. In addition, 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. Under the Promotion of Angolan Private Entrepreneurs Law, the government gives Angolan companies preferential treatment in tendering for goods, services and public works contracts.

Some U.S. firms that have won bids to sell goods or services to the government or parastatal companies have experienced delays ranging from months to years in receiving payment or have received reduced payments.

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 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 is a member of the World Intellectual Property Organization and uses its international classification system to identify and codify requests for patents and for the registration of trademarks. Each petition for a patent that is accepted is subject to a fee that varies by type of patent requested. Angola’s legislature approved the Paris Convention for the Protection of Industrial Property in June 2003. 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 leading the expansion and South African banks not far behind. The underdeveloped banking sector collects most of its profits from service fees, largely in foreign exchange transactions. Years of non-transparent lending, a lack of qualified human resources, and unclear regulations have led to a high rate of non-performing loans. Deposits fluctuate in monthly cycles because many companies keep only enough money in Angolan banks to meet cash needs, thereby inhibiting banks from making long-term loans. As a result of increasing competition and experience, banking services are improving. In addition to banks, Angola's financial sector is expected to have three insurance companies by the beginning of 2005, 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 inadequate to facilitate direct investment and provide sufficient protection. 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). Law 11/03 lays out the general parameters, benefits, and obligations for foreign investment in Angola, and recognizes that investment plays a vital role in the country's economic development. It seeks to encourage foreign investment by providing equal treatment for domestic and foreign investors, offering fiscal and customs incentives, simplifying the investment application process, and lowering the required investment capital. Nevertheless, the new investment law is vague on profit repatriation and includes weak legal safeguards to protect foreign investors. The law also does not allow for international arbitration and requires that any investment dispute be handled in Angolan courts. A Voluntary Arbitration Law that provides the legal framework for non-judicial resolution of disputes has not yet been approved.

The old Foreign Investment Law expressly prohibited foreign investment in the areas of defense, internal public order, and state security; banking activities relating to the operations of the Central Bank and the Mint; the administration of ports and airports; and other areas considered by law to be the State's exclusive responsibility. Although Law 11/03 does not explicitly restate these prohibitions, these areas are assumed to be 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 should apply for these incentive 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, the process by which this and similar laws are developed is often shrouded in secrecy and generally not open to public review prior to enactment. Many laws governing the economy have vague provisions that permit wide interpretation and 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 license to operate in Angola is time-consuming and adds to the cost of investing. In 2004 the World Economic Forum ranked Angola 103 out of 104 countries in terms of global business competitiveness, and a World Bank study identified Angola as one of the most time-consuming countries in the world to establish a business, requiring 146 days 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 paperwork with the relevant government ministries. In August 2003, the government established a one-stop shop, or "Guiche Unico," to simplify the process and reduce the time required to register a company. Despite a rocky start, the "Guiche Unico" is working better and faster and has reduced the time it takes to register a company.

Plans for future oil investment have been chilled by a proposed foreign exchange law governing the petroleum sector that would direct all oil revenue into the Angolan banking system, thereby negating the right to repatriate profits. Following protests by the major oil companies, the central bank is negotiating a moderated version of the legislation to be presented to the oil companies in early 2005.

ELECTRONIC COMMERCE

Due to the 27-year civil war, Angola has been late to join the computer and Internet development process, leaving access to computers and the Internet very low. Access to computers and the Internet in workplaces is increasing but remains a rarity. A small number of Internet cafes exist in Luanda and a few major provincial cities; high-speed Internet is now available, albeit at extraordinarily high prices. Thirteen Angolan companies currently provide Internet service, up from five the previous year, and several Angolan companies are licensed to sell computers. 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 extremely low civil service salaries, dependence on a centralized bureaucracy and antiquated regulations dating back to the Portuguese colonial era. Procedures to register a company are complicated and may involve 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. Bribery has become less of a problem in the customs department under Crown Agent's management.

Angola's public and private companies have not traditionally used transparent accounting systems consistent with international norms, and few companies in Angola employ 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.

Investors have at times experienced harassment, political interference in their business dealings, 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, which is often a passive conduit. As a result, some investors have experienced significant delays in payments from government contracts and delays in obtaining the proper permits or approval of projects.

Recovering from War

Angola's destroyed or badly damaged infrastructure from its 27-year civil war substantially increases the cost of doing business. The country is in the process of rebuilding its communications, energy, transportation, and road infrastructure. The government is placing particular emphasis on electricity sector development. Domestic and international communications, while improving, are difficult and costly. The cell phone network is oversubscribed and unreliable, having grown by 400 percent over the past two years, but coverage is improving and reached all provincial capitals by the end of 2004. There are frequent interruptions in the power and water supplies. As a result, investors face additional costs to support their businesses, such as paying for security, back-up electricity generators, and water tanks.