ANGOLA

TRADE SUMMARY

The U.S. goods trade deficit with Angola was $10.2 billion in 2006, an increase of $2.6 billion from $7.6 billion in 2005. U.S. goods exports in 2006 were $1.6 billion, up 66.9 percent from the previous year. Corresponding U.S. imports from Angola were $11.7 billion, up 38.1 percent. Angola is currently the 58th largest export market for U.S. goods.

The stock of U.S. foreign direct investment in Angola in 2005 was $1.4 billion, up from $1.1 billion in 2004.

IMPORT BARRIERS

Tariffs and Non-Tariff Measures

Angola is a Member of the World Trade Organization (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 has delayed implementation of this protocol until 2008 so that the country can revive internal production of non-petroleum goods. This production has remained extremely low because infrastructure in the country has been devastated by 27 years of civil war and neglect. 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 code effective January 2007. The new code covers all customs activity and represents a major step in the reform and modernization of its customs service. The new code follows the guidelines of the World Customs Organization (WCO), WTO, and SADC. Angola is the first SADC member to publish a consolidated customs code. The code brings much-needed transparency and provides a sound legal basis for a modern and efficient customs system. It also provides a legal basis for efficient methods of customs controls in areas such as risk analysis, post import audit and improved technology, such as scanners. It will also allow Customs to take back control of major strategic functions such as pre-shipment inspection, and to promote itself more actively in regional and international markets. The previous revision of customs law (effective September 2005) brought import classification under the International Harmonized System Code and SADC procedures. That revision 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 on six categories of goods range from as low as 2 percent on raw materials necessary for the nation’s development, to as high as 30 percent for items like passenger automobiles. Besides the duties themselves, additional fees associated with importing include clearing costs (2 percent), VAT (2 percent to 30 percent depending on the good), revenue stamps (0.5 percent), port charges ($500 per 20 foot container or $850 per 40 foot container), and port storage fees (free for the first 15 days, then $20 per 20 foot container or $40 per 40 foot container). In December 2004, the government approved a new customs regime for the province of Cabinda, which reduces or eliminates import and export duties for Cabinda province. The regime for Cabinda 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, a new Petroleum Customs Law was introduced that 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 law eliminates exemptions from duties on items imported 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 law. Because most U.S. exports to 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—estimated to be in the range of $10 million to $25 million.

Customs Barriers

Angola is a member of the 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. As of October 2005, port clearance time averaged seven days including weekends. However, importers commonly face additional delays, often the result of capacity constraints at the Port of Luanda. For instance, shipping containers, although cleared, may be physically inaccessible because they are behind other containers. In November 2005, the government approved an extension of the contract for the customs clearance contractor for another three years.

In July 2006, the government enacted Decree 41/06, which incorporates a new set of rules and principles for the inspection of goods in the country-of-origin prior to export to Angola. Pursuant to the new rules, a mandatory pre-shipment inspection regime will only apply for the export of certain goods listed in the regulations or defined in the future by the Ministries of Finance, Agriculture, Health, Commerce and Industry. Also, pre-shipment inspection services for Angola will now be provided by an entity freely chosen by the importer of goods. The new regime of Pre-Shipment Inspection took effect on August 16, 2006.

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 all shipments of the authorized good or category of goods 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 the following: pharmaceutical substances and saccharine and derived products (Ministry of Health); radios, transmitters, receivers, and other devices (Ministry of Post and Telecommunications); weapons, ammunition, 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 the Minister of Geology and 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 the 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 1 percent and 2 percent of the value of the declaration. However, in November 2005, Angolan customs announced plans to break the customs agents' monopoly by reducing the obstacles for new entrants. Some new agents are now being licensed.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Angola has adopted SADC guidelines on biotechnology, which effectively prohibit imports of transgenic grain or seed until regulatory systems governing biotechnology have been developed. In January 2005, the government promulgated a law banning the importation of biotechnology products using the text of 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 transgenic products. Transgenic products can be imported for food aid, but must be milled or sterilized to render the grain incapable of germinating upon arrival in the country. 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 goods 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; however, laboratory workers are limited in technical expertise.

Angola announced in 2006 that it will begin enforcing a labeling law that requires labeling in Portuguese. The government enforces laws requiring production and expiration dates for perishable products. Unlabeled products can be confiscated. 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. Angolan authorities have destroyed some imported food products they alleged were contaminated or unsuitable for human consumption. These allegations in some cases were the result of poor understanding of international labeling information.

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. Awards 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. In April 2006, the government announced that it is working on the New General Law on Public Acquisition and Respective Regulations, which will require public notice for government tenders and is expected to increase the transparency of the government procurement process.

The Angolan government has greatly increased spending to rehabilitate infrastructure damaged by the war and long neglect, as well as for election preparations. In 2006, Angola leased six Boeing aircraft and two U.S. spare engines for TAAG, the state-owned airline. To facilitate financing, Angola ratified the Cape Town Convention and related protocols to provide enhanced creditor rights with respect to security interests in mobile equipment, including aircraft, effective August 1, 2006. 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 Angolan law provides basic protection for intellectual property rights protection and the National Assembly is working to strengthen existing legislation and enforcement, current protection is weak due to a lack of enforcement capacity. Intellectual property is protected by Law 3/92 for industrial property and Law 4/90 for the attribution and protection of copyrights. Intellectual property rights are administered by the Ministry of Industry (trademarks, patents, and designs) and by the Ministry of Culture (authorship, literary, and artistic rights).

In August 2005, Angola's legislature approved the Paris Convention for the Protection of Industrial Property and the World Intellectual Property Organization (WIPO) Patent Cooperation Treaty. 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.

Government officials have made efforts to confiscate and destroy pirated goods. For example, in September 2006, the government raided an informal market and destroyed 1,500 DVDs, 3,500 music cassettes, and 200 kilograms of counterfeit pharmaceuticals. Ten vendors of pirated goods were arrested and await trial. The government has worked with international computer companies on anti-piracy measures.

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. Portuguese banks and private Angolan banks lead the expansion along with South African banks. 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 issue regulations that will implement a new financial sector law, promulgated in late 2005, that clarifies banking supervision. As a result of increasing competition and experience, banking services are improving. In addition to banks, Angola's financial sector has five licensed insurance companies to satisfy the demand created by new laws requiring automotive, aviation, and worker safety insurance. One of the insurance companies has not yet begun operations.

INVESTMENT BARRIERS

Angola is officially open to foreign investment, but its regulatory and legal infrastructure is not adequate to facilitate much direct investment outside the petroleum sector 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 the 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 law lays out the general parameters, benefits, and obligations for foreign investment in Angola. It encourages foreign investment by providing equal treatment for domestic and foreign investors, offering fiscal and customs incentives, and simplifying the investment application process. 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, allowing other government ministries to override some of the protections and incentives offered by the investment law.

Angolan law has no provisions 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 has not yet been 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 foreign investors. Investments may 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. However, 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 they 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 2003 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 considerably longer. 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. Representatives of several ministries staff the Guiche, but their ministries are still learning how to coordinate their work. 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 has brought the registration time down to three weeks, but the certification and publication phases take months.

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. Electronic commerce plays a negligible role in Angola's domestic economy.

OTHER BARRIERS

Corruption

Petty corruption is prevalent due to the lack of adequately trained staff, 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. 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 has not yet enforced this rule.

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. In general, the Angolan government has avoided expropriation of foreign-owned assets during the last decade and has upheld contractual obligations when disputes emerged into public view.

Recovering from War

Angola's badly damaged and neglected infrastructure substantially increases the cost of doing business for investors. Poor roads, destroyed bridges, and mined secondary routes raise transportation costs. The country is in the process of rebuilding its communications, energy, transportation, and road infrastructure, but the three main railroads will not be fully restored before the end of 2007, at the earliest. Domestic and international communications are improving, but communication networks are oversubscribed in the provinces and sometimes in Luanda, and coverage can be spotty. Frequent interruptions plague water and power supplies, while power surges can damage electronic equipment. Increased overhead for investors includes outlays for security services, back-up electrical generators, and cisterns. However, rebuilding infrastructure is a major policy objective of the Angolan government. The government budgeted $7 billion in 2006 on restoration of public infrastructure to address these deficiencies.