

Trade Policy Review Body

TRADE POLICY REVIEW

Report by the Secretariat

ANGOLA

This report, prepared for the Trade Policy Review of Angola, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Angola on its trade policies and practices.

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Document WT/TPR/G/158 contains the policy statement submitted by Angola.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Angola.

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SUMMARY OBSERVATIONS

1. Since the end of the 30-year civil war in 2002, Angola, a large, resource-rich, least developed country, has made significant progress in fostering growth and stabilizing its economy, particularly macroeconomic balances. Angola has considerable agricultural, fisheries and manufacturing potential; however, poverty and inequality are deeply entrenched, and problems of competitiveness and governance persist. Angola's economic outlook depends both on continuing healthy performance in the petroleum and diamonds industries and on progress in redeveloping other sectors, landmine clearance and the resettlement of displaced people. Angola has considerably liberalized its trade regime in recent years, but still maintains an escalating tariff, implying higher effective protection. Externally, Angola faces a complex and multi-layered policy environment, combining the need to integrate into the multilateral trading system, reconcile membership of the Southern African Development Community (SADC) and other African regional groupings, and negotiate (with other SADC members) new terms with the European Communities for an economic partnership agreement.

(1) ECONOMIC ENVIRONMENT

2. Angola's macroeconomic performance has greatly improved in recent years. GDP growth, spurred by increasing oil prices, has been rapid, while inflation has been reduced from over 300% in 2002 to an expected 15% in 2005. It is forecast that real GDP may increase overall by as much as 18% in the period 2005-07. The challenge for the authorities is to translate this rapid, oil-based growth into meaningful development benefiting the population as a whole.

3. After independence in 1975, Angola's economy was run on largely Marxist lines for many years. At present, State-owned capital dominates the economy, with both oil and diamonds production in the hands of State enterprises that control access to natural

resources and maintain production-sharing agreements or partnerships with international companies. Other sectors, including services, are being opened gradually to local and international investment.

4. Angola's export trade is dominated by oil exports to China and the United States; these two destinations accounted for 80% of exports in 2004. Sources of imports are more diversified, with Brazil, European countries and South Africa, the major suppliers.

(2) INSTITUTIONAL FRAMEWORK

5. Economic policy is managed by the Economic Cabinet, chaired by the Minister Adjunct to the Prime Minister. The Ministries of Planning and Finance, and the National Bank have principal responsibility for the longer-term and macroeconomic aspects of economic policy. The Ministry of Commerce is responsible for operational aspects of both external and internal trade conditions. The Ministry of Finance is responsible for the management of tax policy, including tariffs. Several sectoral ministries are also involved in trade policy development and implementation.

6. In recent years, Angola has passed a large number of new laws redefining its trade and investment framework. The customs tariff structure was revised in 2005, and a new Customs Code is about to be adopted. New foreign investment legislation was introduced in 2003, as well as new laws on the petroleum and diamonds sectors. Revision of many areas of legislation is still ongoing; the aim is to revise the whole of Angola's trade and investment legislation before elections planned for 2006. The capacity of the Government and economic operation to implement such a large number and variety of new, much-needed laws and regulations is a challenge and an area in which Angola could benefit from WTO technical assistance.

7. Angola is an original member of the WTO, and a founding member of the African Union, the Southern African Development Community (SADC), and the Economic

Community of Central African States (ECCAS); it is a member of the New Partnership for Africa's Development (NEPAD), the African, Caribbean and Pacific group of States (ACP), and of the Community of Portuguese-Language Countries (CPLP). It has accepted the SADC Trade Protocol, but not yet made any commitments under it. Within SADC, Angola is responsible for agriculture and fisheries in negotiations for an economic partnership agreement (EPA) between a number of SADC members and the European Communities.

8. At present, Angola gives MFN treatment to imports from all sources.

9. Angola's entire customs tariff is bound at ceiling ad valorem rates under GATT 1994; applied tariffs – with a maximum of 30% – are considerably below the bound levels of 55%, 60% and 80%. Angola's GATS schedule contains specific commitments in three areas: banking and money-lending; hotel and restaurant; and recreational and sporting services. Angola maintains MFN exemptions in the areas of coastal and long-distance shipping. Angola is not a member of any plurilateral trade agreement under the WTO, nor of the Information Technology Agreement.

10. Angola held a Trade Policy Clinic under WTO auspices in 2004, when technical assistance needs were identified. The present Review is one of the first outcomes of the Clinic. Angola is a beneficiary of the Integrated Framework for Trade-Related Technical Assistance and is in the early stages of the process.

11. As a least developed country, Angola benefits from duty-free preferential terms in developed markets, including under the EC's "Everything but Arms" (EBA) declaration and the United States' African Growth and Opportunity Act (AGOA). Trade with the United States has increased rapidly.

12. General and sector-based investment laws provide widespread, significant tax and duty incentives for investors in priority zones

and sectors, including duty-free access for most inputs and capital goods. Investment applications must pass through relevant general or sectoral Ministries; approval can take considerable time.

(3) TRADE POLICY INSTRUMENTS

13. Angola views trade liberalization as a means to secure the foundations for sustainable economic growth and to support the ongoing reform programme aimed, inter alia, at poverty reduction. However, the authorities regard import substitution, at least in the short to medium term, as a necessary stage in promoting reconstruction of its agriculture and industry. Angola has urged all WTO Member States, especially the developed economies, to engage in constructive commitments so that the Doha negotiations can make an effective contribution to development.

14. The customs tariff is Angola's main trade policy instrument. A revised tariff, introduced in February 2005, reduced the maximum applied rate to 30%, with six levels ranging from 2%, and the simple average MFN rate from 8.8% to 7.4%. All imports are subject to a consumption tax of between 2% and 30%, and other charges.

15. A new Customs Code is about to replace outdated legislation, and bring the provisions of the WTO Agreement on Customs Valuation into Angolan law. Angola has sought technical assistance in building capacity and educating staff in the operation of the Customs Valuation Agreement.

16. Angola has applied preshipment inspection (PSI) since 1980. The regime was revised in 2002; the present PSI contract runs until the end of 2005. A range of goods are exempted from PSI, which applies above defined levels. Inspection fees are paid by the Government, but the seller pays the cost of presenting the goods for inspection. The authorities intend to phase out PSI with the introduction of the new Customs Code.

17. Angola has one simple set of rules of origin for imports from all sources. However, rules of origin are likely to become more complex as Angola implements the SADC Trade Protocol, and with the conclusion of any EPA with the EC.

18. Angola is not a signatory to the Plurilateral Agreement on Government Procurement. The WTO Secretariat has no firm information on procurement legislation and procedures by Government agencies or parastatal enterprises.

19. Angola is taking steps to apply international or regional (SADC) standards to some manufactures and food products, although human and technical capacity for implementation is lacking. A specialized agency (Codex Angola) has been established to set food standards. Packaging and labelling recommendations apply to foods, pharmaceuticals, cosmetics, and chemicals.

20. Export taxes of 20% and 10% are levied on exports of hides and skins, and unworked ivory, respectively. There are also various export bans and licensing procedures, including the "Kimberley" certification process for diamonds. Angola does not ban exports or imports of endangered species.

21. Angola has over 50 State-owned enterprises deployed in several economic sectors. A gradual privatization and commercialization process is under way, but key sectors, such as oil and diamonds, remain under State control.

22. Subsidies and price controls apply to many consumption goods and services, including fuel and electricity. The authorities state that the policy is under review.

23. New legislation on industrial property protection and authors' rights is in preparation to bring Angola's intellectual property legislation up to date and into line with current international agreements, including the TRIPS Agreement.

(4) **SECTORAL POLICIES**

24. At independence, Angola was a major agricultural producer, self-sufficient in food, and a substantial exporter of bananas, coffee, cotton, maize, meat, and sisal. The civil war reduced Angola to a major net importer of food and agricultural products and recipient of food aid. The continuing prevalence of landmines in certain areas of Angola is a major impediment to the rehabilitation of rural areas. Most agricultural production is subsistence or small-scale, using manual or low technologies and with low productivity.

25. Redevelopment of the agricultural sector faces other challenges, including the high level, and low prices, of imported food; domestic price and profit margin controls; seriously damaged road and rail links and limited rural infrastructure; the need to restore storage capacity; and the need to build up adequate financial and credit systems for rural production and commerce.

26. Imports of animals, plants, and by-products from areas affected by diseases, and genetically modified or transgenic seeds or grains, are banned. Genetically modified organisms (GMOs) supplied for food aid purposes must have prior permission before importation, and grains and seeds entering as food aid must be milled on arrival.

27. Fisheries and fish processing are potentially major exports. New legislation establishes a comprehensive system for managing and monitoring fisheries in Angola's waters. The industry is based mainly on joint-venture operations between Angolan and foreign investors, with majority Angolan ownership. A satellite-based system has been installed for monitoring catches. Angola has signed the SADC Fisheries Protocol, and maintains a bilateral agreement with Namibia. An earlier agreement with the EC has expired.

28. Peak tariffs of 30% apply to some products of animal origin; coffee; certain edible preparations; and wood products, while fresh fish is taxed at 20%.

29. Oil production and diamond mining are currently the main productive sectors of the Angolan economy. Both are State controlled, with State-owned corporations acting as resource managers and concessionaires, as well as producers.

30. In the oil sector, joint ventures and partnership agreements between the State corporation, SONANGOL, and multinational oil companies are the general rule. Following international criticism of lack of transparency in managing oil funds, Angola has published the recommendations of a study by the KPMG consultancy, and has established a reserve fund in the National Bank of Angola to absorb windfall gains from increasing oil prices.

31. ENDIAMA, the State diamond company, markets diamonds through a joint-venture subsidiary, SODIAM. De Beers has recently resumed operations in Angola. Angola has been a major moving force in the "Kimberley process" to prevent trade in conflict diamonds, and has introduced a successful export certification system. Nevertheless, illegal mining persists.

32. The nominal average tariff on "mining and quarrying" (ISIC 2) is 13.7%, with rates from 5% to 30%. The peak rate is levied on road building and other construction products, and precious or semi-precious stones; duties on oil products range up to 20%.

33. Oil production and diamond mining benefit from a wide range of duty-free concessions on inputs and capital equipment, which increase effective protection of final output considerably over nominal rates.

34. Currently, manufacturing accounts for less than 4% of Angola's GDP. A reindustrialization strategy, formulated in 2002, is based on import substitution and export promotion, with four pillars: development of industries with links to the primary sector; redevelopment of import-substituting industrial sectors; promotion of industries producing exportable goods; and

development of large-scale, technology-intensive projects based on petroleum.

35. Tariffs on manufactures escalate selectively, with 30% duties increasing effective protection on certain food, beverages, tobacco, and wood products; chemicals; stone- and cement-based construction materials; structural metal products; miscellaneous machinery and equipment; and jewellery. Investors in priority sectors and zones benefit from duty-free access for inputs and capital goods.

36. Banking legislation dates from the late 1990s. The sector is open to foreign investment; however, foreign investors need authorization from the Council of Ministers to hold over 20% of the capital of a bank or lending institution. The authorities are currently working on adoption and implementation of the "Basel II" capital adequacy standards of the Bank for International Settlements (BIS).

37. Under new legislation, dating to 2004, the insurance and pension funds sectors have been opened to competition, and four insurance companies, including with foreign participation, now operate in Angola.

38. The postal service is to be opened to greater competition by 2012. Telephone services, particularly mobile telephony, have already been opened to competition with the State-owned Angola Telecom; such competition needs to meet with the universal service obligation stipulated in the 2001 telecommunications law.

39. In marine transport, Angola applies the 40-40-20 principle of the UNCTAD Convention on Liner Conferences. The National Council of Carriers is the regulatory body for shipping to and from Angola; all shipments to and from Angola must be registered with the Council. In 2004, Angola introduced fixed tariffs and compulsory inspections on vessels calling at all its ports. The fees depend on the type of vessel, with

liquid natural gas (LNG) carriers facing the highest fees of US\$760.

40. Angola and its neighbours are taking steps, partly with external assistance, to restore road and rail links, in particular with Zambia via the Benguela railway and with Namibia by road and rail. These steps, if successful, should help to re-establish trade and production within Angola, as well as transit trade from Zambia and Congo.

(5) OUTLOOK

41. The macroeconomic outlook for Angola is optimistic if oil prices remain high. GDP growth is expected to continue to be rapid, and inflation is being reduced to manageable levels.

42. Diversification of production and trade, rehabilitation of the domestic

43. infrastructure, and spreading of the benefits of growth to encourage wider development, are the major structural economic challenges facing Angola.

Angola has concluded a large volume of new trade- and investment-related legislation in recent years, and is about to adopt the WTO customs valuation methods. Implementation of all these new provisions is likely to be a major challenge as human and technical resources are scarce.

44. Angola has asked various international organizations, including the WTO, for technical assistance in a number of precisely defined areas, and is a participant in the Integrated Framework; it is important to the authorities that appropriate assistance be provided without delay.

