

ANGOLA

TRADE SUMMARY

The U.S. goods trade deficit with Angola was \$8.3 billion in 2012, down \$3.8 billion from 2011. U.S. goods exports in 2012 were \$1.5 billion, down 0.9 percent from the previous year. Corresponding U.S. imports from Angola were \$9.8 billion, down 27.8 percent. Angola is currently the 70th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Angola was \$5.7 billion in 2011 (latest data available), up from \$4.7 billion in 2010.

IMPORT POLICIES

Tariffs and Nontariff Measures

Angola is a member of the WTO and the Southern African Development Community (SADC). However, Angola has delayed implementation of the 2003 SADC Protocol on Trade (which seeks to reduce tariffs), which remains low as a result of years of civil war and economic underdevelopment. The government is concerned that early implementation of the SADC Protocol on Trade would lead to a large increase in imports, particularly from South Africa.

In September 2008, a tariff schedule came into force that removed duties on the import of raw materials, equipment, and intermediate goods for industries and reduced tariffs on 58 categories of basic goods. A new tax was also established on imports of luxury products, which are now subject to a 1 percent surcharge. The 2008 tariff schedule eliminated personal customs fees and transportation taxes. In addition to duties, fees associated with importing include clearing costs (2 percent), value added tax (2 percent to 30 percent depending on the good), revenue stamps (0.5 percent), port charges (\$500 per day per 20 foot container or \$850 per day 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 per day).

Tariff obligations for the oil industry are largely determined by individually negotiated contracts between international oil companies and the Angolan government. Because most U.S. exports to Angola consist of specialized oil industry equipment, which is largely exempt from tariffs, the annual impact of tariff barriers on U.S. exports is relatively low. 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.

Customs Barriers

Administration of Angola's customs service has improved in the last few years but remains a barrier to market access. The Angolan customs code follows the guidelines of the World Customs Organization, the WTO, and the SADC. The construction of two dry ports for container storage in the Luanda capital area and the diversion of some marine traffic to the Port of Lobito improved customs clearance. The pre-clearance of containers before transport to Angola through exclusive pre-shipment inspection provider, Bureau Veritas, further improves the efficiency of the process. In November 2012, the Vice-Minister of Transportation reported a two-week average for the clearance of containers at the Port of Luanda.

The importation of certain goods into Angola requires an import license issued by the Ministry of Commerce. Most forwarding agents can complete this process quickly. 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 may require specific authorization from various government ministries. This often leads to bureaucratic bottlenecks that can result in delays and extra costs. 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).

Required customs paperwork includes the “*Documento Único*” (single document) for the calculation of customs duties, proof of ownership of the good(s), 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 \$1,000 requires use of a clearing agent. The number of clearing agents increased from 55 in 2006 to 155 in 2011, but competition among clearing agents has not reduced fees, which typically range from 1 percent to 2 percent of the value of the declaration.

Pre-shipment inspection is recommended for most goods including cars, live animals and living plants, cereals, seeds, food produce, pharmaceuticals, chemicals, alcoholic beverages, and dairy products. The Bureau Inspection Valuation Assessment Control (BIVAC), a private company associated with Bureau Veritas, is agent for pre-shipment inspections. Exporters that do not use BIVAC/Bureau Veritas for pre-shipment inspection are subject to additional inspection upon arrival, another time-consuming and bureaucratic process.

GOVERNMENT PROCUREMENT

The government procurement process is not competitive and often lacks transparency. Information about government projects and procurements is often not readily available from the appropriate authorities and interested parties must spend considerable time to obtain the necessary information. Calls for bids for government procurements are sometimes published in the government newspaper “*Jornal de Angola*,” but even then the contracting agency may already have a preference for a specific business. Under the Promotion of Angolan Private Entrepreneurs Law, the government gives Angolan companies preferential treatment in the procurement of goods, services and public works contracts. However these Angolan companies often later source goods and contract services from foreign companies.

Angola is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Angola is a party to the World Intellectual Property Organization (WIPO) Convention, the Paris Convention for the Protection of Industrial Property, and the WIPO Patent Cooperation Treaty. 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 (IPR) are administered by the Ministry of Industry (trademarks, patents, and designs) and by the Ministry of Culture (authorship, literary, and artistic rights). Each petition for a patent that is accepted is subject to a fee that varies by type of patent requested.

Although Angolan law provides basic protection for IPR and the National Assembly is working to strengthen existing legislation, IPR protection remains weak in practice due to a lack of enforcement capacity. The government has worked with international computer companies on anti-piracy measures. No suits involving IPR owned by U.S. citizens or companies are known to have been filed in Angola.

INVESTMENT BARRIERS

Angola is formally open to foreign investment, but its legal infrastructure makes it difficult to provide sufficient protection to foreign investors. Smaller firms in non-extractive industries tend to have a more difficult time conducting business in Angola as compared to larger, multinational corporations engaged in extractive industries. A private investment law, passed in May 2011, altered benefits and incentives available for investors. The minimum investment required to qualify for incentives was increased from \$100,000 under the previous law to \$1 million under the new law. Investors must enter into an investment contract with the Angolan state, represented by the National Agency for Private Investment (ANIP), which establishes the conditions for the investment as well as the applicable incentives. ANIP offices are located in Luanda and Washington, D.C. The incentives and benefits, which can include preferential treatment when repatriating funds out of Angola, tax deductions and exemptions, will be negotiated with ANIP and other ministries of the Angolan government on a case-by-case basis. In determining whether to grant incentives, consideration will be given to the economic and social impact of the investment, taking into account the government's economic development strategy. Larger incentives with longer validity periods are offered to companies that invest in lesser developed areas outside of the greater Luanda capital region.

In addition to the process described above, investments with a value between \$10 million and \$50 million must be approved by the Council of Ministers, and investments above \$50 million require the approval of an *ad hoc* presidential committee. By law, the Council of Ministers has 30 days to review an application, although in practice decisions are often subject to lengthy delays.

The Angolan justice system is slow, arduous, and not always impartial. The World Bank's "Doing Business in 2013" survey estimates that commercial contract enforcement, measured by the amount of time elapsed between the filing of a complaint and the receipt of restitution, generally takes 1,011 days in Angola. While an existing law includes the concept of domestic and international arbitration, the practice of arbitration law is still not widely implemented.

Angola's private investment law expressly prohibits private 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 where the law gives the state exclusive responsibility.

Although the 2011 private 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 across sectors. Investment in the petroleum, diamond, and financial sectors continues to be governed by sector-specific legislation. Foreign investors can establish fully-owned subsidiaries in many sectors, but frequently are strongly encouraged (though not formally required) to take on a local partner.

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 2013" report noted that it takes an average of 171 days in Angola compared to a regional average of 100 days to start a business.

The government is gradually implementing legislation for the petroleum sector, originally enacted in November 2003 (Order 127/03 of the Ministry of Petroleum). The legislation requires many foreign oil services companies currently supplying the petroleum sector to form joint-venture partnerships with local companies on any new ventures. For the provision of goods and services not requiring heavy capital investment or specialized expertise, foreign companies may only participate as a contractor or resell manufactured products 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.

In November 2011, the government passed a law requiring oil companies to conduct a much greater share of their financial transactions through the Angolan banking system. The law will be implemented in phases. Under the first phase set to begin in January 2013, oil companies will be required to pay their taxes owed to the Angolan government through a local bank. Under the final phase, oil companies operating in Angola must use local banks to make all payments, including payments to suppliers and contractors located outside of Angola. U.S. companies are concerned that Angolan banks may lack the capacity to process all of these transactions.

A handful of American businesses have reported difficulties repatriating profits out of Angola. Transfers above a certain amount require Central Bank approval and commercial banks may be reluctant to go through the required bureaucratic process. Transfers of funds out of Angola to purchase merchandise for future sale or use in Angola and that can be supported by pro-forma invoices are considerably easier to process.

OTHER BARRIERS

Corruption

Corruption is prevalent in Angola, due to an inadequately trained civil service, a highly-centralized bureaucracy, antiquated regulations, and a lack of implementation of anti-corruption laws. There continue to be credible reports that high-level officials receive substantial bribes from private companies that are awarded government contracts. Gratuities and other facilitation fees are often requested in order to secure quicker service and approval. It is also common for Angolan government officials to have substantial private business interests. These interests are not necessarily publicly disclosed and it can be difficult to determine the ownership of some Angolan companies. The business climate continues to favor those connected to the government. There are laws and regulations regarding conflict of interest, but they are not widely enforced. Some investors report pressure to form joint ventures with specific Angolan companies believed to have connections to political figures.

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 this law is not generally enforced.

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 either 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.

In November 2009, President Dos Santos called for a zero tolerance policy against corruption. In March 2010, the National Assembly approved a law on Public Probity which requires most government officials to declare their assets to the Attorney General (though the information is not made available to the general public).

Infrastructure

Angola's damaged and neglected infrastructure substantially increases the cost of doing business for investors. Poor roads, destroyed bridges, and mined secondary routes raise transportation costs. While the government continues its efforts to rebuild Angola's communications, energy, transportation, and road infrastructure, many times its efforts fall short because of poor planning, shoddy work, and lack of capacity among Angolan professional and technical workers. For example, while road infrastructure has improved, the roadways connecting Angola's major cities still contain many hazards such as potholes and poor signage. Cell phone and Internet coverage is unreliable, as communication networks continue to be oversubscribed in the provinces and sometimes even in the capital city of Luanda. Frequent disruptions of service also plague the water and power utilities forcing the purchase of back-up electrical generators and cisterns.