



OCCASIONAL PAPER NO 152

Economic Diplomacy Programme

August 2013

Angola, the Reluctant SADC Trader

Louise Redvers

South African Institute of International Affairs

African perspectives. Global insights.

ABOUT SAIIA

The South African Institute of International Affairs (SAIIA) has a long and proud record as South Africa's premier research institute on international issues. It is an independent, non-government think tank whose key strategic objectives are to make effective input into public policy, and to encourage wider and more informed debate on international affairs with particular emphasis on African issues and concerns. It is both a centre for research excellence and a home for stimulating public engagement. SAIIA's occasional papers present topical, incisive analyses, offering a variety of perspectives on key policy issues in Africa and beyond. Core public policy research themes covered by SAIIA include good governance and democracy; economic policymaking; international security and peace; and new global challenges such as food security, global governance reform and the environment. Please consult our website www.saiia.org.za for further information about SAIIA's work.

ABOUT THE ECONOMIC DIPLOMACY PROGRAMME

SAIIA's Economic Diplomacy (EDIP) Programme focuses on the position of Africa in the global economy, primarily at regional, but also at continental and multilateral levels. Trade and investment policies are critical for addressing the development challenges of Africa and achieving sustainable economic growth for the region.

EDIP's work is broadly divided into three streams. (1) Research on global economic governance in order to understand the broader impact on the region and identifying options for Africa in its participation in the international financial system. (2) Issues analysis to unpack key multilateral (World Trade Organization), regional and bilateral trade negotiations. It also considers unilateral trade policy issues lying outside of the reciprocal trade negotiations arena as well as the implications of regional economic integration in Southern Africa and beyond. (3) Exploration of linkages between traditional trade policy debates and other sustainable development issues, such as climate change, investment, energy and food security.

SAIIA gratefully acknowledges the Swedish International Development Cooperation Agency, the Danish International Development Agency, the UK Department for International Development and the Swiss Development Corporation, which generously support the EDIP Programme.

Programme head: Catherine Grant, catherine.grant@saiia.org.za

© SAIIA August 2013

All rights are reserved. No part of this publication may be reproduced or utilised in any form by any means, electronic or mechanical, including photocopying and recording, or by any information or storage and retrieval system, without permission in writing from the publisher. Opinions expressed are the responsibility of the individual authors and not of SAIIA.

Please note that all currencies are in US\$ unless otherwise indicated.

ABSTRACT

The Southern African Development Community (SADC) Protocol on Trade (PoT) was signed in 1996 with the aim of increasing trade between member states through the elimination of tariffs and harmonisation of customs procedures. Regional tariff phase-downs began in 2000 and the SADC Free Trade Area (FTA) has been in operation since 2008, with 85% of SADC trade among 12 of the 15 member states now duty free. By 2012 all member states were supposed to have joined and be working together towards the next goals of an SADC Customs Union, Monetary Union, and finally a single SADC currency. However, Angola, which is SADC's second-largest economy after South Africa, shows few signs of wanting to enter the FTA, despite having signed the PoT in 2003.

The paper unpacks the economic and political drivers behind Angola's decision to remain outside the FTA, and the impact its non-accession has had on its domestic economy and the other member states within SADC. It examines the longer-term implications of Angola's reluctance to implement the SADC PoT, and the effect this may have on the 'Cape to Cairo' Tripartite FTA, to which Angola is also a signatory and negotiator. The paper also analyses the role of the SADC Secretariat in relation to Angola not joining the FTA. Angola's choices raise questions about how a member state can be allowed to renege on its commitments with such apparent impunity, and to the detriment, as the paper argues, of its own citizens and neighbours.

ABOUT THE AUTHOR

Louise Redvers is a British freelance multimedia journalist who has reported from Southern Africa since 2008, covering Angola, Zambia, South Africa, Swaziland and Mozambique. She lived in Angola from 2008–2010, during which time she was a correspondent for the *BBC* and *Agence France Presse*. Louise still travels to Angola regularly and reports on the country's politics and economics for various media outlets, including the *Mail & Guardian*, *The Banker*, *The Guardian*, *The Economist*, *FT.com*, *Economist Intelligence Unit*, *The Africa Report*, *Monocole*, *Africa Confidential* and *China Economic Quarterly*.

ABBREVIATIONS AND ACRONYMS

bopd	barrels of oil per day
CFB	Benguela railway (Caminho de Ferro de Benguela)
CNC	Angola's National Shipping Council (Conselho Nacional de Carregadores)
DRC	Democratic Republic of Congo
EPA	Economic Partnership Agreement
FTA	free trade area
GDP	gross domestic product
GoA	government of Angola
GTM	Multi-sector Group for the Negotiation and Implementation of the SADC Trade Protocol (Grupo Técnico Multisectorial de Negociação e Implementação do Protocolo de Comércio da SADC)
MPLA	Popular Movement for the Liberation of Angola (Movimento Popular de Libertação de Angola)
NTB	non-tariff barrier
PND	National Development Plan (Plano Nacional de Desenvolvimento)
PoT	Protocol on Trade
RoW	rest of world
SADC	Southern African Development Community
SATH	Southern Africa Trade Hub
SEZ	special economic zone
TFTA	Tripartite Free Trade Area
TIFI	Trade, Industry, Finance and Investment (SADC)
UNITA	National Union for the Total Independence of Angola (União Nacional para a Independência Total de Angola)
USAID	US Agency for International Development

INTRODUCTION

Trade and economic liberalisation are at the heart of the Southern African Development Community (SADC) and core to its mandate of deepening regional integration and reducing poverty.¹ The Protocol on Trade (PoT) was signed in August 1996 by 11 member states to pave the way for a free trade area (FTA) within SADC. After protracted negotiations, the PoT entered into force on 25 January 2000 when it was ratified by two-thirds of member states, with the exclusion of Angola, the Democratic Republic of Congo (DRC) and Seychelles. The aim of the SADC FTA is to increase trade flows between member states by reducing the time and cost of imports and exports through the elimination of tariffs, harmonisation of customs procedures, and the creation of one-stop border posts. Although the FTA has not quite produced the significant upsurge in trade between member states that was hoped for, with intra-SADC trade remaining at around 15%,² policymakers are optimistic that ongoing work to eliminate non-tariff barriers (NTBs) and clarify rules of origin will succeed in improving trade flows and deepening regional integration.

Angola's National Assembly approved accession to the PoT in 2002 and the following year formally acceded to the protocol by submitting the instrument of accession to the SADC Secretariat. Over a decade later, however, Angola remains in the 'preparatory' stages of tariff reduction with no date in sight for implementation of the PoT, despite 2012 having been set as SADC's milestone year for full implementation.³ Although Angola's failure to implement the PoT is read by some as an indication of weakness within the SADC Secretariat,⁴ its self-imposed exclusion is also highly frustrating for SADC exporters, for whom the country offers tantalising market opportunities. With an estimated 43% of its population under the age of 15⁵ and a rapidly emerging middle class thanks to the country's oil-fuelled growth, Angola is overflowing with hungry consumers with new money to spend. For instance, despite only have a population of around 19 million,⁶ the country is the third-largest domestic market for alcoholic drinks, behind South Africa and Nigeria,⁷ and with so little being made or produced in country, there is enormous scope for exports to Angola.

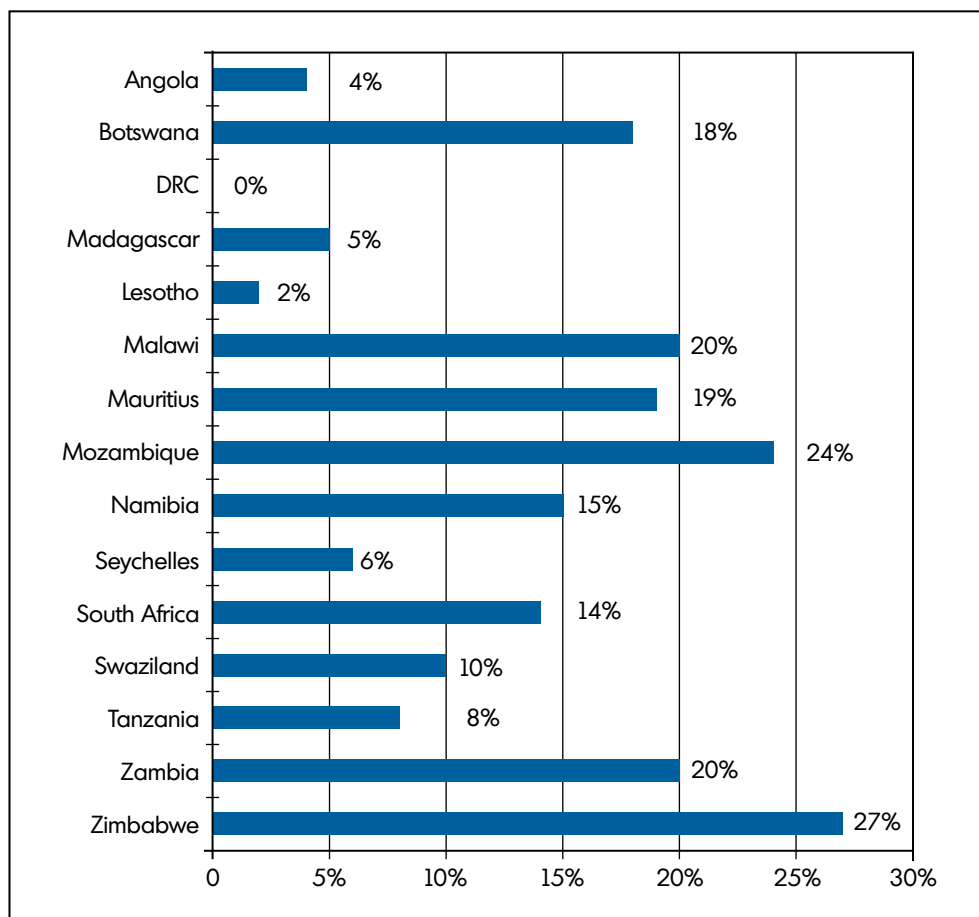
Economies of scale, African logistics⁸ and other NTBs may explain why it is cheaper to export food to Angola from Portugal or Brazil, than say from Malawi or Tanzania. Not exploiting trade opportunities with neighbouring Namibia, which shares a border with developed South Africa, the biggest exporter in the region, makes less sense. It is not unusual for African countries to have significant trade flows with European countries, based on relationships formed during colonial times, and more recently, with China, whose output of low-cost consumables has seen it become a major exporter to the African continent. However, although all intra-SADC trade is low compared with exchanges with China and the EU, in Angola it is particularly low.⁹

The government of Angola (GoA) has attributed not joining the SADC FTA to the country not yet having 'the conditions' to be in a position to do so. It says Angola has only recently emerged from a prolonged period of civil war that began in 1975 and ended in 2002, which destroyed its infrastructure and left it with little productive industry. The GoA claims to be wary of opening up the country's borders to its neighbours for fear of an ensuing flood of duty-free imports hampering efforts to relaunch its manufacturing and productive sectors and damaging its economic development. Indeed, at the time of

writing, the GoA was reported to be about to introduce a new customs regime that would increase its top tariff from 30% to 50% for domestically produced items such as beer, soft drinks, certain vegetables, and construction materials. The move is explained as a way of protecting nascent local industry, creating jobs and diversifying the economy away from oil. On the one hand, a flow of cheaper imports may damage infant industries; on the other allowing the importation of cheaper inputs (eg agricultural fertiliser, construction materials) could help to stimulate economic production. Angola has long maintained the contradiction of professing the need to protect itself from a flood of cheap goods from neighbouring countries in SADC, while remaining open to products from elsewhere in the world, particularly China. This stance, however, appears to be changing, given the plans for the new tariff.

The central issues guiding the paper are the arguments for and against Angola joining the FTA; the likelihood of Angola ever joining the FTA; and what Angola's current 'isolationism' means for the rest of SADC and the planned Cape to Cairo Tripartite FTA (TFTA).

Figure 1: Exports from SADC countries to other SADC member states (%), 2012



Source: Author's own calculations based on 2012 UN Comtrade mirror data presented by the International Trade Centre, <http://www.trademap.org>, accessed July 2013.

ANGOLA AND ITS CONTEXT OF WAR

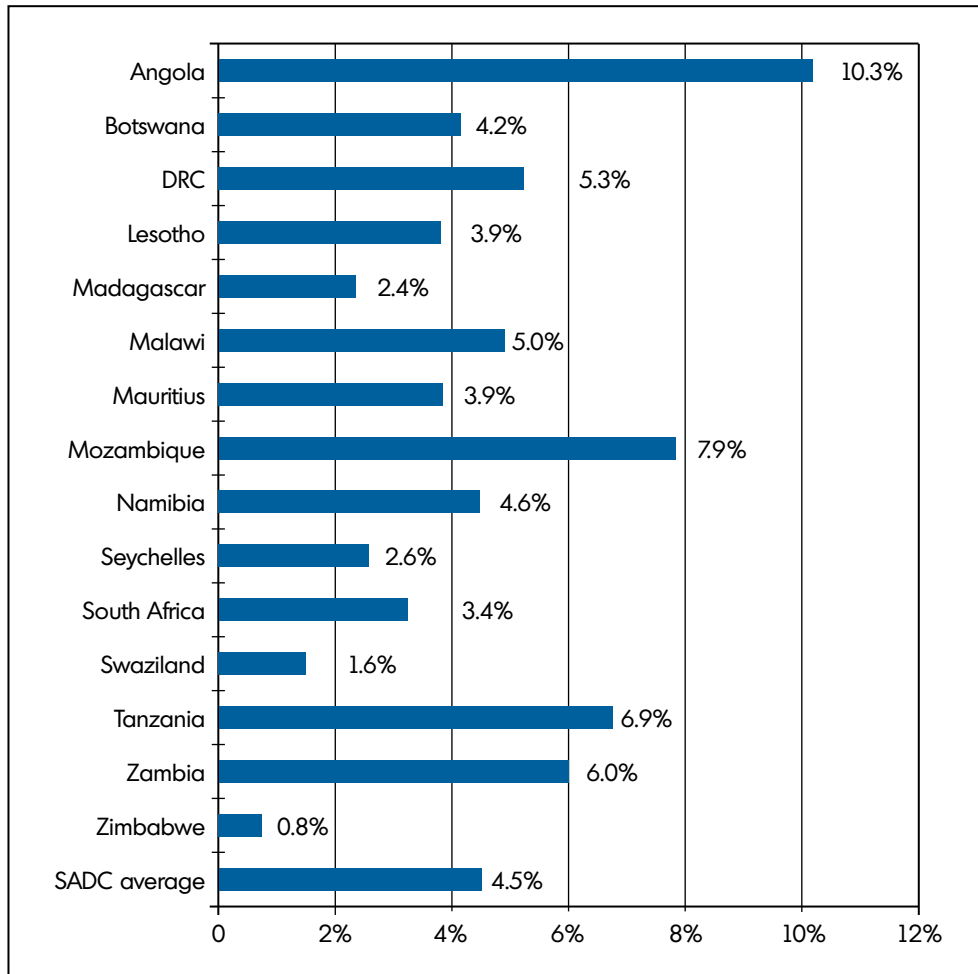
Angola is the second-largest country south of the Sahara after the DRC, with which it shares a border, along with Zambia and Namibia. It was colonised by the Portuguese for over 500 years and only gained its independence in 1975. Within weeks of the European power leaving, however, the country descended into a bitter civil war that lasted nearly three decades. The conflict was a complicated Cold War proxy, with the former Soviet Union and Cuba backing the then Marxist MPLA (Movimento Popular de Libertação de Angola), now in government, while the US and apartheid South Africa favoured UNITA (União Nacional para a Independência Total de Angola), now the main opposition party. The fall of the Berlin Wall and the collapse of the Soviet Union saw these proxy interests fade, UNITA losing its Western backers and the US eventually supporting the MPLA. Following the military death of UNITA's leader, Jonas Savimbi, in February 2002, and the subsequent signing of the Luena Memorandum of Understanding on 4 April 2002, the guns were finally silenced.

These long years of war nearly destroyed Angola, physically, socially and economically. Over one million people died, 4.5 million were displaced, 600 000 fled as refugees to neighbouring countries, some 200 000 were disabled, and an estimated 50 000 children were orphaned.¹⁰ With little health and education services left, and millions facing starvation or death by disease, in 2002 the country had some of the world's worst human development indicators and child mortality rates, and a poverty rate of over 75%. Having been self-sufficient in food production pre-independence and a significant exporter of coffee, sugarcane, and bananas, Angola is now a net importer of food. Its farming sector was decimated by war, large rural areas peppered with mines and huge stretches of previously fertile arable land deserted. Little manufacturing and food production survived the war, and attempts to restart industries have been hampered by the lack of electricity (forcing an expensive dependence on diesel-guzzling generators), poor roads and weak supply chains. With nearly all government money pumped into the war effort, there was scant investment or economic stimulation, or even policy, for decades. Moreover, the national finances were in disarray, with millions of dollars unaccounted for.¹¹

It is not unreasonable to see why Angola in 2003, given its dire economic situation, did not feel in a position to join the FTA. Angola's signing of the PoT can be read as more of a gesture to show political commitment to SADC as a bloc, rather than as a concrete commitment to the FTA.

POST-WAR ANGOLA

In the 11 years since Angola's 'Outbreak of Peace',¹² the country has performed a significant about-turn. Angola is now the second-largest economy in SADC after South Africa.¹³ Gross domestic product (GDP) growth has soared – recording double-digit figures between 2004 and 2008 – and is expected to exceed 7% in 2013, well above the 3% forecast for South Africa and the SADC rate of 4.2%.¹⁴

Figure 2: Average annual GDP growth of SADC member states (%), 2001–2012

Source: SADC (using data sourced from member states), *Selected Indicators 2011*. Botswana: SADC, 2012, http://www.sadc.int/files/6213/6267/6607/Selected_Indicators_2011_with_charts-06March2013_FINAL.pdf.

The GoA has been praised widely for leading the country towards macroeconomic stability. Inflation is now for the first time in decades under 10%; the tax system is being overhauled; and new financial regulations are winning plaudits from the International Monetary Fund and World Bank, and boosting investor confidence.¹⁵ However, politically and socially the scars of the war still run deep in Angola, and there is growing dissatisfaction, particularly among younger people, about the lack of wealth equity and continuing high levels of poverty.¹⁶

Nevertheless, Angola has experienced incredible developments, and the GoA has spent billions of dollars on an ambitious reconstruction programme, building new bridges, railways, hospitals, schools and airports. It is now possible to travel outside of the capital Luanda, not just freely¹⁷ but on tarred roads. Where once it would have taken days to reach interior cities like Malange and Huambo, these can now be reached in just a few hours' drive. Such cities now have hotels with electricity and running water, and possibly

even an Internet connection. The Caminho de Ferro de Luanda (Luanda railroad or CFL), which runs from the capital to Malange, is now back in full operation; and the Caminho de Ferro de Benguela (the Benguela railway or CFB), from the coastal town of Lobito to the border with the DRC in the east, is also nearly complete; as is the Caminho de Ferro de Moçâmedes (Moçâmedes railway or CFM) linking Namibe and Huila provinces in the south. These three trunklines, built over 100 years ago, are key strategic pieces in Angola's development jigsaw, offering new cost-effective transport options for agricultural goods and mining outputs like copper and iron ore. In the case of the CFB, the train will link the Atlantic coast to the interior of the continent, giving Angola the potential to become a major African transport hub. Angola's investment in these railways linking it with its neighbouring countries reflects its commitment to regional integration and the GoA's active participation in initiatives such as the Lobito Corridor.

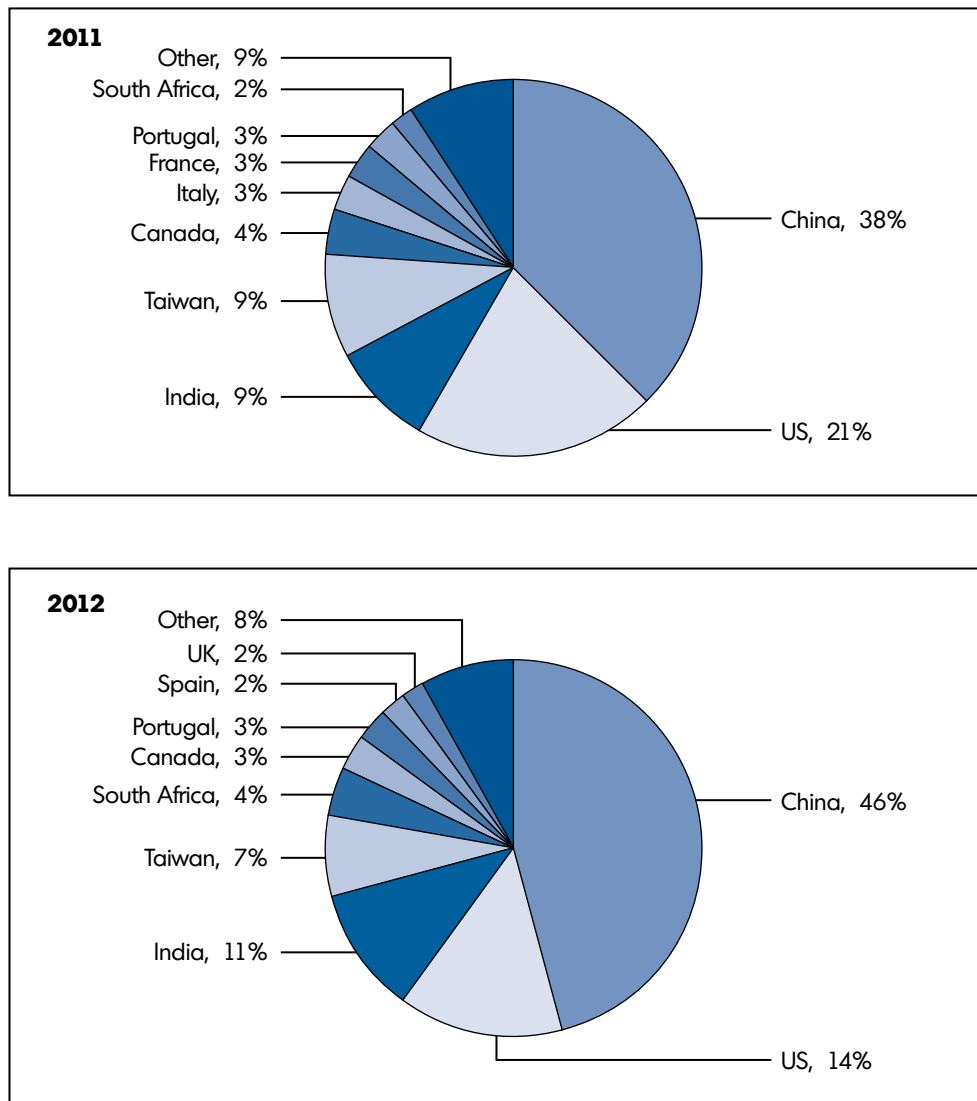
In addition, there is a vast new network of roads in and around Luanda, with more planned; as well as three new commuter rail lines and water taxis, which are needed desperately to help reduce the high levels of congestion. The sprawling slums that surround the capital, which are home to an estimated five million people, are slowly being cleared and new modern housing suburbs are being constructed. There are also new special economic zones (SEZs), where manufacturing operations are slowly coming to life, producing industrial and construction products that for decades Angola has had to import.

CRUDE CONDITIONS

Angola's rapid transformation and impressive growth statistics have led it to be hailed as an 'economic miracle'. In reality, however, its success is one track and down to oil. Angola is Africa's second-largest producer of crude oil after Nigeria. It currently produces an average of 1.7 million barrels of oil per day (bopd), and by 2015 plans to have increased this to 2 million bopd.¹⁸

Angola's oil is a blessing in that it has given the GoA plenty of cash to invest in the rehabilitation of infrastructure and institutions. It has also been key to attracting foreign investment, with the GoA using its prize asset as leverage for oil-backed loans from emerging power-houses like China and Brazil, and more recently to set up a Sovereign Wealth Fund with a starting pot of \$5 billion. With such a big public construction programme under way, many overseas private companies are cashing in, particularly given Angola's lack of domestic skills and technical ability. Portugal and Brazil especially have exploited their linguistic and cultural ties to seize lucrative business and trading opportunities in Angola.

Oil, however, may also be considered Angola's curse, with crude oil (the country has only very limited domestic refining capacity)¹⁹ accounting for over 45% of GDP and 90% of its export revenues.²⁰ This means that not only is Angola highly vulnerable to global commodity price shocks,²¹ but that owing to a poisonous combination of Dutch Disease and a legacy of war, it has also been producing little else of value, for either export or domestic consumption. Some studies claim that it is the world's second-most concentrated country in terms of exports.²² Crude oil dominates Angola's exports and determines its trading partners. It is because of oil that such a small percentage of Angola's exports go to SADC, where there are few refineries.

Figure 3: Angola's export destinations (%), 2011 and 2012

Source: UN Comtrade, UN Comtrade mirror data presented by the International Trade Centre, <http://www.trademap.org>, accessed July 2013.

As shown by Figure 3, the bulk of Angola's exports for 2011 and 2012 went to China, the US and India. South Africa was the only country from SADC that featured in the top 10; and although Angolan exports to South Africa doubled from 2% in 2011 to 4% in 2012, 99% of these exports are oil-related.²³

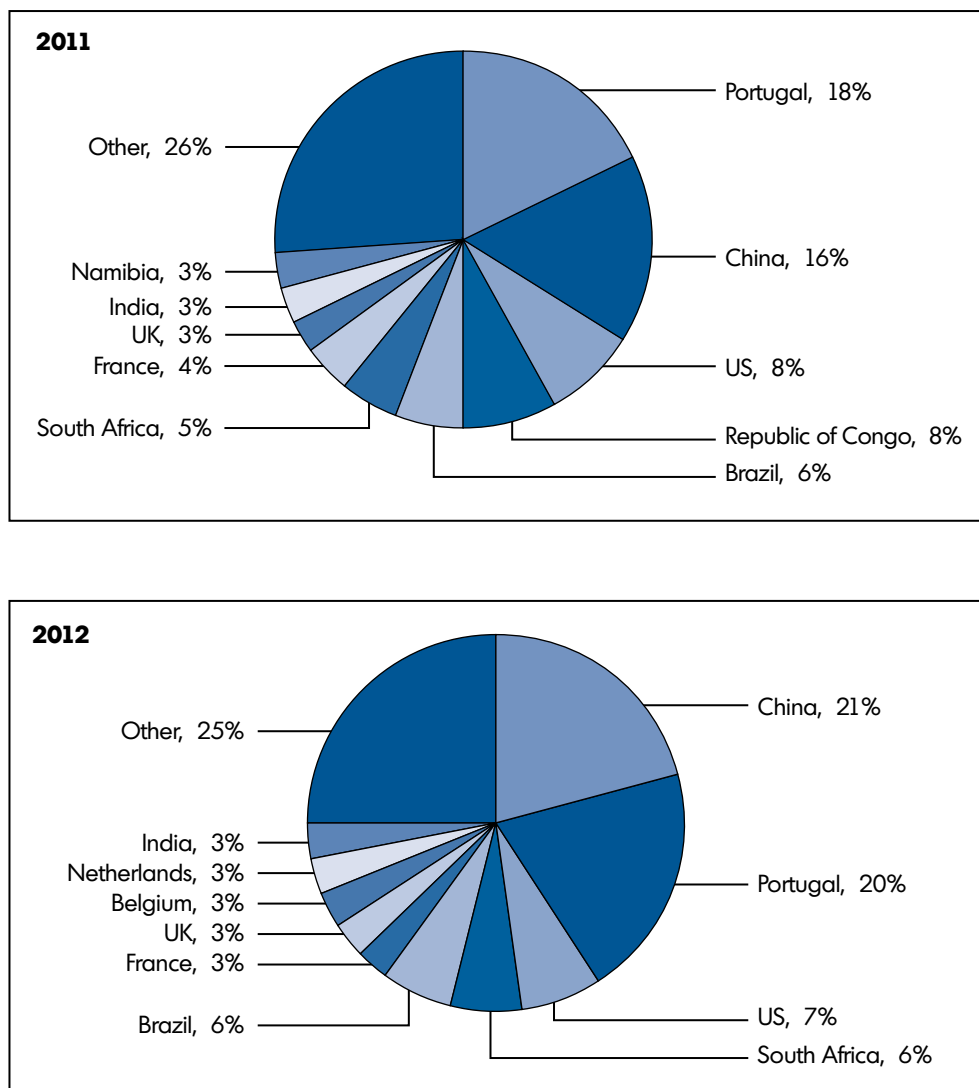
ANGOLA'S IMPORTS

Angola may not have much to export to its brothers in SADC, but it could import food and household goods. Although some Angolan products are starting to be sold in Angolan supermarkets, most of the brands originate from Portugal, Brazil and China. Since the

opening of South Africa's Shoprite supermarkets in a handful of Angolan cities, and the improvements to road networks in the south of the country, there are more South African and Namibian items visible, though still very few compared with those coming from Angola's other main trading partners. Members of the SADC private sector, particularly from Namibia and South Africa, make no secret of their frustration about the difficulties they experience in penetrating such a lucrative market.²⁴

In 2011 Angola's largest source of imports was its former colonial power, Portugal (18%); followed by China (15.6%); and the US (8.4%). South Africa came sixth, providing 5% of Angola's imports, after the Republic of Congo's 7.7% and Brazil's 6%. In 2012 China overtook Portugal and South Africa inched into fourth place, providing 6% of Angola's imports.

Figure 4: Angola's import sources (%), 2011 and 2012



Source: UN Comtrade mirror data presented by the International Trade Centre, <http://www.trademap.org>, accessed July 2013.

The Conselho Nacional de Carregadores (Angola's National Shipping Council or CNC), part of the ministry of transport, carries import data on its website, though publication is erratic and the site is often down. For 2012 the CNC only has data for the third and fourth quarters, and the next most recent entry is for the third quarter of 2011. It is therefore hard to make year-on-year comparisons and rule out seasonal considerations (eg food items at Christmas) and other events that could affect import flows.²⁵

Table 1: Top 15 products Angola imported in Q4, 2012

Product	Weight (Tonnes)	% of total imports
Hydraulic cements	743 554,01	23,31
Malt beers	109 245,09	3,43
Meat and edible offal, fresh, chilled and frozen	107 013,81	3,36
Rice	96 285,29	3,02
Wheat flour	84 548,33	2,65
Iron/steel bars	68 004,40	2,13
Paving slabs and tiles – glazed, ceramic and for mosaics	64 209,57	2,01
Cane, beet sugar, chemical sucrose	63 649,34	2,00
Palm oil and associated refined products	54 598,32	1,71
Cereal flour (other than wheat flour)	51 467,83	1,61
Petroleum coke, petroleum bitumen and other petroleum residues	41 977,02	1,32
Flat-rolled iron (or non-alloy steel) products, 600 mm+, clad, plated or coated	40 429,86	1,27
Wine and fortified wine	36 055,47	1,13
Fruit juices	33 319,04	1,04
Mineral water, still and sparkling and other soft drinks (not fruit juices)	32 413,32	1,02

Source: Angola Shipping Council, CNC (Conselho Nacional de Carregadores), data from <http://www.cnc-angola.com>, accessed March 2013.

CNC statistics also provide a breakdown of countries from which Angola imports products. Its report for the fourth quarter of 2011 puts China in the top position, followed by Portugal, South Korea and Brazil. South Africa comes sixth, accounting for 3.74% of Angola's imports in this three-month period. The only other SADC country to feature in the top 50 is Namibia, coming 30th and providing just 0.20% of Angola's imports. South Africa's share in the fourth quarter compared with that of the third actually slipped by 4.77%, having exported in the earlier period nearly 6 000 more tonnes of goods to Angola.

Table 2: Top 15 countries of origin for Angolan imports in Q3 and Q4, 2012

Country	% of overall imports in Q3	% of overall imports in Q4
China	32,17	27,68
Portugal	15,69	16,50
South Korea	7,09	9,61
Brazil	6,49	7,16
Belgium	3,77	3,94
South Africa	4,06	3,74
Greece	N/A	3,35
France	4,43	2,92
Spain	1,70	2,62
United Arab Emirates	1,68	2,07
Thailand	1,00	1,99
India	1,90	1,86
Argentina	1,59	1,81
Turkey	2,72	1,71

Source: Angola Shipping Council, CNC (Conselho Nacional de Carregadores), data from <http://www.cnc-angola.com>, accessed March 2013.

ANGOLA AND SADC

Angola is a founding member of the SADC and the country's ruling MPLA has strong links with many of the region's other ruling parties and leadership, based on historic solidarity during liberation struggles. The country plays a leading role in the bloc, particularly with regards to regional security issues. President José Eduardo dos Santos, in power since 1979, is the bloc's longest-serving leader, and in the decade since the end of Angola's war, he has modelled himself as a regional and continental wiseman. Angola likes to take an active role in negotiations involving conflicts and military issues in SADC countries, as evidenced by recent events in the DRC,²⁶ to which Angola has sent military support on more than one occasion.

As a member state, Angola plays its part hosting and attending all the various SADC summits, meetings, workshops and training sessions, including some directly related to the FTA in which it does not participate. However, Angola's trade profile with SADC is minimal, with only 4% of its 2012 exports going to SADC countries. This is significantly lower than all other SADC member states, with the exception of the DRC and Lesotho²⁷ (see Figure 1).

ANGOLA'S EARLY FTA NEGOTIATIONS

Angola's parliament approved accession to the PoT at the end of 2002 (two years after the majority of the rest of the bloc). In March 2003 it formally acceded to the protocol by submitting the instrument of accession to the SADC Secretariat. This submission was followed by a formal request to the Secretariat for assistance to prepare a tariff reduction schedule to be able to implement the PoT and join the FTA.

In April 2003 a team from the SADC Secretariat²⁸ visited Luanda to collect preliminary information with which to start preparing a tariff phase-down offer. The visit incorporated interviews and meetings with government (including senior officials from the ministries of finance, commerce and trade), the private sector and members of the donor community. Following the GoA's receipt of an assessment made by the Secretariat in October and its subsequent response, a full SADC Secretariat Trade Mission to Luanda took place in December 2003.²⁹

In April 2004 a report was published on Angola's readiness to implement the PoT. The 52-page document³⁰ gives an assessment of Angola's economy, presenting a starting-point discussion for a tariff phase-down, including options for separate tariffs for South Africa and the other member states. It offers strong counter arguments to government fears about floods of cheap imports and the assumed protectionist approach. The report was presented to the GoA in 2004, which, according to one former SADC employee, 'promptly stuck it on a shelf to gather dust'.³¹

The domestic years

From 2004–2008, while the rest of the SADC member states were busy putting in place their tariff phase-down offers ready to enter the free trade zone, Angola remained quiet. As well as needing to stabilise its domestic economy, politically the government was focused on holding its first peacetime election, which finally took place in September 2008 and handed the MPLA a parliamentary majority of over 81%. That the poll, the first to be held in 16 years and only the second in Angola's independent history, took place without major incident was an important milestone for Angola, given that the 1992 vote had turned so bloody.³²

Enter China

Just after the SADC trade mission in 2003 and its follow-up report in 2004, Angola formed a new trading partner, one that would prove to be more significant than any previous – and probably any future – partner. The Angola–China relationship is described by its respective governments as the ultimate 'win-win' scenario. In the early years of peace, although Angola's oil and diamond exports were picking up and bringing in cash, the country was in serious need of help to rebuild its war-ravaged infrastructure. Western nations shunned a proposed donor conference in 2003, concerned about whether the peace would last, Angola's poor reputation on revenue management and the French investigation into war-time arms deals.³³ China, which had just launched its 'going out' strategy, saw a golden opportunity, and in March 2004 the Chinese ministry of trade and Angolan ministry of finance formally signed a \$2 billion loan deal. This credit line was to pay for Chinese

companies, materials and know-how (and, it later became apparent, imported labour) to carry out reconstruction projects across Angola. It was not free money (to be paid over 12 years at LIBOR plus 1.5%) and would be paid back with crude oil, rather than hard currency; but it came without governance or other conditions that Western nations apply to their aid and loans.

The ‘Angola mode’, as it has come to be known, is well documented.³⁴ Not only has it seen an estimated \$15 billion of Chinese credit opened up to Angola since 2004; it has also radically changed Angola’s trade and global profile. Angola is now China’s second-largest African trading partner. According to China’s General Administration of Customs, bilateral trade between Angola and China reached \$27.67 billion in 2011, up 11.5% on the previous 12 months. China’s imports from Angola increased by 9.1%, to \$24.89 billion, while China’s exports to Angola increased by 38.8%.³⁵

Lacking the ‘conditions’ to join the FTA

In August 2008 the SADC FTA was launched formally at a heads of state summit in Sandton, Johannesburg, South Africa, at a ceremony attended by President dos Santos.³⁶ Angola’s state news agency, *Angola Press*,³⁷ reported on the launch and noted that it ‘would create an enlarged market, creating the potential for trade, economic development and the creation of jobs’.³⁸ *Angola Press* also stated that although Angola would integrate into the FTA, ‘it will not be in the next three years’.³⁹ Just prior to the summit, Angola’s Minister of Planning, Ana Dias Lourenço, stated that:⁴⁰

For reasons that we all know, our country is not going to integrate into the FTA this year owing to the fact that we are not in conditions to do so. [...] Given the fact the country was at war for a long time and is in a phase of reconstruction and re-launching of its domestic production we consider that we are not yet with conditions to integrate into the Free Trade Area [...] In time, when the conditions are created, which we consider important to take this step, we will.

Missed deadlines

By 2010, according to the original roadmap for regional integration set out by the 2003 Regional Indicative Strategic Development Plan, SADC should have launched its customs union and been on course for a common market by 2015. At a heads of state summit in Windhoek Namibia in August 2010, these missed deadlines were acknowledged and a high-level expert group was established to investigate the causes of bottlenecks with the FTA and to put forward solutions to rectify this issue.

In the same week as this heads of state summit, *Angola Press* published an interview with Minister Lourenço, in which she reiterated Angola’s reasons for remaining outside the FTA, repeating that the country had only just concluded its long war and thus did not have the suitable ‘conditions’ for joining the group.⁴¹ The minister reiterated that there had never been a set date for Angola to enter into the FTA, and that the process was dependent on the country’s national reconstruction programme and the relaunching and strengthening of the national private sector.⁴²

These things do not come with deadlines [...] We are working and when the Executive considers that it has the conditions to share in the regional market, and to offer products and open up its borders, certainly it will do that [...] It's good for us that the others understand that there is no intention whatsoever of us remaining on the sidelines of this process, but, Angola needs to be better prepared to consolidate its internal position in order to be able to share in a free trade area.

High-level discussions

In February 2011 – with just 10 months to go before the 2012 Milestone for all member states to be operating within the FTA – SADC's Executive Secretary, Tomaz Salomão, led a high-level mission to Luanda. This was supposed to be in preparation for a visit by a technical team from the Secretariat who would assess Angola's industrial rehabilitation efforts and assist with preparations for a tariff phase-down offer.

On the sidelines of the mission, João Caholo, SADC's Angolan deputy executive secretary (with responsibility for regional integration), gave several interviews to Angolan state media. The articles reported that he said there was 'engagement and willingness' from the GoA, and Angola could 'in the short term' join the FTA.⁴³ 'We can say that it's a work in progress and we hope that soon the government can demonstrate its willingness to submit its proposal for joining', he was quoted as saying. Caholo, formerly Angola's deputy fisheries minister, added that it would be good if Angola and the DRC, also yet to join, entered into the FTA, 'given their consumer capacity' and the 'size of their markets'.⁴⁴

Postponement *sine die*

However, despite this optimism a full-trade mission that had been planned to take place the month after the visit from Salamao and Caholo did not go ahead. According to the SADC Trade, Industry, Finance and Investment (TIFI) Directorate at the Secretariat in Gaborone, the visit was postponed at the request of the GoA. The team were to assess 'ongoing efforts by the GoA towards industrial rehabilitation and areas related to economic and infrastructure development' and 'assist Angola with preparations of a tariff phase down offer'.⁴⁵ TIFI said that a further trade mission scheduled for March 2012 was also postponed, *sine die*, again at the request of the GoA.

In November 2012 a large Angolan delegation, including several ministers and senior diplomats from around the region, attended the SADC Committee of Ministers of Trade, held in Maputo, Mozambique. Progress on the implementation of the PoT was a key agenda item, and it was noted that Seychelles had tabled a tariff offer and that the DRC had a roadmap with full implementation targeted for January 2015.⁴⁶ Angola, however, had no progress to report on, and the record of the meeting simply acknowledged an observation made by the Southern Africa Trade Hub (SATH) that Angola had 'only recently emerged from a protracted period of civil strife which had heavily damaged the country's productive capacity'.⁴⁷ It noted that the country 'has embarked on a programme designed to improve and increase investments in infrastructure, development and modernisation'.⁴⁸ The same report noted that Angola 'had advised Senior Officials that it is in the process of reviewing its tariff structure' and that the 'Secretariat would continue to work with Angola in order

to assist it to fully participate and implement the SADC PoT'. As of March 2013, however, TIFI said no follow-up meetings had been planned with Angola to discuss a tariff offer or any other aspects of implementing the PoT.

Extensive efforts by SAIIA to formally engage with the GoA about its position on the FTA for the purposes of this paper were fruitless. Our requests were passed from ministry to ministry and from aide to aide, emails and letters received and read, but the questions, unfortunately, were never answered.⁴⁹

In April 2013, as this paper was entering its final edit, reports appeared in the Angolan media⁵⁰ that the GoA was about to launch a new tariff regime to increase import duties on certain items that were produced domestically, such as beer, soft drinks, and some construction materials. A senior customs official was quoted as saying that some duties would be raised from the current maximum of 30% to a new maximum of 50%, though he did not specify precisely which products would be affected. Subsequent articles in the local press have featured interviews with local businessmen supporting the change because they believe it will protect local industries against cheap imports. Although there has been no formal announcement about the new duties, except a state media report that the legislation was under discussion in parliament, the tariffs are in line with GoA's policies to protect local industry, create jobs, increase domestic output, reduce imports and diversify the economy away from its dependence on oil. However, raising tariffs in order to protect domestic production sends a strong message to Angola's neighbours in SADC that it is not, for now, seeking to increase trade flows, in fact quite the opposite.

WHY DOESN'T ANGOLA WANT TO JOIN THE FTA?

As discussed, the GoA says it does not have the 'conditions' to join the SADC FTA owing to the country's lack of industry, and lack of exportable goods or resources, apart from crude oil. With factories and agriculture only just restarting, following a slower-than-anticipated diversification of the economy,⁵¹ the GoA fears that what the country is producing will not be able to compete on price with imports from neighbouring countries, particularly South Africa, which has the continent's most developed industrial and manufacturing sector. At a glance Angola's productive sectors (such as agriculture, manufacturing, food processing) seem to support the GoA's position. Progress has been slow, despite significant government propaganda about the success and reach of new schemes.

Despite Angola's enormous agricultural potential and good rainfall, much of the farming continues to be on a subsistence basis. Small family farms are producing just enough to eat with little consideration for economies of scale to source cheaper inputs like seeds and fertiliser or to sell commercially beyond the local marketplace. In 2009 a government credit scheme was launched giving small and medium farmers access to a pot of \$350 million to help raise their output. The concept was welcomed warmly, but has struggled logistically with money not getting to where it should within agreed timeframes. Furthermore, the 2011–2012 drought has left a number of farmers heavily indebted but without much to show for it apart from failed crops.

A lack of electricity has also been a major problem. Energy supplies, even in the capital Luanda and other built-up areas, are so erratic that every business has at least one generator, which, far from being a backup, is often the main and only source of

power. This hampers food production too because without power, fish, crops and meat cannot be kept chilled and must be sold immediately or transported to locations with access to refrigeration. This involves having adequate transport and decent roads, plus the logistical networks across large geographical areas. It is not uncommon to read reports in the Angolan state media of tonnes of rotting crops that have been cultivated and harvested but have not found their way to market.

Running food processing or any other factory on generators is expensive, not just because of the diesel consumption, but also because of the generator maintenance and spare parts – supposing these are available, as they will almost certainly not be made locally. When South Africa's Nampak Bevcan opened its \$160 million canning factory outside Luanda in January 2011, staff said⁵² that the cost of running the generators was only supportable given the economies of scale and their large order book, being the first factory of its kind (producing cans on site as well as canning) to operate in Angola, which has a huge market for soft drinks. The government is aware of its energy deficit and in 2010 announced an investment of \$18 billion in power generation and supply (mainly through hydroelectric projects). The then Minister of State, Carlos Maria Feijó, said power cuts would be a thing of the past by 2016,⁵³ and in early 2013 Minister of Energy and Water, João Baptista Borges, announced plans to increase capacity five-fold in the next four years, from the current output of 1 200 MW to 6 200 MW by 2016. Significant investment has gone into electricity generation from dams, such as Capanda and Gove, but also into transmission and distribution, via new substations and grids.

Although more Angolan produce is becoming available for purchase in supermarkets, a large amount of fruit, vegetables and meat stocked on the shelves is still flown in from Portugal⁵⁴ and elsewhere. And although Angola now has several cement factories, they are reported to be running below their capacity, and what they do produce cannot compete pricewise with Chinese imports.⁵⁵

It is clear that there are obstacles to overcome before Angola becomes a significant exporter of anything beyond crude oil, but there are green shoots of recovery within the productive sectors. Although accurate details are hard to come by, there have been a number of articles in Angolan state media discussing promising developments, from new food processing plants and refrigeration to factories making pipes, cables and other materials that were previously imported. The SEZ in Viana, on the outskirts of Luanda, is filling up with both domestic and overseas companies. SEZs have also been planned for a number of other towns and provinces.

In agriculture, there are new commercial farms springing up around the country and many more planned. In 2012, pan-African conglomerate, Lonrho, started exporting fruit and vegetables into Angola via air freight through its Rollex subsidiary. CEO Geoffrey White confirmed in an interview in April 2013⁵⁶ that the company was in the process of leasing land in several provinces in Angola with a view to growing fruit and vegetables locally. He said the success of the imports had identified there was a market, and that the longer-term plan was to replace the air-freighted produce with Angolan-grown produce.

Various government aid programmes, such as the US Agency for International Development (USAID) and the Brazilian Agricultural Research Corporation, have provided funding to help small farmers improve their techniques and to establish co-operatives. Money has also come from China, which is setting up several rural laboratories and rice-support schemes, as well as from Vietnam and South Korea. In March 2013, Minister of

Trade, Rosa Pacavira, announced the creation of a ‘rural logistics agent’, which she said will help to regulate and promote sales exchanges between small farmers and buyers, thereby reducing bottlenecks.

A significant new development is the 410 000 hectare Pólo Agro-Industrial de Capanda in Malange province. State entity, Sociedade de Desenvolvimento do Pólo Agro-industrial de Capanda (SODEPAC), offers concessions to domestic and foreign investors (similar to how Sonangol allocates oil blocks) to develop the land for agricultural use. The GoA has not been shy in urging people to come to Angola to invest, and has provided favourable tax breaks aimed at encouraging more investors to bring their capital and expertise. The Development Bank of South Africa is understood to be considering several projects in the area. Capanda’s location, close to the newly restored Capanda dam, has available electricity, thus reducing the cost of agriprocessing and refrigeration. The BIOCOC sugarcane project (a joint venture among Sonangol, private Angolan investors and Brazilian engineering giant, Odebrecht, to produce sugar, ethanol and electricity) also falls inside the Capanda boundary. The long-term plan is for smallholder farmers to be able to share the economies of scale of the commercial producers in terms of buying inputs and accessing markets.

The mining sector is also progressing, diversifying beyond diamonds with several new iron ore, copper and other metal mines currently at the exploration stages, with first production slated for 2015. Raw minerals are to some extent like crude oil, in that they offer little benefit to most SADC member states. However, longer-term plans to build aluminum smelter and steel plants, once electricity supply gaps are resolved, would create serious export potential. This will be complemented by the improved rail and road infrastructure in Angola’s interior, through projects such as the Lobito Corridor,⁵⁷ which will provide good access into Zambia and the DRC.

Since 2011 there has been strong government focus on helping and promoting small and medium businesses, including credit schemes and incentives for entrepreneurs, like Angola Investe and the Fundo Activo de Capital de Risco Angolano (FACRA), as well as much-needed efforts to streamline the business environment, which is considered by various agencies as one of the most convoluted in the world⁵⁸ and in which corruption is endemic.⁵⁹

Changes are definitely happening, and though they may not be as fast as desired, the GoA cannot continue indefinitely to hide behind its war-damaged infrastructure and lack of industrial capacity as an excuse to stay outside of the FTA. April 2013 marked 11 years since the end of the civil war, and 10 years since the GoA agreed to take part in the FTA. Furthermore, given that Angola’s trade with other SADC countries is already so low, it could not argue that eliminating tariffs would deny the government any significant revenue.

THE OFFICIAL VIEW

According to Angola’s 2013–2017 Plano Nacional de Desenvolvimento (National Development Plan or PND), the government is focused on creating a trade policy that ‘safeguards the strong commercial and economic interests of the country’. Using strategic public and private investment, the GoA wants to boost competitive productive capacity to allow the diversification of the economy.⁶⁰ This diversification is crucial on several

fronts. Reducing Angola's dependence on crude oil for revenues will reduce the country's exposure to oil price shocks. Investing in industry and agriculture will in turn create more jobs. More local production, particularly of food, should mean fewer imports and a reduction in living costs. However, the focus on boosting productive capacity appears to leave little room for boosting regional trade.

As discussed, direct repeated efforts to engage directly with the GoA on their policy position towards the SADC FTA were unsuccessful. However, a window into the GoA's thinking was offered via a public presentation in Luanda in February 2013, where the Secretary of State for Industry, Kiala Gabriel, gave a talk about Angola and its foreign trade outlook. Following a brief history of Angola's negotiations with SADC, Gabriel stated that the GoA signed the PoT in 2003 but that it was not possible at that time for a tariff offer to be presented. In 2008 – after the FTA had begun operating for 12 other member states – the GoA set up the Multi-Sectoral Technical Group (GTM) for the Negotiation and Implementation of the SADC Trade Protocol, which would take responsibility for the SADC PoT negotiations and the preparation of a tariff offer. The ministry of industry was nominated to lead the GTM, although the ministries of finance, planning, trade and foreign affairs would also play an integral role in the process. Gabriel noted, however, that the group had been affected by government ministerial reshuffles, which had led to several prominent members leaving the GTM when they were given other portfolios. It is not clear whether the GTM is still functioning today.

Gabriel further observed that:⁶¹

Since the entry into force of the FTA in 2008, the benefits arising are not visible and inter-regional trade has not grown as it would have been hoped. Some member states who did begin the implementation process are now seeking exemptions because they are not able to honour the commitments coming from the liberalization of trade.

Referring to tariff discussions with SADC in 2011, Gabriel said that SADC's proposed tariff offer did not fit with Angola's existing customs regime, which he said was in the process of being revised. He stressed that the formulation of a tariff phase-down offer must take into account: 'The necessity to guarantee conditions for the creation of a competitive national industry, ensuring the possibility of the strategy of the reindustrialization of Angola and the implementation of (short, medium and long-term) government programmes'.⁶²

Gabriel recommended that given its membership of SADC and its 'commitment to regional integration', Angola would 'attentively accompany all regional negotiation processes', including the implementation of the SADC FTA, the negotiations for the SADC Economic Partnership Agreement (EPA), and the negotiations for the TFTA. However, this would be done within the parameters of policy set out in the 2013–2017 PND, which states that national industries must be protected. It is clear from this presentation – and the GoA's approach to its engagement with the SADC – that the GoA still holds many reservations about joining the FTA, even if it does appear to be developing the 'conditions' to compete with other SADC players. The new tariff regime that appears to be on its way is highly protectionist, and sends a clear signal that for now Angola is not interested in increasing trade with its regional partners.

It is no secret that Angola's continued 'coolness' towards the FTA frustrates many within SADC circles, and not just the private-sector stakeholders who feel they are missing

out on lucrative export opportunities. A recurring complaint from different countries in the bloc has been the lack of transparency about Angola's position, difficulty in accessing trade data or official documents,⁶³ and a perceived reluctance from officials to speak directly or openly. One trade specialist noted that 'Angola attends all the meetings, brings the largest delegations. They always want to discuss everything and everybody's business, but when it comes to their own position and what they are doing, they just talk about the war and ask for more time.' He added:⁶⁴

It's always 'wait and see' and 'when the time comes we will comply', but 'the time' never seems to come and everybody just keeps waiting but not seeing. It's hard to know if Angola will ever join the FTA or if they are just stringing everyone along.

Consultants who have visited Angola have observed a significant interest from private-sector stakeholders in learning more about the FTA, though they said they also came across a high level of suspicion about the process. One former SADC staff member said:⁶⁵

On one hand, this indicates to me a lack of frank dialogue between government and the private sector and quite possibly as well a deliberate propaganda against the FTA. But on the other, if you consider how close business and politics are intertwined in Angola, perhaps it's the private sector which is discouraging the government, rather than the other way round.

SADC's role

The SADC TIFI Directorate has stated that 'We of course expect and hope that Angola will eventually join the FTA but it may be speculative to provide a time frame to this'.⁶⁶ It seems that from somewhere inside Angola there is a brake being pushed to prevent not just entry into the SADC FTA but also any open dialogue with the SADC Secretariat or other member states about the process.

Despite its self-declared mandate to promote deeper regional integration, which would surely suggest a responsibility towards driving Angola's entry into the FTA, the SADC Secretariat seems to allow Angola to carry on unchecked. It says that Angola is a sovereign country, whose decisions and positions must be respected, and that the SADC Secretariat is merely an 'enabler' to carry out the work of the member states, of which Angola is one. This apparent hands-off approach is a source of great irritation within regional trade circles, where people refer to the Secretariat as a 'powerless postbox' that is 'weighed down with red tape' and 'lacks capacity or will to hold member states to account'. One former senior staff member noted that 'the best way to keep your job at the SADC Secretariat is not to do your job', lamenting the lack of respect for deadlines and the enduring tolerance of protocol violations.⁶⁷

Jurgen Hoffmann, a trade advisor with the Namibian Agricultural Trade Forum, a private-sector group involved in trade negotiations at the SADC, SADC EPA and TFTA levels, is frustrated that Angola remains outside the FTA. He said although there were questions about how Angola approached the PoT, Angola's position had more to do with SADC's lack of enforcement. 'SADC simply does not have the teeth to make Angola comply with the rules-based agreement that SADC should be',⁶⁸ Hoffmann noted.

Protectionism

In evaluating the GoA's position towards the SADC FTA, what comes across the strongest is its protectionist attitude, and its fear of being flooded by cheap imports that could undermine the planned relaunch of the country's industrial and manufacturing sectors. Certainly, this can be appreciated to some extent. Allowing tariff-free imports of, for example, fruit juice from South Africa, produced in greater quantities by a large and established firm that has lower margins and thus a lower-cost product, would clearly undermine efforts to bottle juice domestically in Angola, where fruit is in large supply but electricity, packaging materials and supply chains less so. However, it is hard not to see double standards over Angola's reluctance to allow cheap SADC goods into the market, given the open access it has extended to China, Portugal and Brazil. (Surely the flow of cheap products from those countries has slowed efforts to reboot domestic production more than goods from, say, South Africa may do?) The proposed new import tariffs will, it is understood, apply duties of up to 50% on certain food items and materials that are produced domestically. This may help to level the playing field, but with such a protectionist attitude, it is hard to see Angola wanting to enter into the SADC FTA in the near, or even mid-term, future.

In a report on the performance of the SADC FTA, produced for SATH in 2010, Frank Flatters warns against protectionist policies and their adoption to promote domestic industry.⁶⁹ Although his analysis is focused on member states already participating in the FTA, Flatters makes several pertinent points that can enlighten our consideration of Angola and the question of protectionism. He observes two levels of interaction with SADC: 'high level political visionaries guided by dreams of and plans for developing a greater Southern Africa' versus 'trade negotiators, who see "concessions" on the use of tariffs, NTBs and other economic instruments as a surrender of sovereignty.'⁷⁰ Flatters notes:⁷¹

Trade negotiations are often driven by a mercantilist fiction, that imports are an evil to be avoided and that trade is a zero sum game. [...] Most of what is needed to improve any country's business environment and international competitiveness can be done at home. It does not have to be 'negotiated' with other countries. [...] Negotiators more often see themselves as representatives of domestic interests that might be negatively affected by trade reform; they see their main 'stakeholders' as existing investors and producers that benefit from current trade restrictions, and not those that compete in world markets or future investors, producers, workers and consumers that will benefit from improvements in the business environment arising from trade reform.

These observations strike at the heart of Angola's position on SADC and the FTA. Angola's trade policy is highly protectionist – and will become more so if the proposed 50% tariff duties are applied. In the same report Flatters questions the wisdom of 'infant industry'⁷² protection schemes and argues that prioritising local products can lead to reduced quality and choice, and distort the local market. He gives an example from Namibia where, prior to the formation of the SADC FTA, a flour milling group took advantage of an infant industry provision available to members of the Southern African Customs Union.⁷³ Ahead of building a pasta factory in Namibia, the firm secured from the government a four-year 40% duty on imported pasta,⁷⁴ followed by a further four years for gradual phase-out. The

idea was that this would give the local company time to establish its product in the local market place at a competitive price. Flatters is scathing in his analysis of the scheme.

- Small increases in demand for local wheat did not affect the price received by farmers. They received no more than the pre-tariff world-market import-parity price, regardless of local demand.
- Increased import duties ensured that consumers had much less choice in buying pasta because high prices and low sales volumes of 'normal pasta' made this an unprofitable product for most supermarkets to stock.
- The locally produced pasta had a different flavour to imported products (owing to a high temperature process adapted for flour milled from local wheat rather than higher quality durum wheat), which lowered market demand.
- The pasta factory operating at full capacity with three shifts employed a total of 20 workers (10 less than the minimum promised when applying for infant industry protection).
- Prior to the factory's establishment, another local pasta producer served the local market with pasta made from flour purchased from the milling company that operates the new pasta plant. Shortly after the plant's opening, the old producer's line of credit with the miller was revoked and it had to close its factory, leading to job losses.⁷⁵

There are lessons here for Angola. It is questionable whether assigning high tariffs to certain vegetables, for instance potatoes, in a bid to deter companies from importation, will really lead to a growth in Angola's potato market. More likely perhaps, is that such a move – as in the case of the Namibian pasta factory – would lead to smaller choice, less desirable produce and little direct gain for producers in the supply chain. There are also risks that Angola will apply these protectionist tariffs before its domestic productive sector is ready, which could lead to supply-side constraints and price rises.

The GoA's protectionist stance was questioned in the 2004 SADC report,⁷⁶ produced after the first trade mission to Luanda to discuss the FTA. The authors point out that by opening up markets to regional imports, Angola could help to stimulate its economy, increase competition, and lower prices and thus poverty. The report highlights two key points:⁷⁷

- The smallness of the domestic market does not serve as a sufficient base to develop industries that can compete in wider markets. International trade, and openness to it, has to play an important role in Angola's strategy to stimulate growth and reduce poverty.
- Better access to imports of goods and services makes new inputs, new technologies and new management techniques available to stimulate efficient production capacity. Becoming party to a regional trade integration scheme such as the SADC free trade arrangement (FTA) is but one of the strategies available to benefit from the opportunities of international economic integration.

The report notes that a tangible benefit of Angola joining the SADC FTA would be increased access to sourcing agricultural inputs and seeds at lower costs. Given Angola's dependence on imports for its food requirements⁷⁸ and food accounting for such a

significant share of low-income people's expenditure, lowering food prices is 'essential' to tackling food insecurity and high levels of poverty.⁷⁹

Angola's dependence on imported food has led to its ranking as one of the most food-insecure countries in the world⁸⁰ and its capital, Luanda, as one of the most expensive cities in the world.⁸¹ The potential for SADC countries (especially those sharing land borders) to export food to Angola is significant, and will only grow as road and rail networks through initiatives like the Lobito Corridor continue to progress. Eliminating tariffs will, in theory, reduce the cost of importing goods from within the SADC and thus reduce the cost for consumers. Greater consumer spending power equates to better living conditions and a reduction in poverty – key targets held by both SADC and the GoA.

Protecting whom?

It is important to address the role that vested interests and rent-seeking behaviour play in setting Angola's trade agenda and in determining its attitude towards joining the FTA. A small circle of businessmen from an elite group of families, most with direct links to the ruling party, have for many years made a lot of money from importing consumables and other goods into Angola.⁸² This near-monopolisation of supply chains began during the early war years, when the MPLA was still a Marxist party with a heavily centralised system. As demand grew and the socialist policies wore off, new private business opportunities were born. In a country at war though, private industries were dependent on political and/or military blessings. Thus it was that high-ranking military officials and ruling party officials (who had access to import chains) became some of Angola's biggest businessmen,⁸³ also known as *Empresários de Confiança* (favoured or trusted businessmen). Since the end of the war in 2002, legislation⁸⁴ discounting former soldiers from custom duties and other taxes have only helped to cement this trend, as have exemptions given to government ministries, national reconstruction projects and the military.⁸⁵

Government critics say these *Empresários de Confiança* are the real reason why prices are so high. It is not because of the bad roads or slow bureaucracy, but rather down to vested interest price fixing. One trade analyst noted that:⁸⁶

Angola does not so much fear cheap imports from other SADC countries, it fears losing the lucrative import arrangements it has in place. Certain people are making so much money from long-established deals and back-handers, there is not support for the FTA because that would open up the market. Even though it is the poorest consumers who are hit the hardest, because of the high prices, the government does nothing. Angola's policy regime is held captive by its vested interests.

Opening up to free trade with other SADC member states would probably change import patterns that could affect the business interests of the *Empresários de Confiança*. This could in turn have political consequences for President dos Santos, who arguably owes his long and solid presidential term to strategic allocations of influence and financial favour.⁸⁷ This highly politicised business environment is a turn-off to potential investors and traders, who cite corruption as a major NTB to doing business in Angola.⁸⁸ Furthermore, Chatham House identifies corruption as a 'major obstacle to Angolan government policy

of economic diversification' that inhibits SME growth and job creation and drives away potential non-oil investment to other African countries with 'more conducive business environments'.⁸⁹

The new tariff regime, which will replace the 2007 rules, will shake up these traditional supply chains. Some *Empresários de Confiança* are going to lose lucrative income schemes unless they move into production, which many of them already have or are in the process of doing. Tariff exemptions are expected to continue for government departments and ex-military, for whom doing business will become even more lucrative. The owner of a food processing factory who enjoys exemption status may continue to bring in cheap cement and other parts from China to build his factory, but then also have guaranteed market access because supplies of his banana chips are facing tough tariff barriers, making it more expensive to import. Just as the *Empresários* have been able to monopolise import supply chains, so there is a risk that new protectionist tariffs will allow them to monopolise local production too. This model may make a few wealthy and create some jobs, but, based on the experience of the flour factory in Namibia, it is not guaranteed to bring higher returns to local farmers. The consumer will be happy to buy local, though less so if the quality is lower and the cost is higher. Supply-side challenges, which are likely if imports of certain products stop altogether, will also push up prices. The *Empresários* will not want to price themselves out of the market but will know they are 'protected' from competition, and so will have some flexibility to increase their margins without losing sales.

WHAT ABOUT THE TFTA?

In October 2008 heads of state from 26 African countries stretching from Cape Town to Cairo met in Kampala, Uganda, to launch the TFTA among the Common Market for Eastern and Southern Africa, the East African Community and SADC. The TFTA is based on three pillars: market integration, infrastructure development, and industrialisation with a goal to deepen integration across the bloc, which comprises a population of nearly 600 million people and a combined GDP of nearly \$1 trillion.

Angola has formally joined the negotiation process for the TFTA. It has attended meetings in various member states and has even hosted some SADC-focused discussions in Luanda. However, it is difficult to see Angola joining the TFTA while it continues to maintain that the country lacks the 'conditions' to be a part of the SADC FTA. Although currently the SADC FTA has 15 members, the TFTA envisions more than 25. If Angola is holding back from joining the SADC FTA over fears of being flooded by a large productive economy like South Africa, then what can it think of the TFTA, whose proposed membership will include dynamic actors like Egypt, Sudan, Ethiopia and Kenya? Given that Angola had signed the SADC PoT without seemingly planning to ever implement it, few hold expectations that it will join the TFTA, despite appearing to take an active part in the negotiation process.

CONCLUSION

Angola says it cannot enter the SADC FTA because it does not have the ‘conditions’ in which to do so, that its productive industry is still recovering from decades of war, and that opening its borders would invite a flood of cheap imports into the country. Although there is some truth in this reasoning, there is also some hypocrisy, as Angola has already subjected itself to being ‘flooded’ by rest of world (RoW) cheap imports, particularly from China, Brazil and Portugal.

Cutting tariffs for imports from SADC would also allow Angola to export duty free to SADC. As discussed, Angola has little to export, though there are green shoots in its agricultural and manufacturing sectors, with brands such as Refriango (soft drinks) finding new markets in the region. Angola’s primary concern is to reduce its reliance on imports (which are mostly RoW) and develop its own industry in order to create jobs and diversify the economy from its concentration on crude oil. The protectionist policies, including the tough tariff regimes, speak to this, but studies have questioned the effectiveness of protectionism. It is questionable whether such policies really protect the economy, or merely a few politically connected businessmen. In the longer term, these policies may do more damage than good to local industries, which will lack the competitiveness and efficiency found in more liberal market places.

In the long term, Angola has ambitions to expand its export market to beyond that of just oil. But by cutting itself off from SADC with this protective stance, Angola risks damaging regional trade ties that it will, in the future, depend on for its exports. The high cost of living in Angola is well documented and routinely blamed on the dependence on expensive overseas imports, yet the GoA is reluctant to allow lower-cost imports from its SADC neighbours to bring these costs down. Government officials and business leaders across the SADC bloc are frustrated by Angola’s behaviour, yet no one is prepared to publicly challenge the status quo. Instead, there is a tacit acceptance that Angola is a sovereign state, whose position must be respected.

It is hard to know whether Angola’s economic diversification programme would have advanced more quickly – or if its trade with SADC would have increased substantially in volume, given its limited export basket – if it had already implemented the PoT. What is clear though, is that by staying outside the FTA Angola has kept its trade with the region at a minimum, maintaining its focus firmly on longer-distance partners like China, Portugal and Brazil, and having everything very much on its own terms.

ENDNOTES

- 1 The RISDP (Regional Indicative Strategic Development Plan) was first published in 2003, setting out a 15-year roadmap for the SADC. It was reviewed and updated in 2011.
- 2 In its *2012 Audit of the Implementation of the SADC Protocol on Trade*, SATH notes that although intra-SADC trade volumes have increased substantially since the introduction of the PoT, the focus remains on exports (usually non-value-added); intra-SADC trade as a percentage of all trade has remained stagnant at around 15%.
- 3 Member states had agreed that all tariff phase-downs were to be completed by January 2015,

with the exception of Mozambique, which had negotiated an extension to 2015 for imports from South Africa.

- 4 tralac (Trade Law Centre for Southern Africa), *The Regional Indicative Strategic Development Plan – SADC's Trade-Led Integration Agenda: How is SADC Doing?*, Trade Brief, April 2012. Stellenbosch: tralac, 2012.
- 5 Imara Securities Angola, *Angola: Private Sector Profile, September 2012*. Produced for the AfDB (African Development Bank). United Kingdom: Imara Securities Angola, 2012.
- 6 World Bank statistic, <http://www.worldbank.org/en/country/angola>.
- 7 Imara Securities Angola, *op. cit.*
- 8 For example, bad roads (poor quality, vulnerable to extreme weather, congested) can slow down the transportation of goods; customs officials can delay cross-border movement; border posts can lack capacity and further hinder processing times.
- 9 UN Comtrade data sourced from <http://www.trademap.org>, accessed March 2013. The website is run by Market Analysis and Research, ITC (International Trade Centre), Geneva, Switzerland, which allows for the interactive access of trade data.
- 10 These statistics were quoted in a speech given by President dos Santos in Luanda on 26 March 2013.
- 11 Pearce J, 'IMF: Angola's "missing millions"', *BBC*, 18 October 2002.
- 12 *An Outbreak of Peace* is the title of a book about the end of Angola's civil war written by BBC Angolan correspondent, Justin Pearce. The title comes from an expression Pearce heard from a Western diplomat. Cape Town: David Philip, 2005.
- 13 SADC Secretariat, 'Selected indicators 2011', March 2013, http://www.sadc.int/files/6213/6267/6607/Selected_Indicators_2011_with_charts06March2013_FINAL.pdf.
- 14 IMF, *Regional Economic Outlook: Sub-Saharan Africa*, October 2012, <http://www.imf.org/external/pubs/ft/reo/2012/afr/eng/sreo1012.htm>.
- 15 IMF, *Angola: Staff Report for the 2012 Article IV Consultation and First Post Program Monitoring*, August 2012, <http://www.imf.org/external/pubs/ft/scr/2012/cr12215.pdf>.
- 16 De Carvalho KV, Chianeque L & A Delgado, *Inequality in Angola*. Johannesburg: OSISA (Open Society Initiative for Southern Africa), 2009.
- 17 During the war years interprovincial road blocks curbed people's free travel around the country. Set up to limit movement in a conflict that became at times a battle over territory, the checks became bribe opportunities for police officers and soldiers.
- 18 These statistics were cited by Sonangol's CEO at the company's annual results conference in Luanda in February 2013.
- 19 Angola's only refinery in Luanda processes around 40 000 bopd, so the country must import significant amounts of refined products to meet domestic demand. A second refinery is planned for the coastal town of Lobito but construction has been beset with delays, with no completion date in sight.
- 20 Former Angolan economy minister, Manuel Nunes Junior, cited by Portuguese news agency, *LUSA*, 23 March 2013 following a conference in Luanda.
- 21 Angola was hit hard by the collapse of the oil price in 2009, and forced into arranging a standby agreement loan with the IMF to support its dwindling liquidity.
- 22 Wiig A & I Kolstad, *Does Diversification Improve Institutions in Resource Rich Countries?*, Chr Michelsen Institute (CMI) and Centro de Estudos e Investigacao (CEIC) Angola Brief, published online for CMI and CEIC, December 2012, <http://www.cmi.no/publications/file/4670-does-diversification-improve-institutions-in.pdf>.

- 23 UN Comtrade mirror data presented by the International Trade Centre, <http://www.trademap.org>, accessed July 2013.
- 24 Personal interviews that the author has conducted over the past few years with businesses in Namibia, South Africa and Botswana, and regional trade consultants.
- 25 According to the CNC bulletin, imports of cement products fell by 4.98% from Q3 to Q4, while imports of malt beer and meat products rose 20.66% and 32.75% respectively. This is a clear reflection of the Christmas period. Data accessed from <http://www.cnc-angola.com> in March 2013.
- 26 Angola played an active role in trying to lead regional response to the recent M23 rebel crisis in DRC. In March 2013 President dos Santos hosted a Tripartite Summit with President Jacob Zuma of South Africa and President Joseph Kabila of the DRC in the days after the signing of the latest peace accord.
- 27 UN Comtrade, data sourced from <http://www.trademap.org>, accessed March 2013.
- 28 The USAID sponsored team were offering technical support to the SADC Secretariat. The final report about this mission was written by consultants from The Services Group, a US-based international consultancy firm. The report was sent to the author by TIFI at the SADC Secretariat.
- 29 USAID (The Services Group) on behalf of the SADC Secretariat, *Angola and the Implementation of the SADC Protocol on Trade*. Botswana: SADC, 2004. (This is before SATH was formed.)
- 30 *Ibid.*
- 31 Personal interview, former SADC employee, Johannesburg, November 2012.
- 32 A 1992 election held following the signing of the Lusaka Peace Accord was not completed after UNITA's leader, Jonas Savimbi, contested the presidential results ahead of a run-off vote.
- 33 By this time investigations were well under way into the so-called Angolagate scandal around alleged arms sales to Angola, involving Israeli diamond magnate, Arcadi Gadyamak; French Algerian businessman, Pierre Falcone; Christophe Mitterand, son of former president Francois Mitterand; and former French interior minister, Charles Pasqua. Despite guilty verdicts in 2009, a number of sentences were later reduced and some convictions overturned.
- 34 See various studies of the Angola–China relationship, including: Alves A, *The Oil Factor in Sino–Angolan Relations at the Start of the 21st Century*, Occasional Paper, 55. Johannesburg: South African Institute of International Affairs, 2010; Corkin L, *Uncovering African Agency: Angola's Management of China's Credit Lines*. Aldershot: Ashgate, 2013.
- 35 *China Daily*, 'Angola's social development drives up trade with China', 28 March 2012.
- 36 President dos Santos rarely travels to summits or even on state visits, so it was significant that he attended this one.
- 37 *Angola Press* is Angola's state-owned newswire service. Its reports are pro-government but provide a good source of information and statistics in a country where little government information is available.
- 38 *Angola Press*, 'Lançada em Joanesburgo Zona de Comércio Livre', 17 August 2008.
- 39 *Ibid.*
- 40 *Angola Press*, 'Condicionada adesão de Angola à Zona de Comércio Livre', 14 August 2008.
- 41 *Angola Press*, 'Angola defende consolidação de zona de livre comércio antes da união aduaneira', 14 August 2010.
- 42 *Ibid.*
- 43 *Angola Press*, 'SADC trabalha para membros aderirem ao protocolo de livre comércio', 13 August 2011.

- 44 Joao Caholo's office declined SAIAs approach for an interview, referring us to the office of the Executive Secretary, which in turn directed us to the TIFI Directorate.
- 45 Personal interviews and email exchanges, members of the SADC's TIFI Directorate, Gaborone, September 2012 to March 2013.
- 46 SADC, Record of the 26th Meeting of the SADC Committee of Ministers of Trade, 30 November 2013. Maputo, Mozambique, pp. 7–9.
- 47 AECOM International Development on behalf of USAID/SATH, *2012 Audit on the Implementation of the SADC Protocol on Trade*. Botswana: USAID, 2012. SATH is a Gaborone-based office funded by USAID, and has led several audits of the SADC PoT implementation.
- 48 *Ibid.* This information was sourced from a ratified record of the meeting of the SADC trade ministers in Maputo, Mozambique, November 2012.
- 49 In the absence of function information departments at GoA, direct requests for information and interviews were sent to officials in the ministries of planning, commerce, industry and foreign affairs. Letters were handed in person to Dra Beatrice Morais (Angola's lead on SADC trade) on the sidelines of an SADC meeting in Maputo. Via email correspondence, her office promised to follow up, but did not. Letters were also handed, in person, to the information and trade attachés at the Angolan embassy in South Africa requesting an interview with the ambassador there, but again there was no response.
- 50 Silveira, C, 'Taxa da cerveja pode ser a máxima da Pauta Aduaneira', *Expansao*, 13 April 2013, http://expansao.sapo.ao/noticias/nacional/detalhe/taxa_da_cerveja_pode_ser_a_maxima_da_pauta_aduaneira.
- 51 See various reports by the World Bank, IMF and AfDB urging Angola to diversify its economy away from oil. For example, AfDB, *African Economic Outlook Report for Angola in 2012*, <http://www.africaneconomicoutlook.org/en/countries/southern-africa/angola/>, AfDB, 2012.
- 52 Personal interviews, Bevcam management, Luanda, November 2011.
- 53 Almeida H, 'Angola to spend \$18bn to end power cuts by 2016'. Reuters, 3 September 2010.
- 54 There are over a dozen flights a week between Luanda and various cities in Portugal operated by national carriers of both Portugal and Angola – TAP and TAAG respectively.
- 55 Communique from José Severino, President of the Associação Industrial de Angola (Angolan Industrial Association), a well-respected and vocal business organization which sits on government advisory committees, March 24 2013.
- 56 Telephonic interview, CEO of Lonrho, Geoffrey White, March 2013.
- 57 The Lobito Corridor is the strip across Angola linking the Atlantic coastline to the mines of the DRC and Zambia. Through its heart runs the British-built Caminho de Ferro de Benguela or Benguela Railroad, which once linked Lobito with Maputo through a network of tracks across the continent.
- 58 Angola scores poorly on the World Bank's Ease of Doing Business, placed at 172 out of 185 countries. It is also ranked 80 out of 82 by the Economist Intelligence Unit Business Environment Survey, which places it at 16 out of 17 countries regionally.
- 59 Weimer M, 'Angola: Celebrating ten years of peace', April 2012, Chatham House, 2012, <http://www.chathamhouse.org/events/view/182731>, p. 7; Transparency International 2012 Corruptions Perceptions Index, where Angola is ranked 157 out of 176 countries/territories.
- 60 This is a core aim of the PND identified by Minister of Industry, Kiala Gabriel, during his presentation in Luanda about Angola and the FTA.
- 61 Minister of Industry, Kiala Gabriel, made a public PPT presentation in Luanda about Angola's position regarding the SADC FTA.

- 62 *Ibid.*
- 63 Few Angolan government departments have websites, and those that do rarely update them. SADC Secretariat staff have complained about struggling to access up-to-date data during trade visits and discussions.
- 64 Personal interview, trade consultant, Mozambique, November 2012.
- 65 Telephone interview, private sector consultant, Botswana/Dubai, March 2013.
- 66 Email correspondence with TIFI, March 2013.
- 67 Personal interview, former staff member at SADC Secretariat, Johannesburg, November 2012.
- 68 Telephone and email exchange, Namibian trade expert and businessman, Jurgen Hoffmann, Johannesburg/Windhoek, February 2013.
- 69 Flatters F, *Implementing the SADC FTA: Where are We? What Next?*, technical report. Gaborone: AECOM International Development for Southern African Global Competitiveness Hub, 2010.
- 70 *Ibid.*, p. 6.
- 71 *Ibid.*, p. 7.
- 72 The core of infant industry argument is that nascent or start-up industries need protection from older, more established often foreign competitors until they can achieve par economies of scale and thus compete on a level playing field.
- 73 SACU is the world's oldest customs union. Its members are South Africa, Botswana, Namibia, Lesotho and Swaziland.
- 74 At the time, the SADC most-favoured nation tariff on pasta was 25%.
- 75 Flatters F, *op. cit.*, pp. 37–39.
- 76 The Services Group, on behalf of USAID, *Angola and the Implementation of the SADC Protocol on Trade*, Prepared by The Services Group for the SADC Secretariat with funding from USAID. Botswana: USAID, 2004.
- 77 *Ibid.*
- 78 Estimated at around 50% according to this report (*ibid.*).
- 79 *Ibid.*, pp. v–vi.
- 80 According to the Maplecroft Food Security Risk Index 2010, Angola is ranked the seventh least secure in food supplies in the world.
- 81 Redvers L, 'Living in the world's most expensive city', *BBC*, 2 February 2012; MERCER, 'Worldwide cost of living survey city rankings – Global overview', June 2012, <http://www.mercer.com/articles/cost-of-living-2012>.
- 82 See Vines A *et al.*, *Angola – Drivers of Change: An Overview*. London: Chatham House, 2005.
- 83 Aguilar R, 'Angola's Private Sector: Rents Distribution and Oligarchy', paper presented at Lusophone Africa Conference: Intersections between the Social Sciences, Cornell University, 2–3 May 2003.
- 84 Angolan law: *Lei do Antigo Combatente de Guerra (Law of the war veteran)*, *Diário da República*, Luanda, October 2002,
- 85 See Marques de Moraes R and his various publications about alleged corruption and trafficking of influence among the high ranks of the MPLA. Most reports are available on his website, *MakaAngola*, <http://www.makaangola.org>.
- 86 Personal interview, trade analysis, Maputo, November 2012.
- 87 *Ibid.*
- 88 Telephone interview, a Namibian exporter, Windhoek, January 2013.
- 89 Weimer M, *op. cit.*, p. 7.

SAIIA'S FUNDING PROFILE

SAIIA raises funds from governments, charitable foundations, companies and individual donors. Our work is currently being funded by, among others, the Bradlow Foundation, the United Kingdom's Department for International Development, the European Commission, the British High Commission of South Africa, the Finnish Ministry for Foreign Affairs, the International Institute for Sustainable Development, INWENT, the Konrad Adenauer Foundation, the Royal Norwegian Ministry of Foreign Affairs, the Royal Danish Ministry of Foreign Affairs, the Royal Netherlands Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the Canadian International Development Agency, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Economic Commission for Africa, the African Development Bank, and the Open Society Foundation for South Africa. SAIIA's corporate membership is drawn from the South African private sector and international businesses with an interest in Africa. In addition, SAIIA has a substantial number of international diplomatic and mainly South African institutional members.

South African Institute of International Affairs
Jan Smuts House, East Campus, University of the Witwatersrand
PO Box 31596, Braamfontein 2017, Johannesburg, South Africa
Tel +27 (0)11 339-2021 • Fax +27 (0)11 339-2154
www.saiia.org.za • info@saiia.org.za

