2018

Republic of Angola

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7/13/2018

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Executive Summary

The Republic of Angola is the 7th largest country of Africa.

The economy of Angola is mainly driven by its Oil sector. The country has seen economic boom since 2002 and has earned the name for the fastest growing economy of the continent. Angola is maintaining trade surplus position due to its heavy oil exports. The highest value of Pakistan's export to Angola has been recorded for 2014. The Pakistan's export figure to Angola was not very impressive for year 2017. Exports were $ 18 million making 0.17% of the total import value of Angola.

Most of the food items are being imported in Angola. Pakistan as an agricultural country can grab this opportunity and enhance its exports in Agro and textile sector. Main Potential Items are rice, sugar, wheat, men's trousers and surgical instruments.

Main competitors of Pakistani commodities in Angola are China, India, Brazil and Portugal. Being an LDC, the main strategy of Angola is to trade with the countries offering minimum unit price for the commodity. Moreover the investments of the trading partners in Angola are also strengthening their trade relations.

Pakistan should work to reduce the unit price of commodities and encourage more B2B interactions in order to grasp the attention of buyers. Pakistan can also participate in the international trade shows of Angola in order to showcase their products.

Official name	*Republic of Angola*
Capital	*Luanda*
Population	*31m(2018)*
Area (KM Sq.)	*1,246,700*
Language	*Portuguese*
Provinces	*18*
Neighbors	*Congo(N) Zambia(E), Namibia(S), Atlantic Ocean(W)*
Sea ports	*Cabinda, Lobito, Luanda Namibe*
Currency	*Kwanza*

Country Profile

The Republic of Angola is the 7th largest country of Africa in terms of area, bordered by Namibia and Congo along the Atlantic Ocean.

It got independence from Portuguese rule in 1975, soon after, it suffered 27 years of civil war which ended in 2002. But there are still many socio- economic problems to deal with. Countries like China, Brazil, Portugal, Germany, Spain and the EU have contributed for the reconstruction of its infrastructure which is still developing.

Angola is an LDC but it is rich in natural reserves like Oil, diamond, Iron ore, Phosphate, Copper, Feldspar, Gold, Bauxite and Uranium. According to the CIA report, 45% of the country's land is under agriculture but only 0.5% is for crops while 91.23% is permanent pasture. Though subsistence agriculture is the main source of living but the food is mostly imported.

- ***Despite of the rapid post war growth, Angola scores low on human development index.***
- ***40% of the population lives below poverty line.***
- ***Unemployment rate is 6.6%***
- ***Other socio economic problems includes illiteracy, high maternal and child mortality.***

Economic Indicators

GDP- 2017 ($)	*124.03 billion*
GDP per capita ($)	*4,401.43*
Total Invest-ments	*7.831% of GDP*
Gross national savings	*3.056 % of GDP*

Economic Overview

The economy of Angola is mainly driven by its Oil sector.

Angola is the 2nd largest oil producing country of the continent after Nigeria, producing 87.9 Million Tons compared to the total production of 374.8 Million in Africa. It is world's 15th top country in terms of oil production.

Increasing oil production is generating economic growth in the country contributing to 50% of the GDP, 70% of government revenues and 90% of the country's exports.

The country has seen economic boom since 2002 and has earned the name for the fastest growing economy of the continent.

Figure 1 shows that GDP for Angola rose from USD 82.471 Billion in 2010 to USD 126.77 Billion in 2014. However, it came down to USD 102.96 Billion and 95.335 Billion in 2015 and 2016 respectively.

Performance of Africa was slow in 2016, mainly due to low commodity prices, but for 2017 and coming years the prospects estimated are quite high. IMF has estimated that the GDP will enhance up to USD154 Billion till 2022.

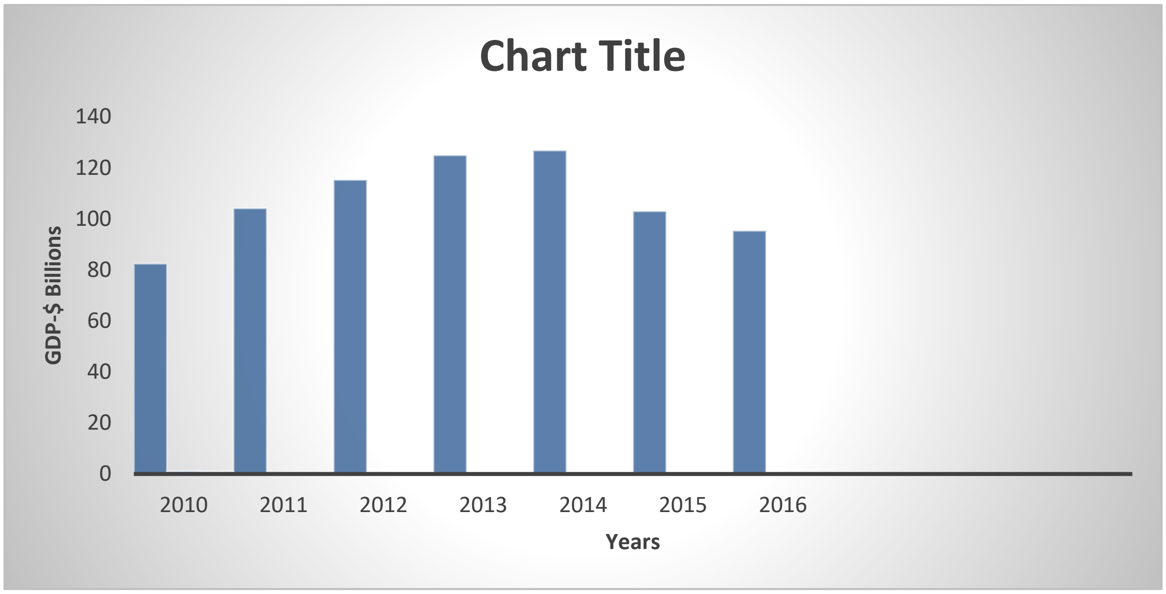


Figure 1: Angola's GDP from 2010 till 2016

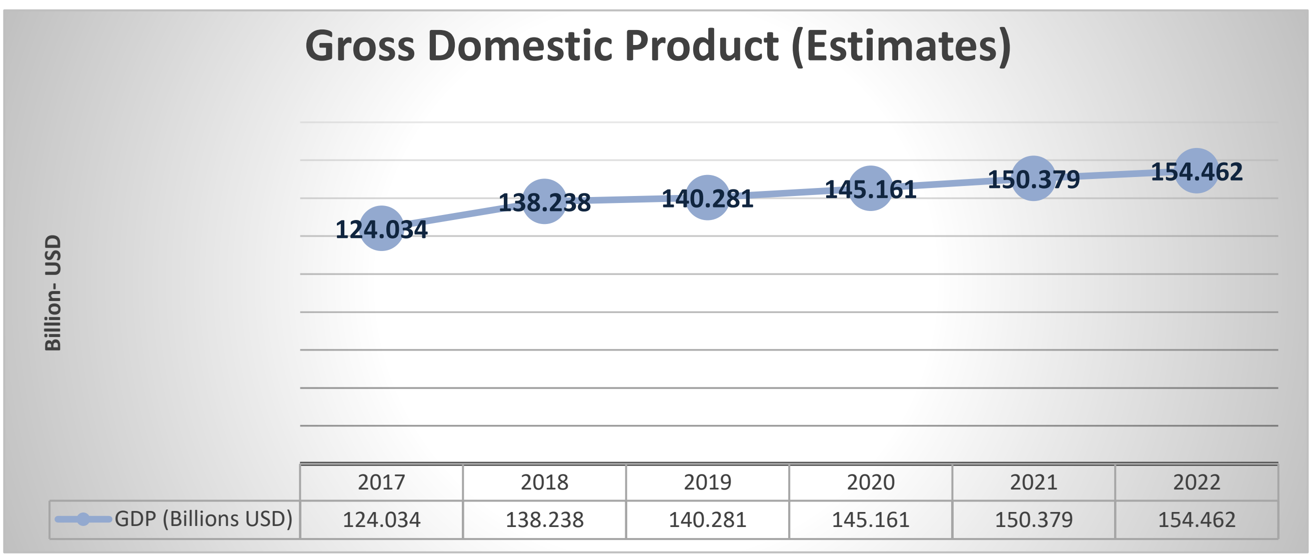


Figure 2: Estimated GDP by IMF till 2022

Angola's Trade Profile

Angola is maintaining trade surplus position due to its heavy oil exports. The trend can be analyzed from past data.

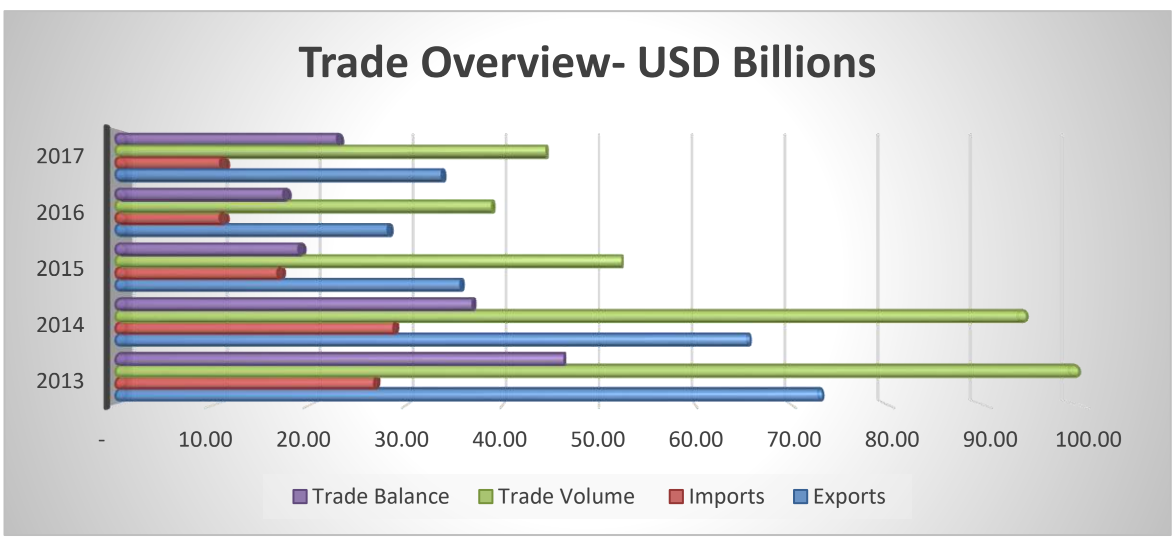
Table 1: Trade overview of Angola

Trade Overview (USD- MN)	2013	2014	2015	2016	2017
Total Exports	73,185.76	65,681.45	35,686.46	28,156.78	33,748.82
Total Imports	26,756.06	28,753.50	16,757.79	10,794.88	10,830.32
Trade Volume	99,941.82	94,434.95	52,444.25	38,951.65	44,579.14
Trade Balance	**46,429.69**	**36,927.95**	**18,928.67**	**17,361.90**	**22,918.51**

Source: ITC trade map

Over the years the trade volume and trade balance have reduced in magnitude as shown in Figure 3 below. But in year 2017, Angola has managed to maintain its imports and enhance its exports, giving favorable lift to the country's trade balance from 2016.

Figure3: *Trade overview of Angola*



Exports of Angola

Angola's oil exports comprised 0.2% of the world's total export value for the commodity in 2016.

This export volume has reduced by 23% since 2012; the highest decline was in the year 2015, when the main export commodity of Angola, i.e. oil fell by 24%.

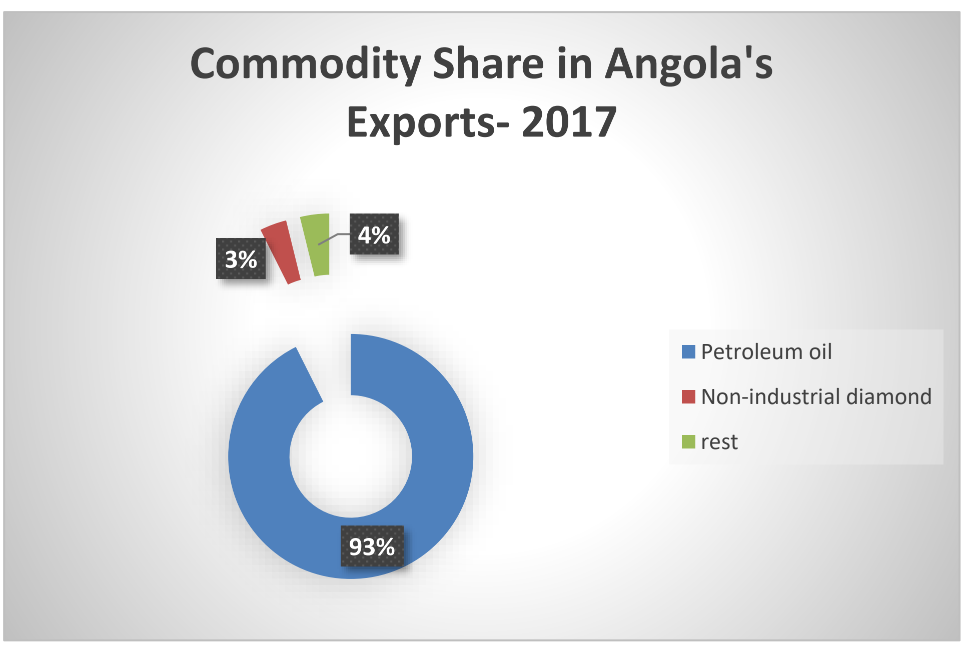
In 2017, total export stood at USD 33 billion. Oil sector contributed 90% of total export value, whereas 4% is contributed by diamonds.

The overall export basket of Angola is small comprising mainly of Mineral Fuels, Pearls, Machinery, Fish and Crustaceans and Prepared Animal Fodder.

Major export destinations are China, USA, India, Taipei (Chinese) and South Africa, receiving more than 70% of the Angola 's exports. Each acquired commodities worth more than 1 billion in 2017.

China is the leading importer of Angolan Petroleum oil. In 2017 it imported nearly 60% of the total value of oil exported by Angola.

Figure 4: Percentage share of commodities in Angola's Exports



Top export Commodities- 2017

HS-Code	Product label	Share in world exports (%)	Rank in world exports	Value exported -2017Millions
270900	Petroleum oils crude	3.6	9	30,558.62
710231	Non-industrial diamonds unworked	3.1	9	1,170.70
271111	Natural gas, liquefied	1	15	1,009.86
271112	Propane, liquefied	1.1	13	351.91
271012	Light oils and preparations,	0.1	60	196.21
271113	Butanes, liquefied	0.6	25	100.82
271019	Medium oils and preparations,	0	100	47.35
30617	Frozen shrimps and prawns,	0.2	39	26.09
730890	Structures and parts of structures,	0.1	58	25.92
440399	Wood in the rough,	0.4	36	21.54
251611	Granite, crude	3.3	3	20.16
760120	Unwrought aluminum alloys	0	58	12.72
848190	Parts of valves and similar articles for	0.1	50	9.96
150420	Fats and oils of fish and their fractions,	0.6	24	9.80
Sum of major exports USD millions				**33,561.65**

Table 2: Top merchandise exports from Angola at HS- 06 level, 2017

Source: ITC trade map

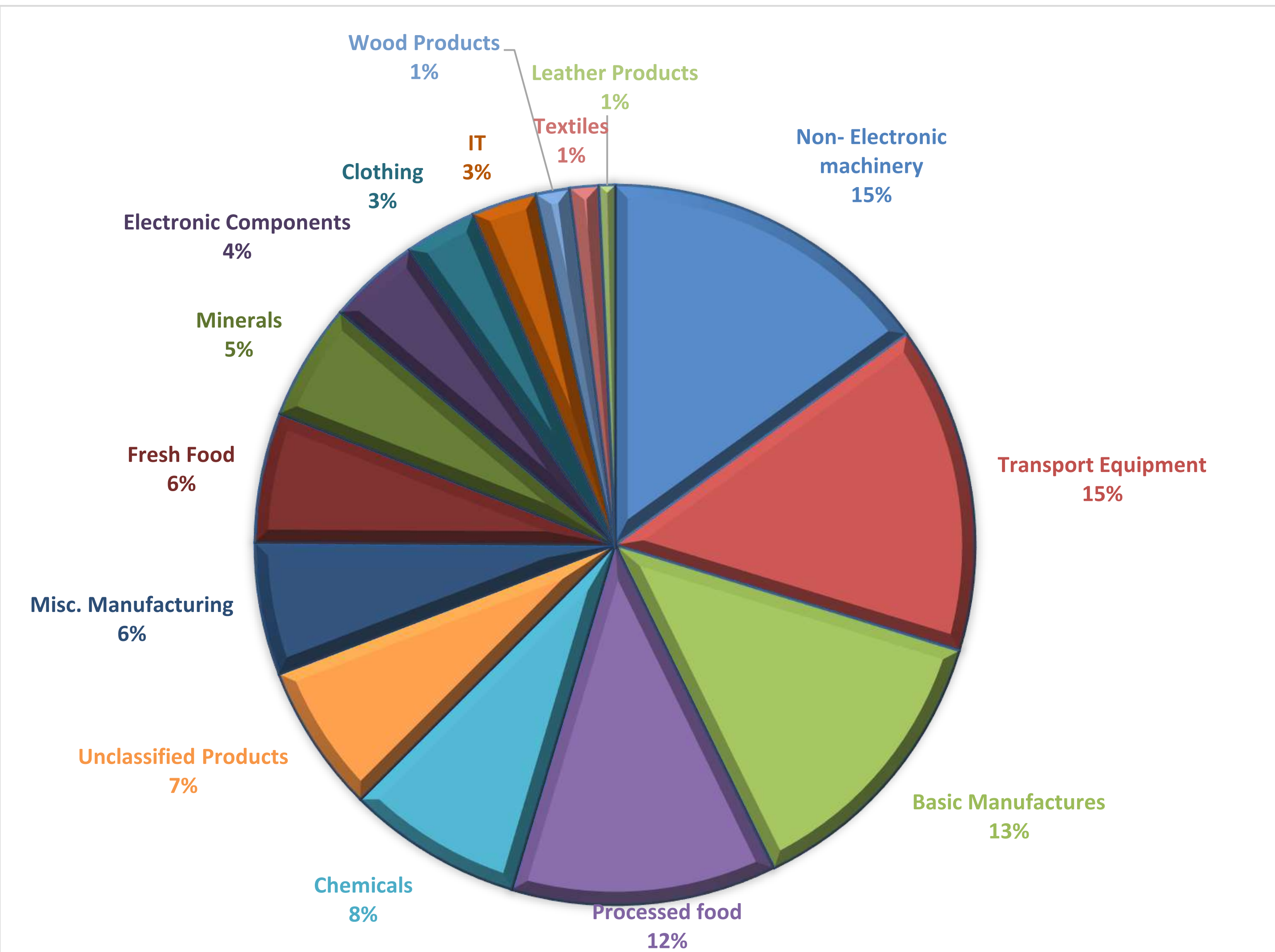
Imports of Angola

In 2017, Angola's imports were 0.1% of the world's total import value.

Like exports, imports of Angola have also gone down in value since 2013, but enhanced by 3% in 2017 from the previous year. The maximum reduction in value in year 2016 to 2017 was for Medium oils & preparations, Generating sets, Safety valves and parts of values for boilers.

The *Figure: 5* below shows main sectors like non-electronic machinery, transport equipment, basic manufactures and processed food which hold the maximum share in Angola's import since 2012.

Figure 5: Sector wise share in Angola's total import, 2012- 2017



Top Import Commodities- FTY 2017

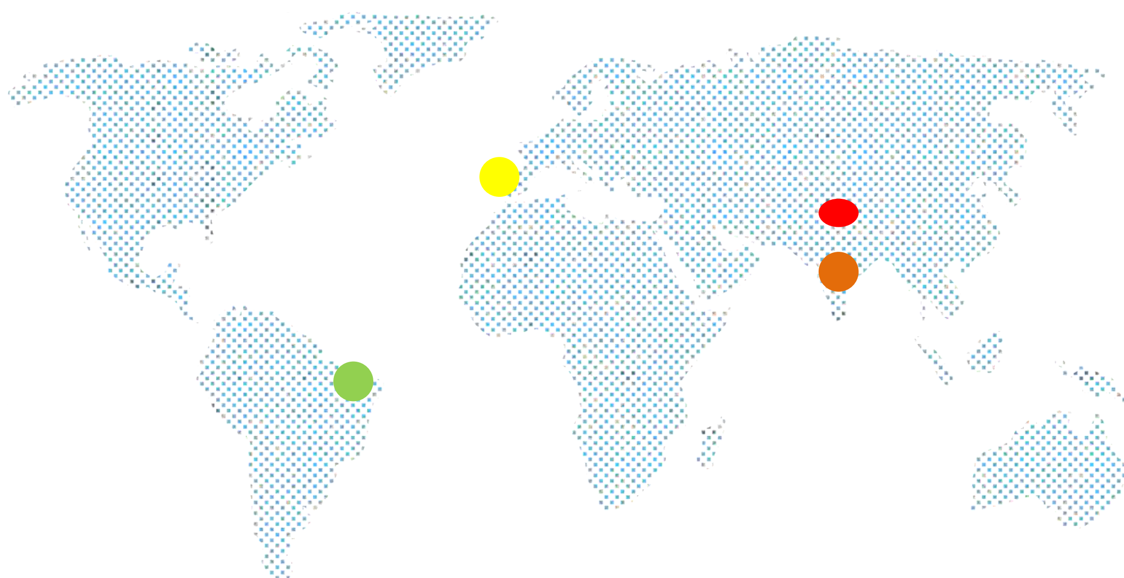
HS-Code	Product label	Share in world imports (%)	Ranking in world imports	Value imported in 2017 (USD Millions)
271019	Medium oils and preparations,	0.1	109	349.38
843143	Parts for boring or sinking machinery	2	13	241.11
860210	Diesel-electric locomotives	20.3	1	219.44
170199	Cane or beet sugar a	1.7	18	207.55
20714	Frozen cuts and edible offal of fowls	1.5	18	191.00
151190	Palm oil and its fractions,	0.8	31	177.25
100630	Semi-milled or wholly milled rice,	1	29	163.83
110100	Wheat or meslin flour	3.6	5	161.45
150790	Soya-bean oil and its fractions,	7.2	1	124.66
730890	Structures and parts of structures, of iron or steel	0.3	50	115.14
300490	Medicaments consisting of mixed	0	114	102.27
854442	Electric conductors for a voltage	0.3	42	101.64
640299	Footwear with outer soles and uppers of rubber or plastics (excluding covering the ankle or …	0.5	38	98.08
630900	Worn clothing and clothing accessories	2.5	10	96.33
640220	Footwear with outer soles and uppers of rubber or plastics, with upper straps or thongs assembled ...	6.1	2	92.11
	Sum of major imports USD millions			**2,441.24**

Table 3: Top merchandise imports to Angola at HS- 06 level, 2017

Major supplying markets

India
$180 million of imports
Mainly, Medicaments, Frozen Meat, Vaccines and Cotton fabric,

China
$2.2 billion Of imports
Mainly, footwear, motor vehicles, worn clothes and pneumatic tires



Brazil
$670 million of imports
Mainly, sugarcane, frozen fowls, maize corn and frozen meat.

Portugal
$2 billion of imports
Mainly, soya bean oil, medicaments, wine of grapes, sausages, iron structures and wheat

Bilateral Trade Overview

The highest value of Pakistan's export to Angola has been recorded for 2014.Exports was $40 million from Pakistan. The main commodities were Juice of fruits & Vegetables, Orange juice, Chewing Gums, Rice and Apple juice.

Exports for 2017, has improved from 2016 by $1 million.

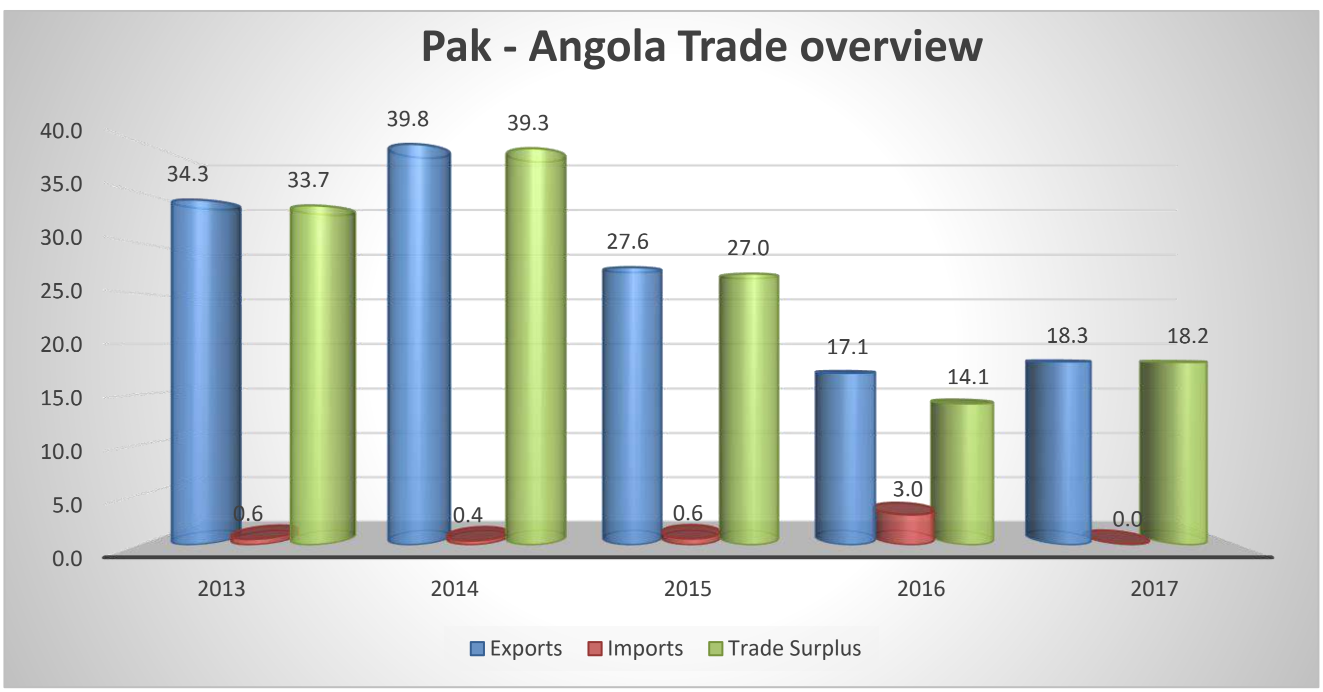
In 2016, $12 million of Pakistani rice has exported to Angola. In 2017 this figure dropped to only $1.2 million

Import from Angola has improved in year 2016 due to the significant import of $ 2.8 million of Vessels and other floating structures for breaking up. While in 2017 it is negligible.

The Pakistan's export figure to Angola is not very impressive for year 2017. Exports were $ 18 million making 0.17% of the total import value of Angola.

Figure 6: Pak- Angola Bilateral Trade

Source: ITC trade map



Export to Angola

Highest export value recorded, over last 5 years, was for 2014 when Pakistan exported $12 million of fruits juices to Angola. While In 2017, major export commodities were knotted netting of twines, undenatured ethyl alcohol and chewing gums.

The tables below show export to Angola in year 2017, at HS 6-digit level, along with their share in Pakistan's total export of the commodity and the Pakistan's share in world's export.

HS Code	Product Label	Share in Pakistan's exports, %	Share in world exports, %	Value in 2017, USD Millions
560819	Knotted netting of twine,	4.0	15.0	6.3
220710	Undenatured ethyl alcohol,	1.0	5.0	4.7
170410	Chewing gum, whether or not sugar-coated	7.0	5.0	3.0
100630	Semi-milled or wholly milled rice	0.0	9.0	1.0
170490	Sugar confectionery not containing cocoa	1.0	1.0	0.9
200979	Apple juice, unfermented	32.0	0.0	0.8
630900	Worn clothing and clothing accessories	2.0	0.0	0.3
100640	Broken rice	0.0	11.0	0.2
200520	Potatoes, prepared or preserved	7.0	0.0	0.2
190531	Sweet biscuits	1.0	0.0	0.2
200919	Orange juice, unfermented,	2.0	0.0	0.1
200799	Jams, jellies, marmalades,	1.0	0.0	0.1
620322	Men's or boys' ensembles of cotton	0.0	87.0	0.1
190590	Bread, pastry, cakes, biscuits	0.0	0.0	0.1
300590	Wadding, gauze, bandages	3.0	0.0	0.1
200989	Juice of fruit or vegetables, unfermented	2.0	0.0	0.0
	Sum of Major Export Commodities			**17.9**

Table 4: Major export commodities from Pakistan to Angola at HS 06 level, 2017

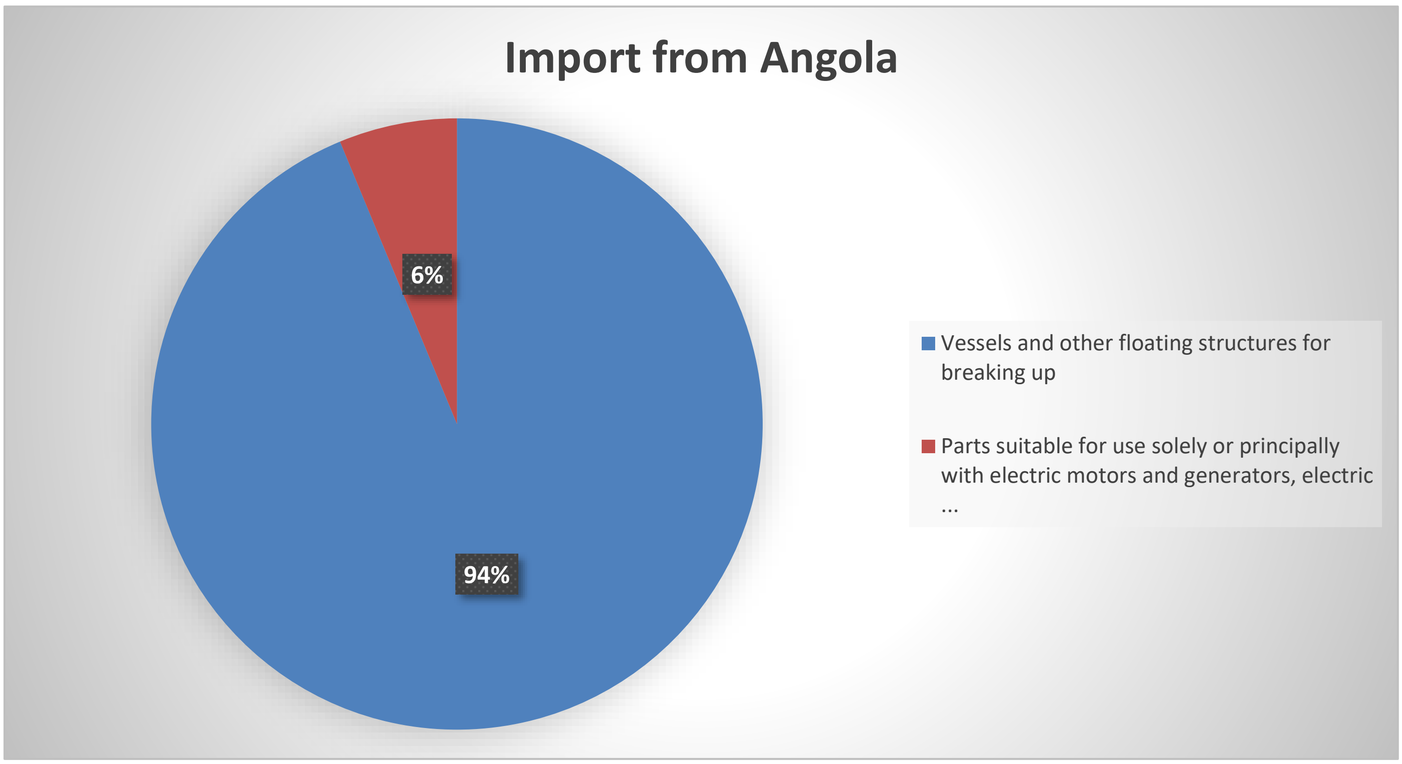
Source: ITC trade map

Import from Angola

Import commodities from Angola vary on yearly basis. Previously import from Angola use to comprise mainly of iron and steel but in 2016 the trend has been shifted towards importing ships, boats and floating structures from Angola. Nearly 0.4% of the total import of ships was from Angola.

The commodities share in import from Angola for the year 2016 is shown above;

Figure 7: Major import commodities from Angola to Pakistan at HS- 06 level

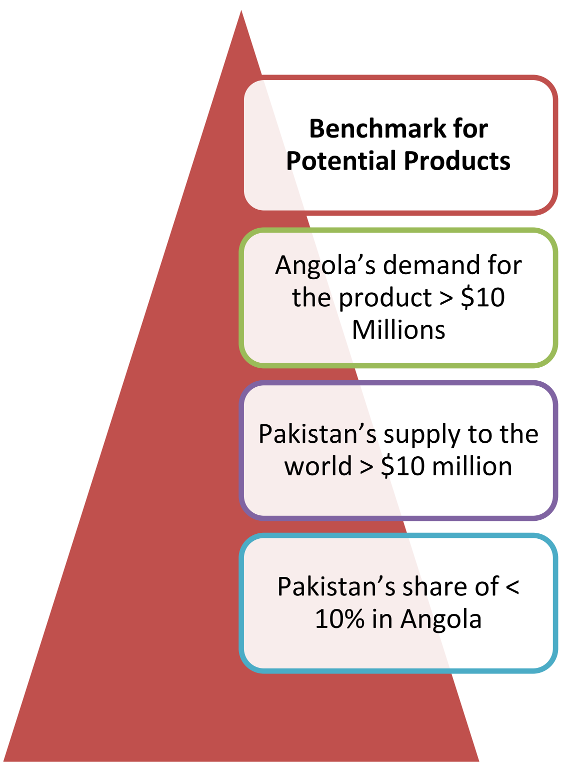


For year 2017 the trend moved again towards importing tropical woods, data processing machines and synthetic and organic acid dyes.

Imports from Angola were nearly USD3.02 million in 2016 which reduced to only $48,000 in 2017.

Methodologies

The methodologies used to identify potential in Angolan market for Pakistan include product identification and export competitive index for the identified products. Potential products having Angolan demand greater than $5 million and Pakistan's supplying capacity of $10 million above are being considered. This benchmark is used to analyze the commodities where margin of improvement still lies for Pakistan. The identified products are then filtered to only those products for which Pakistan's share in Angolan market is less than 10%.



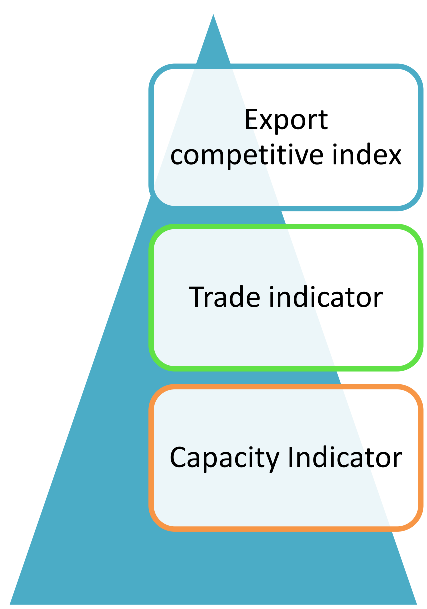


Figure 8: Methodologies used to identify potential products in Angola for Pakistan

Angola's agricultural land: 47.5 %

Arable land: 8.3%

Permanent crops: 0.5%

Permanent pasture: 91.23%

Potential for Pakistan

Figure 9: Potential Products at HS- 06 level

Most of the food items are being imported in Angola. Pakistan as an agricultural country can grab this opportunity and enhance its exports in Agro and textile sector

Top Potential products with the benchmark, as defined above are:

Product label	Angola-World Import ($MN)	Pak – world- Export ($MN)
Wheat or meslin flour	161.45	97.03
Semi-milled or wholly milled rice	163.83	1,512.69
Cane or beet sugar	207.55	342.90
Men's or boys' trousers, bib and brace	17.39	410.42
Instruments and appliances used in medical, surgical	13.92	360.58
T-shirts, singlets and other vests of cotton, knit	26.42	197.76
Milk and cream of a fat content by weight of > 1% but <= 6%, not concentrated	17.66	29.39
Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, kn	10.87	47.04
Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof,	12.16	13.63
Sweet biscuits	24.44	14.83
Household articles and toilet articles, of plastics (excluding tableware, kitchenware,	12.37	15.40
Structures and parts of structures, of iron or steel, (excluding bridges and bridge	115.14	16.85
Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g	12.22	30.64
Lead-acid accumulators of a kind used for starting piston engine "starter batteries"	15.67	17.04
Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	17.34	61.78

Table 5: Comparison of Angola demand and Pakistan's export to the world of potential products

Value Chain Mapping

Export Competitiveness Index (ECI) is calculated in order to analyze the performance of Pakistan and compare it with other countries.

There are some new potentially significant products which have never been exported to Angola but exhibit great potential to be introduced in the market.

Competitiveness in Angolan Market can be assessed for products which are part of existing trade. While for new products competitiveness in world market has been calculated.

		ECI in Angola		ECI in world		Untapped
Product code	**Product label**	**2013**	**2016**	**2013**	**2016**	**Potential $MN**
110100	Wheat or meslin flour	0	0	12	14	10.95
100630	Semi-milled or wholly milled rice	7	4	5	7	5.70
170199	Cane or beet sugar	9	22	19	40	1.59
620342	Men's or boys' trousers,	6	20	24	30	0.67
901890	Instruments and appliances used in medical	13	24	41	49	0.31
190531	Sweet biscuits	16	24	56	74	0.12
610910	T-shirts, singlets and other vests of cotton	0	0	44	48	0.20
40120	Milk and cream of a fat	0	0	29	34	0.19
50400	Guts, bladders and stomachs of animals (other than fish),	0	0	29	48	0.12

Table 6: Export competitive index for potential products

Semi milled & wholly milled rice (HS code 100630)

Rice is a food as well as cash crop for Pakistan. It is second big exportable commodity after cotton. It contributes 3.1% in value added agriculture and 0.6% to the GDP.

Globally, the leading players in rice exports are India and Thailand contributing 30% and 26% respectively to the world's total export.

In year2017-18 production of Pakistani rice reached up to 7.4 million tons. Area under cultivation also increased by 6.4% as government provided inputs on subsidized rate.

Pakistan ranks 3rd in world market for the export of milled rice and accounts for approx. 9% of the total world's export by value.

In Angola the key suppliers are Thailand, Indian, Portugal, Brazil and Pakistan.

Export Competitive Index compares the performance of main exporters in Angola in below table.

	ECI		ECI Rank	
Exporters	2013	2016	2013	2016
Thailand	1	1	1	1
India	0.0885	0.0694	4	5
Portugal	0.0724	0.1611	5	2
Brazil	0.06026	0.0417	6	7
Pakistan	0.0333	0.0696	7	4
South Africa	0.00449	0.02687	11	8
Viet Nam	0.3410	0.1023	2	3

Table 7: Export Competitive index for Rice

Thailand is the most competitive country in Angola. The Country is retaining its performance since 2012 and is managing to capture more than 50% of the Angolan export share for rice.

Portugal and Vietnam are at 2nd and 3rd rank. Vietnam has exported fair amount of rice in year 2013 and 2016 but for other years its supply to Angola was mainly inconsistent. The export Performance of Portugal, Pakistan and Sought Africa has improved from year

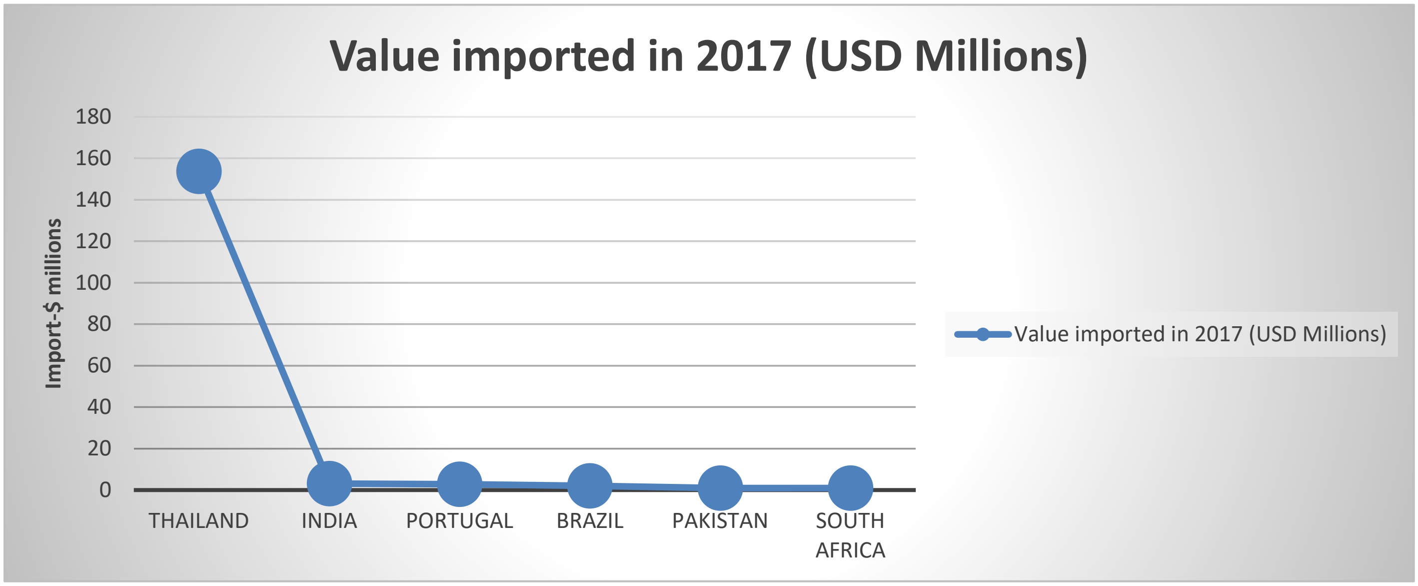


Figure10: Major suppliers of rice in Angola with their export value

2012 to 2016. Competitiveness of Pakistani rice has improved by 4 positions and gave tough competition to India whose export value and ECI has deteriorated over the years.

For year 2017 the trade scenario was a bit different for Pakistan. The export value has reduced from $12.7 million in 2016 to just $1.008 million in 2017.

The competitive analysis showed that Thailand offers the lowest unit price for rice and so provides maximum attraction for Angola. Moreover, Thailand has retained its position due to its improved quality of rice and extensive rice production.

Supplier	Unit Price/ per ton
Thailand	388
India	462
Brazil	599
Portugal	738
Pakistan	466

India's unit price is less than that of Pakistan due to the low cost and enhanced production capacity for rice. Their market support price for rice is suspected to be more than the 10% of the production cost. This encourages farmers to export more to the international markets. The production capacity of India has reached up to 110 million metric tons for the year 2017-18 with the opening stock of about 20.55 million metric tons from the previous year.

Portugal and Brazil are close to the Angolan borders. The trade distance between the port Santos of Brazil and Port Luanda is 4,230 nautical mile while Port Lisbon of Portugal is 4,537 nautical miles far from Port Luanda. So the reduced transportation cost is also an advantage for them.

What has worked for India?

- India is the third largest trading partner of Angola.
- Angola is the second largest source of crude oil for India.
- Angola being an LDC is the beneficiary of India's Duty-Free Tariff Preference Scheme for LDCs initiated in 2008.
- State Bank of India opened its representative office in Luanda in 2005.
- Government to Government initiative in the form of line of credit of $40 million to Angola for CFM Railway Rehabilitation Project.
- EXIM extended three credit lines of $5, 10 and 13 million for agricultural equipment and Indian tractors.
- For the construction of cotton spinning and ginning plant a line of credits amounting $15 million has been extended.
- EXIM in 2010 approved the establishment of an industrial park.
- Pre-visa/ visa on arrival Is available for Indians.

Cane and Beet Sugar (HS- Code 170199)

World demand for cane and beet sugar is not stable since 2013; the trade values have reduced from $ 15 Billion to $ 12 Billion in 2017. World leading players are Brazil, Thailand and France grabbing 18.3%, 11.5% and 9.6% of the total export for cane and beet sugar respectively.

The exporters keeping pace with world demand have supplied fluctuating values during the last 5 years except Thailand whose export value is consistently worth more than $1 billion.

The production of sugarcane reached to historical high of 73.6 million ton in 2016-17. Whereas, the area cultivated for sugarcane has enhanced by 7.6 % to 1131 thousand hectares.

Angola is the 18th big importer for cane and beet sugar and imports 1.7% of the world import value. Potential exists in Angolan market for Pakistan, but it is facing great pressures from Brazil, Saudi Arabia and Portugal. As shown in Figure11 below.

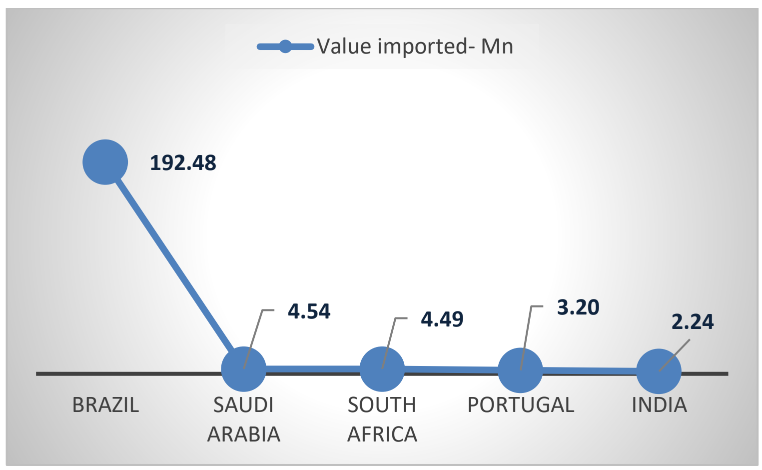


Figure11: Major suppliers of sugar in Angola with their export value in 2017

Brazilian sugarcane industry, including cultivation, processing and refined products, represents important segment of its economy. Brazil is the top producer and exporter of sugar in the world market. For Angola it offered the lowest unit price of $440 per ton and managed to capture more than 93% of the market. The success of Brazilian sugar lies in its tremendous production capacity, compliance with international laws, improved health and wage for workers and an increasing trend toward mechanization of the harvesting process.

In year 2016-17 Brazil has produced 38.9 million tons of sugar higher than that of preceding year. The huge production capacity of Brazil is mainly driven by rising international sugar prices and its domestic demand for ethanol, which is widely used in motor vehicle. To encourage the production of ethanol, Brazilian Government has offered a range of subsidies to the industry. Projects like National commitment to enhance work conditions in sugarcane industry and elimination of straw burning to avoid the emission of co2 ensures the supply of sustainable product preferred by the importers. According to UNICA, nearly 7.7 % of Brazilian total sugarcane area, 3.3 million tons of sugar and 2.3 billion tons of ethanol are EU BONSUCRO certified. These environmental friendly approaches and mechanized harvesting of sugar gave Brazil an advantage over other sugar producers in the world.

Though KSA and Portugal stood at 23rd and 28th position in world's export for cane and beet sugar and offering higher unit price, their competitiveness is enhancing relative to Pakistan. Since 2012 their export value to Angola has flourished by 61% and 17% respectively. In year 2017 South Africa also won 2.2% share for sugar in Angolan market.

Pakistan is losing its quality for the product in Angola. According to the report of USDA in 2017 Pakistan produced 7.5 million metric ton of raw sugar but due to negligible export ending stock reached up to 3.84 million metric ton. In 2013 and 2014 Pakistan succeeded to win some share in Angola but now the export value is negligible.

In late 2017, in order to move the accumulated sugar stock off the domestic market, government has increased its sugar export quota from 500,000 metric tons to 2 million metric tons. Along with this a freight subsidy up to $97 per metric tons (RS 10.7 per kg) has been announced for the entire quota amount.

	ECI in Angola		Export 2017 Millions	Unit value /ton	Share in Angola's Imports (%)
	2013	2016			
Brazil	1	1	192.5	440	92.7
Saudi Arabia	6	3	4.5	525	2.2
Portugal	3	2	3.2	660	1.5
Pakistan	9	15	0	450	0

Table8: Export competitive index for Cane and beet sugar

What has worked for Brazil?

- Minimum trade distance, from port Luanda to Port Santos only 4,230 nautical miles distant.
- Top producer for sugar approximately 38.9 million metric tons has been produced in 2017.
- Offered lowest average unit price of $440 per ton to Angola.
- Angola has an embassy in Brasilia.
- Brazil has an embassy in Luanda.
- Brazil and Angola Co-operation and Investment facilitation agreement (CIFAs) on April 2015.
- Export credit insurance coverage under the Export Guarantee fund.
- National Bank for Economic and Social Development financed Lauca Hydroelectric Dam, Cambambe Dam, water supply for city of Benguela and Lobito as well as the construction of Capanda industrial hub in Angola.

Wheat and Meslin Flour (HS code 110100)

Total world demand for wheat and meslin flour is nearly $4 billion. The top exporter in world market is Turkey contributing 23.6% of the world's export, followed by Kazakhstan. Kazakhstan offered the minimum price of flour, i.e. $ 203 per ton and managed to capture more than 10% of the total world's share.

In 2017, Pakistan supplied 2.2% to the world which was $ 97 million in terms of value. About 0.44% of this export value went to Africa, where Tanzania was the biggest importer of Pakistani meslin flour followed by Kenya and Comoros.

Angola is the 5th big importer for wheat and meslin floor and represents 3.6% of the world imports. In Angola, the top exporters are Turkey, France and Portugal.

Turkey is close to Black sea region where the most competitive wheat can be found. 80% of the raw material for milling industry is wheat.

Turkey is the world leader as well as the top exporter of wheat and meslin flour in Angola. Turkey has advantageous geographical location, many government support programs are in place along with the production capacity. In 2016-17 area harvested for wheat reached to 7.8 million ha, produced 17.2 million metric ton of wheat and registered an ending stock of 1.7 million metric ton. Government of Turkey has supported bulk production through its production premium plans and facilitated farmers under the umbrella of soil analysis, diesel and fertilizer support. According to the USDA, *Grain and feed annual report for Turkey 2017*, a farmer in Turkey got $356/ ha for milling wheat. Along with this, in order to enhance the quality of the wheat crop government has encouraged the use of certified wheat seeds. For improved quality farmers got 7% higher prices.

For 2017, Government of Turkey has announced National agricultural project whose aim was to diversify the agricultural production, enhance the productivity and to reduce the water intensive crops. A subsidy of $ 3.5 billion has also been announced for agricultural products in 2017.

In 2017, Angola imported 498,559 tons of wheat and meslin flour but Pakistani meslin has not exported in last five years' time.

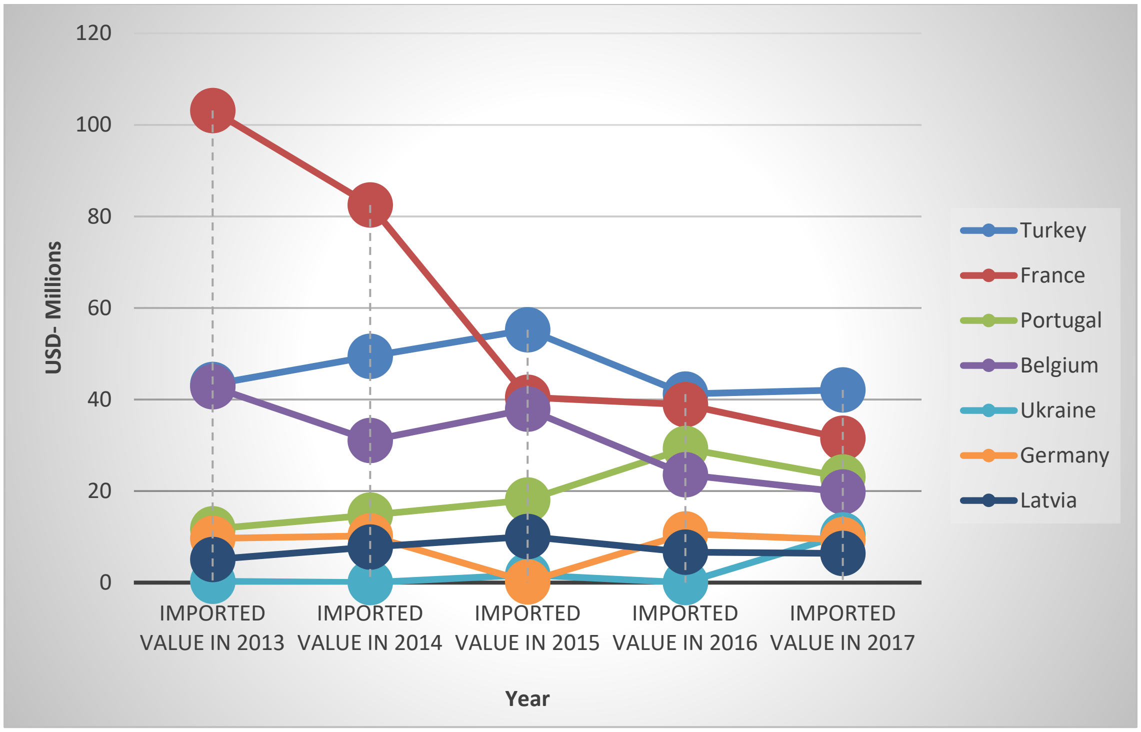


Figure12: Export trend analysis in Angola for wheat and meslin flour, 2013-2017

What has worked for Turkey?

- *Self-sufficiency in Wheat.*
- *For 2017-18 Turkey produces 21 million tons of wheat and also imported 4.5 million.*
- *Competitive price of $287 per ton for Angola.*
- *Investment in milling Capacity and modernization.*
- *Geographical location.*
- *Turkish Grain board and Inward Processing regime.*
- *Advancement of the seed industry.*
- *Tailor made production for non-traditional products.*
- *State R&D support programs.*

Men's or boys' trousers (HS code 620342)

World demand for trousers has increased by 2% since 2012, reaching a value of USD 26 billion in 2017.

The key players in the market are China, Bangladesh, Germany, Mexico, Turkey and Italy contributing 60% of the total export for trousers. Pakistan holds 1.5% share of the world's total exports for trousers. Export value for 2016 was $410 million while India had 1.6% share of the world's export.

Angola's demand for trousers shows an increasing trend with the highest figure recorded in 2014.The main exporters in Angola are China, Portugal, Brazil and India. The table below shows the competitive position for the key players in Angola.

In world market, Portugal’s ECI rank is 31st .But in Angola, Portugal’s trousers are most competitive. Likewise, India is not that competitive in world market but in Angola it is performing well.

China has retained its 2nd position on the ECI ranking for Angola. While Italy and Spain have exhibited remarkable improvement and have jumped 7 and 15 places respectively.

Pakistan’s ECI ranking is going down drastically and have quadrupled to rank 20th in 2016 in Angola. The export value has also reduced by 28% since 2012 and has dropped down to USD 6,000 for Angola.

Table 9: Export Competitive Index for Men’s or boy’s trousers

	ECI		ECI Rank	
Exporters	**2013**	**2016**	**2013**	**2016**
China	0.505666	0.524586	2	2
Portugal	0.839907	0.576157	1	1
Morocco	0.352569	0.014225	3	4
India	0.009123	0.009532	10	7
South Africa	0.01677	0.007108	7	9
Brazil	0.031265	0.013746	5	5
Italy	0.006366	0.010975	13	6
Spain	0.000535	0.007577	23	8
Pakistan	0.019992	0.000362	6	20

The competitive analysis between the main exports for trousers in Angola is illustrated in table above.

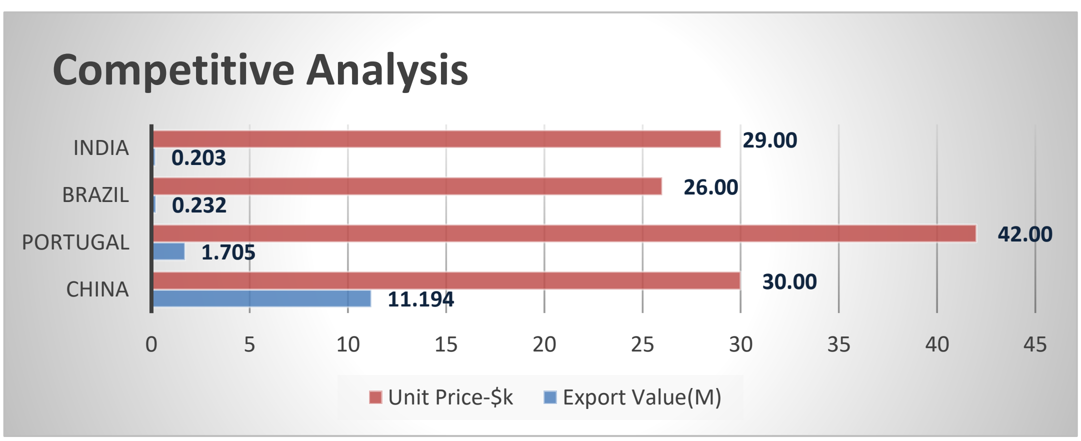
The average unit price of Pakistani trousers in the world market is $ 30,277 per ton which is comparable to the Indian unit price. For Angola, India, China and Brazil are constantly working to reduce their unit prices. Brazil that charges the lowest per unit price falls behind China due to its less competitive product. Similarly, Portugal registers a lower export value as it charges the maximum unit price of $42,000 per ton. For the year 2017, the highest export value of trousers for Angola is from China.

China enjoys a competitive domestic supply of raw material including fibers, yarns, fabrics and trim. Moreover it is constantly looking for new ways and technologies to give boost to its textile industry. Favorable climatic conditions and use of new biotech cotton varieties, to reduce pest related losses, have improved the yield for China. Investments are being done in the infrastructure. New high-tech industries are emerging in China and replacing labor-intensive industries. Nearly 70% of the cotton area was being mechanically harvested in 2017/18.

Chinese government has taken many initiatives to enhance cotton production. A fixed subsidy of $315 per ton was being announced in year 2014- 15 which is still in action. Beside this, Agricultural development bank of China (ADBC) provides targeted loans amounting RMB 30.6 billion on favorable terms for cotton seed purchases. ADBC has also provided financial assistance for marketing of domestic cotton in 2017/18.

Figure13: Competitive analysis for men’s trousers in Angola

source: Trade map



What has worked for China?

- *China took active part in Angola's post war reconstruction.*
- *China's direct investment in Angola reached $164million in 2016.*
- *Non- financial direct investment had reached to $1.63 billion.*
- *Launched China-aided agricultural technology demonstration center in 2016.*

Instruments and appliances used in medical (HS code 901890)

World total export for year 2017 was $50 billion of which USA, Germany and Belgium contributed 45% of the value. Pakistan exported instruments of worth more than $360 million in 2017.

In Angola, the main suppliers are Portugal, France and Spain. Germany and India held 4.5% and 3% share in Angola's import of surgical instruments while Pakistan's share is negligible according to the trade data of 2017.

Portugal is also an importer of the surgical instruments under the same tariff line (901890). Portugal imported $203 million worth of surgical instruments in 2017. The main suppliers for Portugal were Spain and Germany who exported 36.6% and 24.5%. Germany and USA imports surgical instruments from Pakistan and then re- exports them to other importing countries. Due to low brand presence Angola is getting the re- exported Pakistani instruments from Portugal.

Table 10: Export competitive analysis for Instruments and appliances used in medical

	ECI		ECI Rank	
Exporters	**2013**	**2016**	**2013**	**2016**
Portugal	1	1	1	1
France	0.097904	0.013642	3	9
Spain	0.158491	0.001484	2	18
Brazil	0.006732	0.00119	10	19
Germany	0.030495	0.091806	4	2
South Africa	0.014867	0.032115	6	5
United Kingdom	0.00155	0.016676	14	7
China	0.015758	0.032131	5	4
India	0.013551	0.014602	7	8
Italy	0.002445	0.008052	12	10
Japan	0.006764	0.000438	9	22
Norway	0.000746	0.001925	22	17
Pakistan	0.002025	0.000171	13	24

Tariff and Non- Tariff Barriers

Angola is a member of WTO and SADC (South African Development Community). It is also eligible for African Growth and Opportunity act of US.

It became a WTO member in 1996, since then it is party to all multilateral trade agreements and grants MFN treatments to all its trading partners.

The MFN duties applied for the potential commodity export to Angola have been illustrated below:

Product code	Product label	Tariff Applied
110100	Wheat or meslin flour	2%
100630	Semi-milled or wholly milled rice	30%
170199	Cane or beet sugar	20%
620342	Men's or boys' trousers,	10%
901890	Instruments and appliances used in medical	2%
190531	Sweet biscuits	20%
610910	T-shirts, singlets and other vests of cotton	10%
040120	Milk and cream of a fat	2%
050400	Guts, bladders and stomachs of animals (other than fish),	10%

Table 11: Tariff Rates for Potential Products

For SADC, Angola acquired its membership in 2003. The main aim of SADC is to establish free trade area among its member states which is scheduled to lead to a customs union and finally to a common market. The member countries are Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Seychelles, South Africa, Congo, Madagascar, Swaziland, Tanzania, Zambia, and Zimbabwe.

Non-Tariff Barriers

Angola has not established a strict regime for imports yet. Till date Angola has no legislation on anti-dumping, neither has it notified any technical barriers to trade to the WTO.
No risk management scheme has been introduced for control purpose but Angola has established an SPS enquiry point within its Ministry of Trade for submissions to WTO.

The only rules levied by Angolan Government for imports, are

- All importers must possess a valid business permit
- In Angola all imports from HS chapters 2 to 23 have to be tested.
- The import of animal, plant and related products require SPS certificate from the Ministry of Agriculture, Health or Fisheries.
- Import of pharmaceuticals products is allowed only from importers who possess valid general import license issued by Ministry of Commerce and a specific import license from ministry of health.
- Labeling requirement:
  - Basic information should be in Portuguese.
  - Labels for name, product ingredients, sell by and use by dates, quantity in terms of weight, production batch, degree of alcohol, name and address of manufacturer.

Demand and supply side issues

Angola is amongst least developed countries. The main priority is low unit price for the product imported and the political relationship with the exporting country. The other demand side issue includes:

1) **Financing difficulties**
   Letters of Credit are difficult to secure since Angolan banks are unwilling to assume foreign exchange risk. Most international companies like US companies reported cancelling export credit terms to Angolan clients due to outstanding payments.

2) **Business environment**
   World Bank's ease of doing business places Angola at 182 among 190 due to its difficult business environment. Enforcing contracts and access to credit is low in Angola.

3) **Corruption**
   The *Private entity Transparency International* in its assessment of 2016 places Angola at a level of 164 on its index of Corruption perception of 176 countries.

4) **Portuguese language**

The official language of Angola is Portuguese and the same is required for Product labeling, marketing and official meetings. Some Angolans are familiar with Spanish but for official meetings Portuguese- English interpretation support is required.

In order to augment Pakistani export to Angola supply side issues need to be addressed. These include:

- No trade mission present in Angola.
- No Pakistani bank currently has presence in Angola.
- Difficult visa requirements.
- Distance between port of Luanda and Port of Karachi is about 7,078 nautical mile which is not suitable for shipment of perishable goods.
- Limited exportable commodities.
- Lack of research and development.
- Poor seed quality
- Lack of non- traditional exportable products for Africa.
- Low production capacity

SWOT Analysis

Opportunities

- Angola is enjoying economic and demographic growth since 2002, which has caused its domestic demand to improve over years. But the infrastructure which has been destroyed due to the 27 years of post-independence civil war has left its manufacturing capability insufficient to meet the rising demand. Unskilled labor and shortfall of electricity supply have worsened the situation. Local manufacturers are forced to have their own power supply which reduces their competitiveness in local market.

- Due to overuse of pastures and deforestation, land under food cultivation is low and most of the food items are being imported.

- No preferential trade agreement has yet been signed by Angola. So same tariff rates are applicable to all exporters supplying products to Angola.

- Due to a stronger Baht, Thai rice exports will be more expensive this year. There is a chance for Pakistan to win the price competition from Thailand who is the main exporter of rice to Angola.

- For the coming year, Brazilian sugar production is expected to be down by 4.7 million tons to 34.2 million tons as more sugarcane has been expected to move towards ethanol production. Exports are projected to drop similarly to 23.6 million tons according to the USDA report. This will reduce the Brazilian share of exports to 38%. This would be the lowest market share in 14 years.

- Turkish Lira has declined against the US dollar in recent years; this has caused their exports to reduce in price. Due to the uncertain economic condition the private sector is maintaining low ending stock. Which in turn affecting their available export quantity. Moreover, farmers are no longer allowed to import wheat from Russia under the scope of *Inward Processing Regimes.* These would enhance the price of Turkish wheat in the world market.

Strengths

- Strong agro and textile sector in Pakistan.

- Infrastructure for agro and textile is already established.

Weakness

- Export basket of Pakistan contains limited products. African Countries have demand for many value added products which Pakistan is not exporting currently.

    - A blend of milling wheat and durum wheat can be used to produce pasta preferred by African countries. Likewise African countries are getting worn clothes mainly from USA. As there is a huge difference between American and African body sizes Pakistan can make use of this opportunity and can re-exports to Angola after altering the worn clothes according to the African body type.

- There is no banking system established in Angola for electronic money transfers from Pakistan. Most money transfers occur through currency exchange offices which involves risk.

- Seed for many exportable commodities suffer quality issues. For cotton seed quality is a prevailing issue with germination rates, weak certification and a consistent threat of sucking insects.

Threats

- China has helped Angola in its 27 year of civil war, so Angola has preference for Chinese products.
- Angola has significant trade with Portugal who once ruled Angola, now reverse is happening and Angola investing heavily in Portugal, resultantly their trade relation is strengthening.
- Thailand is aiming to develop long stocked rice, preferred by African countries.
- Angola has imposed ban on cement import in 2017. Portland cement was a major potential item for Pakistan in 2016. Due to the imposition of ban Pakistan lost $3 million of potential export value. Such bans serve a constant source of threat.

Recommendations

This is the right time for Pakistan to diversify its market and focus on non-traditional markets for product diversification. However, due to the limited information available about non- traditional markets and their export potentials, government intervention is required to educate local exporters to identify the attractive commodities and how to overcome any non-tariff barriers in the target market.

- ✓ **Currently no mission is present in Angola. Mission should be established to know more about the demand side issues.**
- ✓ **Pakistan can enhance its exports for Rice, Wheat, Sugar and Surgical products to Angola. Moreover value addition can be done for food items to produce products according to the African taste.**
- ✓ **Visa requirements should be made easy for both Pakistani and Angolan businessmen.**
- ✓ **Angola is almost 7078 nautical mile away from Pakistani port. Appropriate insurance mechanism should be introduced so that more commodities could be shipped for long distances.**

- ✓ **Trade facilitation and financing should be improved to ensure proper payments for Pakistani exporters.**
- ✓ **Preferential trade agreement should be signed with Angola.**
- ✓ **Country exhibitions are needed to commercialize Pakistani brands in Angola.**
- ✓ **Pakistan should participate in the international trade shows of Angola to showcase the products and initiate more B2B interactions.**
  - ➢ **International Fair of Luanda serves as the largest business exchange in the country. It is being arranged in first two weeks of July every year.**
  - ➢ **Benguela International Fair, arranged by Eventos Arena is being attended by 20,000 visitors. The fair take place in the month of May annually.**
  - ➢ **Companies from the below mentioned sectors can register for the fair**

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