TRADE POTENTIAL BETWEEN SOUTH AFRICA AND ANGOLA

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SUMMARY OF THE STUDY TO DETERMINE THE TRADE POTENTIAL BETWEEN SOUTH AFRICA AND ANGOLA

This trade potential study examines agricultural trade flows between Angola and South Africa in order to identify existing trade patterns and scan for potential opportunities. This study represents one specific country study in a broader intra-Africa study. Angolan country facts are provided to give a broad outline of several key features of the country. A brief historical background is then provided. An overview of the Angolan economy and the country's infrastructure is also provided. The study continues with a discussion on South Africa's agricultural trade relations with Angola. The key features of Angolan agricultural and trade policy are examined. A detailed list of and discussion on a range of trade barriers employed by Angola is also examined. The trade analysis examines the existing agricultural trade structure between Angola and South Africa. South Africa's leading agricultural exports to and imports from Angola are identified and discussed. This is done with the aid of trade databases. Products with the greatest trade potential are then identified and discussed.

The study finds that because Angola has been embroiled in civil strife for a number of years, economic development has been slow. In Sub-Saharan Africa, Angola occupies the position of leading oil exporting nation and given it's wealth of natural resources it has the potential of becoming a leading economy in the region and on the African continent. The Angolan economy is almost entirely dominated by the oil sector, which has resulted in other sectors being neglected. Political reform and a democratic government in recent years have resulted in other sectors, particularly agriculture, being placed high on the country's development agenda. Angola is also committed to broader African development as envisaged in the NEPAD objectives. The fruits of these reforms are evidence by phenomenal rates of economic growth in the last three years.

South Africa's current agricultural trade profile with Angola reveals that Angola is an important destination for South African exports. Angola represents the second largest market for South African agricultural exports in Africa accounting for approximately 17.5% of total agricultural exports to Africa and generating a revenue of R890 million. Exports of agricultural products to Angola represent almost 4% of South Africa's total agricultural exports whilst imports from Angola represent less than 1% of South Africa's total agricultural imports. The composition of the South African export profile to Angola varies considerably. However, several leading products were identified, these include: beverages, vegetables, sugars, cereals and tobacco. In contrast to this relatively diverse export profile, imports from Angola are limited to palm oil and fish oil.

The relatively underdeveloped nature of Angolan agriculture limits the potential to export to South Africa. However opportunities do exist in the coffee, fish oil and palm oil sectors, particularly if government initiatives aimed at rehabilitating these sectors are successful.

Angola employs a range of trade barriers and several market access constraints exist for exporters wanting to access the Angolan market. Several tariff peaks exist for products of strategic importance for South Africa, particularly within the beverages nomenclature, which is the leading category of exports to Angola. Import requirements are stringent and often cumbersome. Automatic licensing measures, technical measures and price control

measures are all used or available to be used by Angolan authorities to control imports. Angola also makes use of import prohibitions and several products require licensing. Prohibitions apply on a large number of agricultural products. Restrictions facing imports of Angolan products into South Africa are primarily in the form of non tariff measures. Technical barriers as well sanitary and phytosanitary measures serve as the greatest restriction facing Angolan exporters. Effective participation in the Southern African Development Community (SADC) may serve as a means of overcoming some of these barriers.

The leading competitors in the Angolan agricultural market include Portugal, Brazil and the Netherlands. Other important competitors and potential competitors include the United Kingdom, China and Argentina. However, as an African country, South Africa enjoys a strategic advantage over these given the close geographical connection between the countries. In addition both South Africa and Angola are members of the SADC community which accords preferential market access in terms of the SADC trade protocol.

In conclusion, the study reveals that the current agricultural trade structure between Angola and South Africa is heavily biased in favor of South Africa. This pattern is consistent with South Africa's trade structure with most African trading partners and reflects the relatively underdeveloped nature of agricultural sectors in those countries relative to South Africa. South Africa's imports form Angola, and the rest of Africa is generally limited to primary agricultural commodities whilst it exports to Africa are dominated by value added products. Reducing these imbalances and changing this trade pattern requires innovative approaches that shift away from trade dependent solely on comparative advantage rooted only in natural resources.

It should also be noted that another vital area in terms of exports is the exports of skills and services from South Africa. South Africa's developed commercial farming sector and experience in marketing and processing places the country in a unique position on the continent in terms of available human capital and expertise. These resources provide a valuable opportunity for South African farmers, producers, processors and managers to export their skills not only to Angola but also to the rest of Africa. The export of skills and investment in African agriculture can contribute significantly to the revolution of African agricultural production. This may in turn serve to reduce trade imbalances as Africa's economies link themselves in the global value chain.

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1. INTRODUCTION

The largely rural and underdeveloped nature of large parts of the African continent places agriculture at the forefront in any discussion on the economics of African development and growth. The agricultural sector directly accounts for over 60% of the total labor force; more than 20% of total merchandise exports and approximately 20% of total GDP for Africa as a region (CAADP). In addition to providing the primary source of foreign exchange earnings, agriculture plays the vital role of often providing the only source of livelihoods for a large percentage of the continents population. Any attempts at broad based development across the region therefore have to take cognizance of both the contribution agriculture is likely to make and the role agriculture needs to play in development initiatives. This realization is reflected in the Common African Agricultural Development Programme (CAADP) initiated by NEPAD in terms of which member states commit to contributing 10% of GDP to agricultural development initiatives.

The CAADP also recognizes that agricultural trade acts as one of the primary pillars upon which agricultural development needs to be based. African agricultural trade performance has declined significantly over the past three decades. Africa's share in global agricultural trade has declined from 8% during the 1970 to 1980 period to approximately 3.4% in 2000. This dramatic decline is not confined to agriculture and is reflected across a range of industries, with the continents share in total global trade declining from 6% in 1980 to just over 2% in 2004. Explanations for Africa's poor trade performance and increasing marginalization in global trade are numerous and range from traditional demand considerations of protectionist policies and limited access to the markets of developed economies to supply side and structural considerations of poor infrastructure, inadequate institutions and lack of diversification in production structures.

South Africa occupies the role of the leading economic power on the continent. This entails a measure of latitude in policy choice but also places a great responsibility on South Africa to drive African development, trade and investment initiatives. The promotion of regional integration and South Africa's leading role in the NEPAD initiative is evidence of the commitment South Africa has to African development. From an agricultural trade perspective, South Africa has to play a leading role in promoting intra-Africa trade. Given the difficulties identified above, the promotion of intra-Africa trade can to some extent promote endogenous growth thereby reducing reliance on developed countries as the primary sources of trade growth.

This study focuses on examining agricultural trade with Angola as a component of a broader intra-Africa trade study. Angolan country facts are provided to give a broad outline of several key features of the country. A brief historical background is then provided. This is followed by a brief overview of the Angolan economy and the countries infrastructure. Angola's multilateral, bilateral and regional trade activities are then outlined.

The study continues with a discussion on South Africa's agricultural trade relations with Angola. The key features of Angolan agriculture and trade policy are discussed. This is followed by a discussion on the range of trade barriers employed in Angola. The next section examines the existing agricultural trade structure between Angola and South

Africa. South Africa's leading export products to and import products from Angola are identified and discussed with the aid of trade databases. Thereafter, a *Trade Potential Index* is constructed and employed to identify products that provide the greatest trade potential for both exporters and importers. In the final section a conclusion is provided.

2. COUNTRY FACTS[i]

Angola is situated on the Atlantic coast of southern Africa. The country is bordered by Namibia to the south and Zambia and the Democratic Republic of Congo (formerly Zaire) to the east and north. Angola's 1,600 km long coastline and its four major ports make it a natural trans-shipment point for the Southern African Development Community (SADC) region.

Angola has a land area of 1,246,700 sq km. Land use is divided along the following patterns[ii]:

Arable Land	2.41%
Permanent crops	0.24%
Other	97.35%

Angola's population in 1994 was 11,233,000 inhabitants and it is estimated that it grew to approximately 14.5 million in 2005. The population density is 9 people per square kilometer and the urbanization rate is 42.9 percent. Sixty-five percent of the population is under 25 years of age.

The population is made up of nine ethno-linguistic groups: the Quicongo (or Bakongo), the Quimbundo, the Lunda-Quioco (or Tchokwe), the Mbundo, (or Ovimbundo), the Ganguela, the Nhaneca-Humbe, the Ambo, the Herero, and the Xindonga. They in turn are sub-divided into about 100 sub-groups traditionally called "tribes". The largest groups are the Ovimbundu, and the Bakongo.

The major languages are Portuguese (which is the official language), Ovimbundu, Kimbundu, Kikongo, Kichokwe, Kwanyama, Nganguela, and Luvale.

The most important religions are: Roman Catholic (68%), Protestant (20%) and traditional belief systems (12%).

The Angolan government is based upon a structure which comprises a head of state, the prime minister and a national assembly with 220 seats. Angola's main political parties are the Popular Movement for the Liberation of Angola (MPLA) and the National Union for the Total Independence of Angola (UNITA). The country is divided into eighteen provinces[iii].

The country is located in the equatorial tropical region, its climate being tempered by sea and altitude. In the northern half of the central plateau there are humid tropical conditions and in the high regions of the south, a dry tropical climate prevails. On the northern part of the coastal plain it is humid and temperate, while the center and the southern part are affected by the relatively cool Benguela current.

Map 1: Angola

Angola is endowed with mineral resources, and it is the second largest oil producer in sub-Saharan Africa after Nigeria. Although oil and diamonds are the most important minerals Angola possesses other minerals and resources including: iron ore, phosphates, copper and agricultural products such as coffee, fish, timber, cotton, sisal and others.

Luanda is the capital city and the most important commercial centre of the country. Cabinda, Benguela, Huambo, Lobito, Lubango and Namibe are the other main centres in Angola

The official currency of Angola is the Kwanza. (1 US$ = 83.541 Kwanza – 2004

3. HISTORICAL BACKGROUND[iv]

Angolan history is permeated by turmoil since the arrival of Europeans in the fifteenth century. Although the Portuguese crown initially sent teachers to educate and priests to proselytize in Angola, Portugal eventually came to view the area mainly as a source for slaves, especially for Brazil. In the several centuries during which the slave trade flourished, scholars estimate that 4 million Africans from the Angolan region were taken into slavery. Of this number, perhaps half died before reaching the New World.

Less alluring to Portuguese settlers than Brazil, Angola generally attracted poorer immigrants, a great many of whom were *degredados* or exiled convicts. Portugal's exploitation of Angola did not cease even after slavery had been legally abolished in Angola in 1858. Lisbon spent the last part of the nineteenth century engaged in wars against the African kingdoms that it had not yet conquered and in consolidating its hold on territories awarded to it at the Berlin Conference of 1884 during the so-called scramble for Africa.

During its five centuries of colonization, Portugal treated Angola mostly with indifference or hostility. By raising small armies, Portuguese fought their way into Angola's interior, disrupting existing kingdoms and societies. In the twentieth century, and particularly after 1926 and Antonio Salazar's rise to power in Portugal, Lisbon exploited Angola's agricultural and mineral wealth. Salazar facilitated this exploitation by inducing greater numbers of Portuguese to settle in Angola to manage plantations and mines and by enacting labor laws that forced Angolans to work for Portuguese. He also ensured that Africans could not easily participate in or benefit from the colonial administration.

In the 1950s and 1960s, as most other African colonies were winning their independence, many Angolans came to resent the continued oppressiveness of the Salazar regime, which steadfastly refused to consider granting independence to its African holdings. As a consequence, in the early months of 1961 a rebellion erupted in the northern part of the colony. This event sounded the opening shots of Angola's war of liberation, a conflict that dragged on until 1974. In that year, a military coup d'état in Lisbon toppled the government of Marcello Caetano (who had replaced Salazar in 1968). The generals who assumed power had fought the anti-colonialists in Africa and were weary of that battle. Soon after the coup they announced plans for the independence of all of Portugal's African possessions. On the 11 November 1975 Angola won its independence.

Unlike other Portuguese African colonies, the transition to independence in Angola did not proceed smoothly. During the 1960s and 1970s, the three most important liberation movements were the Popular Movement for the Liberation of Angola (Movimento Popular de Libertação de Angola -- MPLA), the National Front for the Liberation of Angola (Frente Nacional de Libertação de Angola -- FNLA), and UNITA. When these groups could not peacefully resolve differences regarding leadership and the structure of a unified government a civil war ensued. The FNLA and UNITA eventually formed a loose coalition to oppose the MPLA, the movement that finally prevailed. The subsequent chaos, however, induced most Portuguese to repatriate, leaving Angola critically deficient in skilled professionals such as managers, teachers, and technicians.

The resultant civil war had domestic, regional, and international dimensions. Domestically, the movements tended to be divided along ethnic lines: the MPLA came to be identified with the Mbundu, the FNLA with the Bakongo, and UNITA with the Ovimbundu. In the late 1980s, ethnicity was still a sensitive issue. Regionally, Zaire came to the aid of the FNLA by supplying bases and some combat troops. South Africa, concerned about communist expansion in southern Africa, invaded Angola from neighboring Namibia. Internationally, the Soviet Union backed the MPLA with material and advisers, while Cuba supplied thousands of combat troops. The United States sided with the FNLA by providing financial assistance and by helping to hire mercenaries.

By mid-1976 most of the fighting had died down. The South Africans had withdrawn, and, for the most part, the FNLA and UNITA had been routed, thanks primarily to the effectiveness of Cuban forces. Consequently, the MPLA was able to legitimize its claim of control over the government. Nonetheless, despite its legitimization and the recognition of its claim by most African states, other countries and international organizations, the MPLA was still confronted with an insurgency. Leading this insurgency from the southeast part of the country was UNITA, which had regrouped with the assistance of South Africa, and, after 1985, with aid from the United States. By 1989 this conflict, which many believed was merely an extension of the civil war, had claimed an estimated 60,000 to 90,000 lives, had exacted hundreds of thousands of casualties, and had forced about 700,000 people from their homes.

During the 1980s, the strains of the conflict were apparent everywhere. A significant portion of Angola's youth was moving westward away from the principal battlegrounds. Between 1975 and 1987, cities such as Luanda, Huambo, and Benguela witnessed an almost unchecked population explosion. The consequence of this rural-to-urban migration was devastating to the nation's welfare as countryside’s emptied out. The cities were unable to absorb such masses so quickly; the government could not provide adequate services and jobs and housing were in short supply. Most important, with agricultural workers leaving their farms, the cities could not obtain enough food for their residents. By the late 1980s, Angola, once a food exporter, was importing more than half of its grain requirements. In addition, thousands of those who could not reach cities settled in displaced persons camps, many of which were funded and operated by international relief organizations.

Angola's foreign relations wavered in the 1980s. Within Africa, Luanda's relations with other states were generally good. However, relations with Zaire fluctuated from normal to poor because of Kinshasa's sponsorship of the FNLA and because of Angola's support during the same period of an anti-Mobutu armed movement. Angola's principal antagonist in the region, however, was not Zaire but South Africa. Since its invasion of Angola in 1975 and 1976 during the war of independence, Pretoria had frequently violated Luanda's sovereignty, either in pursuit of members of the South West Africa People's Organization (SWAPO--a group fighting for Namibian independence) or in support of UNITA forces.

In the late 1980s, Angola's ties to the superpowers were in a state of flux. Although Luanda was closely aligned with the Soviet Union and its allies, this relationship was generally considered an outgrowth of Angola's security predicament. In economic concerns, the MPLA-PT often turned to the West, particularly in matters relating to the

oil sector but also for trade and commerce and in other areas. Reportedly, the Soviet Union prodded the Angolan government into participating in the December 1988 regional accords, but in late 1989 it was uncertain how the reforms being carried out in the Soviet Union under Mikhail S. Gorbachev would affect the policies and practices of the MPLA-PT government. The other superpower, the United States, also played an important role in the accords. However, after their signing, the United States president affirmed American support for the UNITA rebels and vowed to continue backing Savimbi's movement until the MPLA-PT and UNITA reached an accommodation.

In late 1989, Angola's economic and political prospects appeared less bleak than they had only a year or two earlier. The economic restructuring program, together with other austerity measures, convinced the International Monetary Fund (IMF) to admit Angola as a member in June 1989 in spite of the objection of the United States. This event opened the door for greater financial assistance. Furthermore, the December 1988 regional accords, which provided for the staged withdrawal of Cuban troops, the cessation of South African support for UNITA, and the independence of Namibia, augured well for Angola's future.

The death of UNITA leader Jonas Savimbi in February 2002 and a subsequent ceasefire agreement with the rebels signaled the end of the conflict. Angola is now faced with the daunting task of rebuilding its economy and infrastructure.

4. ECONOMIC OVERVIEW

Decades of civil war and political strife has taken its toll on the Angolan economy. During the 1980’s the production of coffee, sisal, sugar, iron ore, and diamonds either declined or stagnated. The closure by UNITA insurgents of the Benguela Railway, which linked the rich mining regions of Zaire and Zambia with Atlantic ports, denied transit fees to the government. As a result, the economy became almost exclusively dependent on petroleum. Production of oil had begun in 1956, and by the late 1980s, with the financial and technical assistance of Western companies, oil sales accounted for nearly 90 percent of export earnings. Most Angolans, however, failed to benefit from these earnings. To finance the war against UNITA, the government allocated a large percentage of its budget to defense expenditures, leaving relatively little for pressing social needs.

Several other factors also contributed to economic weaknesses. The lack of foreign exchange resulted in imported consumer goods being scarce, especially in state-run stores. This scarcity generated a widespread parallel market in which goods were frequently bartered rather than sold because the Angolan Kwanza was virtually worthless. Commodity shortages led to pilfering (particularly at points of entry). National production also suffered because industrial workers and agricultural laborers were reluctant to work for the local currency and as a result of the shortage of goods the government often could not even barter for the services of workers or the output of farmers.

Notwithstanding the UNITA insurgency and its associated disruptions, the government was also responsible for some economic ills. Critics of the government claimed that

mismanagement in centralized planning, state-run companies, and state-owned farms contributed significantly to the nation's economic decline.

In recent years the Angolan economy has witnessed remarkable growth. Real GDP growth rate for 2005 is estimated at 14.1%. This growth is largely driven by the oil sector and resulting from record oil prices and rising production. Oil production and supporting activities contribute about 45% to GDP and accounts for approximately 90% of the country's total exports. Subsistence agriculture provides the main livelihood for an estimated 85% of the population. However, much of the country's food must still be imported.

In 2003 the Angolan central bank implemented an exchange rate stabilization program using foreign exchange reserves to buy Kwanza's out of circulation. This program has assisted in controlling inflation with consumer inflation declining from 325% in 2000 to about 18% in 2005. In 2005, the government started rebuilding public infrastructure with the aid of a loan of US$ 2 billion, provided by China.

In 2004, Angola's GDP rose to an estimated US $12.9 billion, with real growth estimated at over 11%. Growth rates were higher than anticipated largely due to higher oil prices, increased oil production and increased government expenditure. It should also be noted that a significant factor in Angola's phenomenal growth in recent years has been the fact that the country has achieved these growth rates starting from a low base. Foreign direct investment remains buoyant but concentrated in the oil sector. The growth of the non oil economy continues to lag behind and Angola remains dependant on imports and food aid.

Angola has a workforce of 5 million; unemployment is estimated at over 50%. An estimated 85% of Angola's labour force is employed in the agricultural sector with the balance employed in the industrial and service sectors.

Social indicators place Angola 160 out of 177 on the Human Development Index in 2005. Poverty remains widespread with more than 65% of the urban population living below the poverty line. Poverty is reportedly far deeper in rural areas.

International trade data shows that in 2005 the value of Angolan exports amounted to an estimated $26.8 billion whilst imports amounted to $8.2 billion. Angola's leading trade partners for imports are South Korea, Portugal, United States, South Africa, Brazil, Japan and France. Angola's leading export destinations include the United States, China, Taiwan and France

Table 1: Comparative Data Profile Angola and South Africa

INDICATOR	ANGOLA	SOUTH AFRICA
Social Indicators		
Total Population (millions)	14	45.3
Urban Population (as percentage of total population)	49%	50%
Gross National Income (GNI – US $ billions)	14.4	125.9
GNI per capita (US $)	1030	2780
Economic Indicators		
GDP (US$ billions)	13	159.9
Gross Domestic Investment/GDP	28.6%	14.9%
Export of Goods and Services/GDP	68.7%	27.6%
GDP Growth	11.2%	1.9%
GDP per capita growth	7.7%	2.7%
Export Growth	n.a.	4.5%
Structure of Economy (% of GDP)		
Agriculture	8.8%	3.8%
Industry	59.1%	31%
Manufacturing	4.1%	18.9%
Services	32.1%	65.2%
Private Consumption	33.8% (1994)	67.3%
General Government Consumption	40.1% (1994)	13.8%
Imports of Goods and Services	51.6%	23.7%
Average Annual Growth		
Agriculture	13%	-5.2%
Industry	12.7%	0.5%
Manufacturing	13.5%	-1%
Services	6.2%	3.2%
Private Consumption	n.a.	2.7%
General Government Consumption	n.a.	6%
Gross Domestic Investment	n.a.	-2%
Imports of Goods and Services	n.a.	-0.7%

Adapted from World Bank Country Data

5. INFRASTRUCTURE AND COUNTRY RISK

Years of conflict have taken their toll on Angola's infrastructure. The government has announced plans to rehabilitate infrastructure damaged by the conflict. These improvements include the repair of dams, roads, the telephone network as well as the electrical grid. International agencies and various governments have provided the country with assistance in this area[v].

Angola possess 51 429 km of road of which only 5 349 km is tarred. The main ports are located at Cabinda, Luanda and Soyo. There are over 200 airports in Angola but only 31 have paved runways. Luanda airport is the only international airport. Aeroflot, Air France, Air Gabon, Air Namibia, Ethiopian Airlines, Lina Congo, Sabena Belgian World Airlines, South African Airways and TAP-Air Portugal all fly to Luanda.

Telecommunications services are limited mostly to government and business use. However, as Angola continues to grow the use of telecommunications is expected to increase. 2002 estimates indicate that Angola possesses 96 300 main lines and 130 000 cellular subscribers. Internet users is estimated at 41 000.

The Credit Guarantee Insurance Corporation (CGIC) country rating for Angola is currently 3C (3=high political risk; C=high commercial risk). Transparency International scored Angola 2 out of 10 in 2005 on their Corruptions Perception Index (where '10' is 'highly clean' and '0' is 'highly corrupt'). Angola was ranked the ninth most corrupt country out of 158 surveyed.

6. INTERNATIONAL AND REGIONAL INITIATIVES AND INTEGRATION[vi]

The Common Market for Eastern and Southern Africa (COMESA) was formed in 1994 to replace the former preferential trade area which had existed from 1981. COMESA was established "as an organization of free independent sovereign states which have agreed to co-operate in developing their natural and human resources for the good of all their people". COMESA therefore has a wide range of objectives that include the promotion of peace and security, economic growth and social development. However, the main focus of COMESA is the formation of a large economic and trading unit that is capable of overcoming some the barriers faced by individual states. COMESA's current strategy can be summed up in the phrase 'economic prosperity through regional integration'. With its 19 member states[vii], population of over 374 million and annual import bill of around US$32 billion COMESA forms a major market place for both internal and external trading.

Although still formally a member of the COMESA, Angola has withdrawn from its activities, according to the authorities because of duplication between COMESA and SADC regarding trade policies in the region.

Much like COMESA, the objectives of SADC include economic development and growth, poverty alleviation, promoting common values and institutions and promoting

peace and security. The SADC[viii] community also envisages the eventual formation of an integrated economic community or union by 2015.

Angola is also a co-founder of the Economic Community of Central African States (ECCAS/CEEAC) grouping Angola; Burundi; Cameroon; Central African Republic; Chad; Congo (D.R.); Congo (Rep.); Equatorial Guinea; Gabon; Rwanda; and São Tomé and Principe. Members of ECCAS are required to pay a "Community Integration Contribution" (CCI in Portuguese) of 0.4% of customs value of goods imported from third countries for the running of the organization.

In a broader African context, Angola is committed to promoting the objectives contained in the New Partnership for Africa's Development (NEPAD) initiative. As a member of the African Union (AU), Angola has ratified the treaty establishing the African Economic Community.

Angola is also a partner to the June 2001 Cotonou Agreement between the European Union and African, Caribbean and Pacific States (ACP). This partnership agreement requires parties to conclude compatible trading arrangements that should take effect no later than 1 January 2008. The partnership agreement is valid for 20 years and is subject to revision every five years. Angola was also a partner to the Cotounou Agreements predecessor, the Lome Convention, an agreement between the European Union and developing countries of sub-Saharan Africa, the Caribbean and the Pacific area. According to the convention Angola is granted duty free access to the EU market for all exports of industrial and agricultural products which are not subject to a common market organization in the framework of the EU's Common Agricultural Policy (CAP).

Angola has been a beneficiary of the United States' African Growth and Opportunity Act (AGOA) since December 2003. Angola benefits from the AGOA provisions for least developed countries.

Angola is a co-founder of the Community for Portuguese Language Countries (CPLP), which also includes Brazil; Cape Verde; Guinea-Bissau; Mozambique; Portugal; São Tomé and Principe; and East Timor.

As a least-developed country, Angola benefits generally from LDC terms in all developed countries' General System of Preferences (GSP) schemes.

At a bilateral level, Angola and Namibia have increasingly close cooperation in the framework of a standing bilateral commission. In October 2005, agreements were signed on suppressing visa requirements, opening border posts, free circulation of people and goods, and radio broadcasting. Angola has also signed bilateral agreements on trade with Argentina; Bulgaria; China; Cuba; Congo (Rep.); Congo (D.R.); Czech Republic; Gabon; Germany; Ghana; Guinea Bissau; Hungary; India; Korea (DPR); Morocco; Mozambique; Poland; São Tome and Principe; Slovak Republic; Tanzania; Viet Nam; Zambia; and Zimbabwe; a trade and payments agreement with Cape Verde; and economic and trade cooperation agreements with Cameroon; the Russian Federation; and the Ukraine.

At the multilateral level Angola is also committed to the multilateral trading system as is evidence by its membership in the World Trade Organization (WTO) since the 23 November 1996. It is not party to the Plurilateral Agreements on Government Procurement or on Trade in Civil Aircraft.

Angola is a member of the United Nations, and hence of UNCTAD, FAO, and other relevant UN agencies; of the WTO. Further of the International Coffee Organization; of the International Convention of the Conservation of Atlantic Tunas (ICCAT); and of the Common Fund for Commodities.

7. ANGOLAN AGRICULTURE[ix]

Potentially one of the richest agricultural countries in southern Africa, Angola's climatic diversity provides for both tropical and semi-tropical crops. Prior to 1975 Angola was self sufficient in food production and was a major exporter of agricultural produce, particularly coffee and sisal. Today only 3% of its arable land is under cultivation. However, Angola's highlands, which have been called some of the richest in the world by development experts could grow a wide variety of tropic and semi-tropic crops, such as cassava, maize, sorghum, bananas, sugar cane, cotton, sisal citrus and other fruits, yams, millet, beans, rice, palm oil, coffee, sunflowers, timber and tobacco. In 1974 Angola was the world's fourth largest coffee producer and the rehabilitation of coffee plantations is a priority for the government.

In 1986 the government liberalized the farm prices and made efforts to improve equipment supplies and services to the agricultural sector. In 1991 Angola negotiated with British, Portuguese and American companies to sell the large state-owned coffee plantations, and planned to privatize the medium and small-size plantations among Angolan nationals. While there were no barriers to 100% foreign ownership of a large plantation, overall foreign ownership was limited to 30% to 40% of coffee production.

Foreign aid has been vital to agricultural development. The then-European Community provided grants for seeds, tools, machinery and vehicles in the 1980s. In 1990 the EC approved funding for the rehabilitation of the Chivinguiro agricultural complex, including transport infrastructure, teacher training and import of agricultural equipment. The Food and Agricultural Organization (FAO), together with other international institutions is helping Angola to develop and implement a medium term plan of action aimed at producing sufficient cereals to overcome anticipated food deficits. Chevron – Texaco is also financing development projects in agricultural production. The Chinese government has donated approximately 900 tonnes of agricultural products such as hoes and handles, axes, scythes, ploughs and machetes to the Malanje province.

United Nations agencies have also been instrumental in helping Angola's agricultural sector. The Food and Agriculture Organization (FAO) supplied $6.9 million in 1990 for food security and planning, sawmill training and assistance for displaced persons. The United Nations Development Program (UNDP) provided $1.8 million toward seed production. In its $212 million 1995 Consolidated Inter-Agency Appeal for Angola, the UN has requested $34.7 million in food aid and an additional $22.8 million in food production and basic rural capacity assistance. UN programs designed to help promote agricultural production include distribution of seeds, tools and fertilizers.

In 1994 agriculture and fishery production increased by 12%. Under a new agricultural strategy, Angola has trimmed most price controls and set up a rural credit program to help farmers. With only 3% of its arable land under cultivation, Angola's agriculture

potential is vast. Agriculture, livestock and fisheries accounted for 12 per cent of GNP in 1994. Over 50% of the population resides in rural areas.

There may be some potential for the production of fruits, vegetables, oil seeds and specialty products such as green products, cut flowers, seasonings and food colorings. This is where foreign direct investment could play a crucial role. The involvement of agri-business based NGOs can help establish effective linkages from the exploitation of raw material to the final production and processing. Research and extension services will have to be revived to support agricultural production and agri-business.

8. TRADE BARRIERS[x]

8.1 Tariff Structure

Customs tariffs are Angola's main trade policy instrument. In February 2005 Angola introduced a revised operational customs tariff[xi] that reduced the simple average MFN applied rate from 8.8% to 7.4%. The maximum applied duty rate has been reduced to 30%, with a six step rate structure. Angola's entire customs tariff is bound at ceiling ad valorem level in terms of GATT 1994 and applied rates remain below these ceiling levels. Duties on agricultural products are mostly bound at a ceiling rate of 55%, with a few lines bound at lower rates of 10% or 15%.

Angola applies MFN treatment to all its trading partners. Angola's applied tariff has six bands: 2%, 5%, 10%, 15%, 20% and 30%. There are no duty free lines. The tariff follows the HS at the eight digit level. There are 5384 lines in Angola's tariff schedule with 3570 lines rated at 2% or 5%. The highest rates of 20% and 30% apply to 565 lines. The simple average applied tariff in 2005 was 7.4% with the average tariff on agricultural goods being 10% (compared to a bound average of 52.6%) and on non agricultural products 6.9% (compared with a bound average of 60.1%).

Within the HS chapter 1-24 (which largely constitutes the WTO definition of agricultural products), 20% of the 766 tariff lines are in the 20% and 30% bands, 45% are at 10% or 15% and 32% at 2% or 5%. The 30% rate applies to most wines and spirits and to manufactured tobacco products.

8.2 Para-Tariff Measures

In addition to import duties all imports are subject to a consumption tax[xii] at rates of 2%, 10%, 20% or 30%. The vast majority of goods are charged 10%.

Other duties include: a stamp duty of 0.5% of the c.i.f. value of the goods[xiii]; a general customs fee of 2% of the customs value[xiv]; a personnel fee (1% of customs value for consignments valued below Kz 28 000; a fixed rate of Kz 720 for goods valued between Kz 28,000 and 720,000; and 0.1% for goods valued over Kz 720,000) and a 'movement subsidy' for the transport and movement of goods and Customs staff (goods arriving by sea-Kz 0.35 per kg. with a minimum charge of Kz 11,875 and a maximum of Kz 21,375; by air-Kz 12.80 per kg. with a minimum charge of Kz 3,562 and a maximum of Kz 7,125.

8.3 Import Requirements and Documentation

All importers and exporters must register with and obtain a license from the Ministry of Commerce and have a valid tax payer's card. All goods over US$ 1,000 must be cleared through a forwarding agent.

For imports over US$ 1,000 in value the following documents are required: the Single Administrative Document (available from the National Printing Works at a cost of US$10 per form); a commercial invoice stating the name and address of the supplier of the exporter, the description and quantity of the goods, the f.o.b. value, insurance and freight costs, and the c.i.f. value; proof of ownership (i.e. original bill of lading, air freight card, port card, cargo manifest etc.- depending on method of transport); a verification certificate (Clean Report of Findings) for goods subject to pre-shipment inspection, various other certificates depending on nature of goods (e.g. sanitary, phytosanitary or fumigation certificate); cheque book L50 for the payment of 'movement subsidies'[xv] and a certificate from the National Shippers Council.

8.4 Preshipment Inspection

Preshipment inspection requirements have been in force in Angola since 1980. Decree 34/02 of 28 June 2002 and Despatch 192/02 of 9 August 2002 revised the regime and a new preshipment inspection agency (BIVAC International) was appointed.

The current regime requires all goods imported by juridical persons, with a c.i.f. value of US$ 5,000 or more are subject to preshipment inspection; for personal imports the floor level is US$ 10,000.

For a clean report of findings to be issued, BIVAC requires the trade to supply the final commercial invoice and transport document plus any other additional documents. A non-negotiable inspection report is then issued.

Angolan customs authorities aim to gradually phase out preshipment inspection requirements as capacity is built up to apply the WTO Agreement on Customs Valuation.

8.5 Rules of Origin

Angola applies one simple set of rules of origin since all imports are afforded MFN treatment. Products are considered originating in a country if they are 'wholly obtained' in that country. When production of a good is undertaken in two or more countries, the originating country is the last country where 'economically justifiable transformation' took place resulting in a new product or a major stage in its production. Customs regulation requires imported goods to be accompanied by a documentary proof of origin in the form of a certificate of origin or an equivalent document issued by a responsible organization in the country of origin.

Participation in the SADC trade protocol will require Angola to apply SADC rules of origin when it submits a tariff reduction plan for SADC-origin goods.

8.6 Import Prohibitions and Licenses

Several products are prohibited from import into Angola for health, security and safety purposes. Article 30 of the 2005 Tariff contains a list of such products. Agriculturally related products that are prohibited include: *animals and by products originating from areas affected by epizootic diseases; distilled beverages containing essences of recognized harmful products such as absinthe, ether –derived products; counterfeit coffee; crates containing various types of merchandise and showing a single marking, not presented with a declaration stipulating the quantity and total weight of crates; food containing saccharine; grains and seeds of any variety, genetically modified or transgenic; plants coming from areas affected by phylloxera or other epiphytic disease.*

Article 31 of the 2005 Tariff specifies goods requiring special import approval and the relevant licensing authority. Imports of these goods are also restricted for health, security and safety purposes. These products include: *denatured pure alcohol; plants, roots, tubers, bulbs, germs, buds, fruits, seeds and packages containing these products; grains and seeds of any variety, genetically modified or transgenic, destined for Food Aid programmes; poisonous and toxic substances, drugs; animals and by products.*

8.7 Contingency Measures

Angola has no anti-dumping, countervailing or safeguard legislation.

8.8 Technical Measures

Standards activities, except those relating to animal health and phytosanitary conditions are under the authority of the Angolan Institute for Standardization and Quality (IANORQ). As a SADC member Angola participates in the SADC Programme in Standardization, Quality Assurance, Accreditation and Metrology (SQAM)[xvi].

Angola is in the process of adopting some ISO standards. No national accreditation body exists at present but steps are being taken to establish one. During 2002-2004 draft national standards were formulated by IANORQ on salt, wheat flour, maize meal, wheat and maize in grains, early and main crop potatoes, milk powder, butter, margarine, sunflower oil, natural mineral waters. Draft legislation was drawn up on labeling and technical specifications of products in Portuguese and conditions for marketing of meat and meat products, fish and fish products and bread and bread products.

Angola joined the FAO Codex Alimentarius in 1990 and established the 'Codex Angola' within the Ministry of Agriculture and Rural Development in 2003. In recent years Codex Angola has prepared proposals to adopt general international principles on food hygiene, a memorandum on policy towards genetically modified organisms and a proposal on regulation concerning imports and use of GM seeds and grains; proposals on the use of food additives and inspection and certification of food.

BIVAC provides the following recommendations for marking, labeling and packaging. Labeling in Portuguese is recommended. Individual packages for foodstuffs should

include: product name; producer's name; batch reference; conditions of storage; production/validity dates; fat composition; capacity; alcohol percentage etc. The remaining shelf life should be six months (five months for marketing and one for transportation).

9. BILATERAL TRADE STRUCTURE AND PRODUCT ANALYSIS

9.1 Introduction

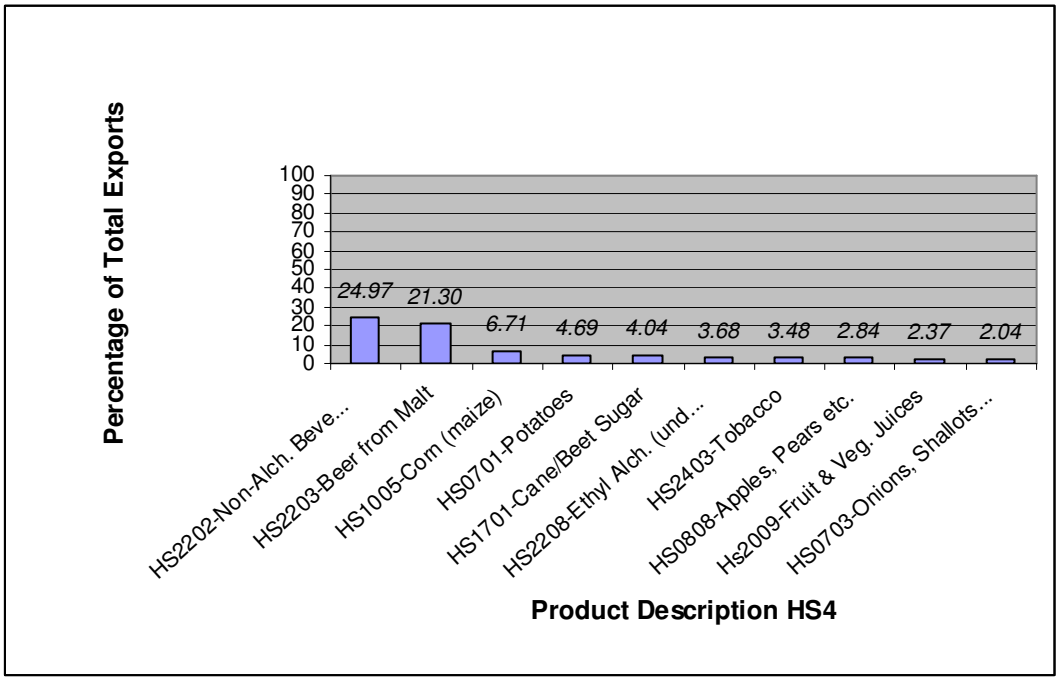
The data in this analysis is sourced to the HS classification. The International Trade Center's (ITC) Trade Map is evaluated with reference to bilateral trade between Angola and South Africa using specifically identified leading trade products. The analysis is based on COMTRADE statistics accessed via software packages developed by the ITC. This is complemented by use of the World Trade Atlas database. The extent of the database analysis is limited to obtaining trade data, examining trade trends and identifying trade opportunities between the trading nations.

9.2 South African Exports

The analysis of South African exports to Angola on the *2HS* level reveals that the leading export clusters to Angola include: *beverages; edible vegetables, cereals and sugars.* Annex 2 provides a complete list of the agricultural exports, includes the relevant HS codes, a product description and the corresponding Rand values of the exports. The annex also provides comparative data for 2002, 2003 and 2004. The products are ranked in order of trade value for the year 2004. Disaggregating the leading product nomenclatures for 2004 to the *HS4* level reveals the ten leading export product categories in value terms. The 10 products constitute over 76% of total agricultural exports to Angola in 2004, as illustrated in figure 1.

These ten products are further disaggregated to the *HS6 and HS8* levels to provide the basis for the export analysis that follows. The selection of products is based on the definition of agricultural products as covered by the WTO Agreement on Agriculture[xvii].

Figure 1: Leading Agricultural Exports to Angola



9.2.1 Beverages *(HS22)*

In 2004 *beverages* (*HS22*), represented the largest category of agricultural exports to Angola. An estimated 103,664,821 liters of *non-alcoholic beverages* was exported to Angola at an average price of R4.58 per liter. This generated an estimated R474 million worth of revenue and accounted for almost 53% of total agricultural exports to Angola. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals exports of beverages to Angola had grown by almost 25% during 2003. However, this trend was reversed in 2004 with trade declining by an estimated 34% over this period.

In 2004 *beverages* maintained its position as the leading category of agricultural exports to Angola relative to 2002 and 2003. Within the category of *beverages* (*HS22*) three products at the HS6 level rank in the top ten agricultural exports for 2004, these are: *Non-alcoholic beverages (HS2202) and beer made from malt (HS2203) and ethyl alcohol Undenatured (<80% alcohol) (HS2208).* Combined, these categories of products constitute approximately 94% of *beverage* exports and 50% of total agricultural exports to Angola. These categories also provide the basis for the analysis that follows.

(a) Non Alcoholic Beverages *(HS2202)*

Within the *beverages* nomenclature, the leading exports are *non-alcoholic beverages*. In 2004 an estimated 52,205,365 liters of non-alcoholic beverages was exported at an average price of R4.26 per liter. In value terms this amounted to revenue in excess of R221 million. This represents approximately 47% of the trade within this category and 25% of total agricultural exports to Angola. Disaggregated to the *6HS* level this category

is dominated by exports of *water sweetened or flavored (HS 220210),* which accounted for over 99% of trade in this sub category and ranks as the leading agricultural export to Angola in 2004. The performance of this category of product in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 2.

Table 2: ***Export Performance of Product Code- HS 220210 from South Africa to Angola***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	296.59432	369.179302	221.132257
Quantity Traded *(liters)*	76 635 092	85 137 060	51 929 355
Average Price *(Rand per liter)*	3.87	4.34	4.26
Growth/Decline in Value *(relative to previous year)*	**104%**	**24.47%**	**-40.23%**

Source: World Trade Atlas 2004

As Table 2 indicates exports of *water sweetened or flavored* showed initial growth but declined significantly in 2004. An increase in the average price paid per liter in 2003 appears to have had no dampening effect on demand that year. However, in 2004 exports declined despite prices remaining relatively.

A Trade Map analysis[xviii]of exports of *sweetened or flavored water* reveals that South Africa is the largest exporter of these products to Angola, accounting for approximately 90% of Angola's total imports. In turn the Angolan market imports 63% of South Africa's total exports for this product. Over a five year period ranging from 2000-2004 the total Angolan import demand for these products has grown by an average of 51% in value terms. Over this same period Angolan import demand for South African products has grown by over 48%. Of the leading export nations to Angola, this represents the third largest average growth over the five year period. This growth is also significantly higher than the growth in South Africa's exports to the rest of the world, which averaged 18%.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2004 Trade Map data provides that South African exports to the rest of the world amounted to US$ 54 million. Isolating South African trade capacity therefore implies that South Africa has the capacity to supply US$ 54 million worth of *sweetened or flavored waters*. Angola's import demand for these products during the same period totaled approximately US$ 38 million; of this demand South Africa supplied approximately US$ 34.5 million worth. Given this, the theoretical potential trade between Angola and South Africa is US$ 3.5 million (US$ 38 million minus US$ 34.5 million).

The second largest exporter of these products to Angola, and by implication South Africa's leading competitor, is *Brazil*, which accounts for almost 6% of total Angolan imports worth an estimated US$ 2.3 million in 2004. In contrast to South African exports to Angola that have grown by under 50%, demand for *Brazilian* imports averaged over 200% during the 2000 to 2004 period. Given the current value of trade between *Brazil* and Angola, the trade potential between these nations is significant and *Brazil* poses a real threat to South African market share in Angola. The significant point here is

reflected in the differences in import demand between the countries with Angolan demand for *Brazilian* products growing at a significantly higher rate than compared to demand for South African products.

The third largest exporter of *sweetened or flavored water* to Angola is *Portugal. Portuguese* exports account for 2% of total Angolan imports. *Portugal* has a relatively small market share in Angola compared to South Africa and demand for *Portuguese* products showed slower growth than both South African and Brazilian products over the 2000-2004 period. In 2004 all the leading export nations recorded declining exports to Angola.

In addition to the general trade barriers listed in section 8, *specific trade barriers* faced by exporters of this product to Angola include:

- MFN Tariffs (applied rate) – 30% ad valorem tariff.

(b) Beer made from Malt *(HS2203)*

Within the *beverages* nomenclature, the second largest export is *beer made from malt*. In 2004 an estimated 39,090,312 liters of *beer made from malt* was exported at an average price of R4.58 per liter. In value terms this amounted to revenue in excess of R189 million. This represents approximately 40% of the trade within this category and 21% of total agricultural exports to Angola. Disaggregated to the *6HS* level this category is dominated by exports of *beer made from malt (HS220300),* which accounted for over 100% of trade in this sub category and ranks as the second largest agricultural export to Angola in 2004. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 3.

Table 3: ***Export Performance of Product Code- HS 220300 from South Africa to Angola***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	225.217667	293.124799	189.706945
Quantity Traded *(Kilograms)*	49775101	126396693	39090312
Average Price *(Rand per kilogram)*	4.52	2.32	4.85
Growth/Decline in Value *(relative to previous year)*	**21.78%**	**30%**	**-35.28%**

Source: World Trade Atlas 2004

As Table 3 indicates exports of *beer made from malt* showed initial growth but declined significantly in 2004. A decrease in the average price paid per liter in 2003 appears to have had a significant effect on demand that year. Consistent with this trend was a decline in demand in 2004 in response to a more than doubling of the average price per liter.

A Trade Map analysis of exports of *beer made from malt* reveals that South Africa is the second largest exporter of these products to Angola, accounting for approximately 34% of Angola's total imports. In turn the Angolan market imports 78% of South Africa's total exports for this product. Over a five year period ranging from 2000-2004 the total Angolan import demand for these products has grown by an average of 50% in value

terms. Over this same period Angolan import demand for South African products has grown by approximately 45%. Of the leading export nations to Angola, this represents the third largest average growth over the five year period. This growth is also significantly higher than the growth in South Africa's exports to the rest of the world, which averaged 28%.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2004 Trade Map data provides that South African exports to the rest of the world amounted to US$ 38 million. Isolating South African trade capacity therefore implies that South Africa has the capacity to supply US$ 38 million worth of *beer made from malt*. Angola's import demand for these products during the same period totaled approximately US$ 87 million; of this demand South Africa supplied approximately US$ 29.5 million worth. Given this, the theoretical potential trade between Angola and South Africa is US$ 8.5 million (US$ 38 million minus US$ 29.5million).

The largest exporter of these products to Angola, and by implication South Africa's leading competitor, is *Portugal*, which accounts for almost 61% of total Angolan imports worth an estimated US$ 53 million in 2004. In contrast to South African exports to Angola that have grown by 45% during the 2000-2004 period, demand for *Portuguese* imports grew by an average of 60% over the same period.

The third largest exporter of *beer made from malt* to Angola is the *Netherlands*. Dutch exports accounted for 3% of total Angolan imports in 2004. A significant point that emerges from the analysis is that of the leading five export nations to Angola, only South Africa witnessed a decline in demand in 2004. Both *Portugal* and the *Netherlands* registered export growth in 2004.

In addition to the general trade barriers listed in section 8, *specific trade barriers* faced by exporters of this product to Angola include:

- MFN Tariffs (applied rate) – 30% ad valorem tariff.

(c) Ethyl Alcohol, Undenatured < 80% Alcohol *(HS2208)*

Within the *beverages* nomenclature, the third largest export is *ethyl alcohol*. In 2004 an estimated 6,520,258 liters of *ethyl alcohol* was exported at an average price of R5.03 per liter. In value terms this amounted to revenue in excess of R32 million. This represents approximately 7% of the trade within this category and 2% of total agricultural exports to Angola. Disaggregated to the *6HS* level this category is dominated by exports of *whiskies (HS220830),* which accounted for approximately 59% of trade in this sub category and ranks as the sixth largest agricultural export to Angola in 2004. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 4.

Table 4: ***Export Performance of Product Code- HS 220830 from South Africa to Angola***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	11.95502	10.280342	19.345929
Quantity Traded *(Kilograms)*	686718	1835366	4302092
Average Price *(Rand per kilogram)*	17.41	5.6	4.5
Growth/Decline in Value *(relative to previous year)*	**-30.55**	**-14%**	**88.18%**

Source: World Trade Atlas 2004

As Table 4 indicates, exports of *whiskies* grew significantly in 2004 after experiencing a decline in 2002 and 2003. An increase in demand may be explained as a response to a lower average price in 2004. However, this fails to explain the decrease in demand in response to a lower average price in 2003.

A Trade Map analysis of exports of *beer made from malt* reveals that South Africa is the largest exporter of these products to Angola, accounting for approximately 36% of Angola's total imports. In turn the Angolan market imports 79% of South Africa's total exports for this product and is the largest market for South African exports. Over a five year period ranging from 2000-2004 the total Angolan import demand for these products has grown by an average of 15% in value terms. Over this same period Angolan import demand for South African products has grown by approximately 25%, this implies that South Africa is gaining market share in a growing market. Of the leading export nations to Angola, this represents the second largest average growth over the five year period. This growth is also significantly higher than the growth in South Africa's exports to the rest of the world during this period, which declined by an average of 8%.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2004 Trade Map data provides that South African exports to the rest of the world amounted to US$ 3.8 million. Isolating South African trade capacity therefore implies that South Africa has the capacity to supply US$ 3.8 million worth of *whiskies*. Angola's import demand for these products during the same period totaled approximately US$ 8.4 million; of this demand South Africa supplied approximately US$ 3 million worth. Given this, the theoretical potential trade between Angola and South Africa is US$ 800 000 (US$ 3.8 million minus US$ 3 million).

The second largest exporter of these products to Angola, and by implication South Africa's leading competitor, is *Portugal*, which accounts for almost 31% of total Angolan imports worth an estimated US$ 2.6 million in 2004. In contrast to South African exports to Angola that have grown by 25% during the 2000-2004 period, demand for *Portuguese* imports grew by an average of only 10% over the same period.

The third largest exporter of *whiskies* to Angola is the *United Kingdom (U.K.)*. *U.K.* exports accounted for 29% of total Angolan imports in 2004 worth an estimated $US 2.4 million. *France* is the fourth largest exporter of whiskies to Angola and supplies 3% of total Angolan import demand. A significant point that emerges from the analysis is that of the leading five export nations to Angola, South Africa witnessed the highest growth

rate in 2004. However, over the five year period 2000-2004, *France* averaged the highest growth in import demand.

In addition to the general trade barriers listed in section 8, *specific trade barriers* faced by exporters of this product to Angola include:

- MFN Tariffs (applied rate) – 30% ad valorem tariff.

9.2.2 Cereals *(HS10)*

In 2004 *cereals* (*HS10*), represented the third largest category of agricultural exports to Angola. An estimated 39,737,465 Kilograms of cereals was exported to Angola at an average price of R1.58 per kg. This generated an estimated R62 million worth of revenue and accounted for almost 5.3% of total agricultural exports to Angola. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals exports of cereals to Angola had grown by almost 120% during 2003. This trend continued in 2004 with exports of cereals to Angola growing by over 45%.

In 2002 *cereals* ranked as the twelfth category of agricultural exports to Angola. In 2003 cereals ranked as the fifth largest export category and continued growth in exports resulted in cereals ranking as the third largest category of exports in 2004. Within the category of *cereals* (*HS10*) the leading product exported is corn (maize) (*HS1005*). This category of product constitutes approximately 95% of *cereal* exports and 6% of total agricultural exports to Angola. This category also provides the basis for the analysis that follows.

(a) Corn (maize) *(HS1005)*

Within the *cereals* nomenclature, the largest export is corn (maize). In 2004 an estimated 391,261,123 kg of corn (maize) was exported at an average price of R1.53 per kg. In value terms this amounted to revenue in excess of R59 million. Disaggregated to the *6HS* level, this category is dominated by exports of *maize-excluding seed (HS100590),* which accounted for approximately 85% of trade in this sub category and ranks as the third largest agricultural export to Angola in 2004. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 5.

Table 5: ***Export Performance of Product Code- HS 100590 from South Africa to Angola***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	7.294371	25.322929	50.668899
Quantity Traded *(Kilograms)*	2409152	22100973	37317395
Average Price *(Rand per kilogram)*	3.03	1.15	1.36
Growth/Decline in Value *(relative to previous year)*	**-65%**	**247%**	**100%**

Source: World Trade Atlas 2004

As Table 5 indicates, exports of *maize grew* significantly in 2003 and 2004. An increase in demand may be explained as a response to a lower average price in 2003. However, an increase in average price in 2004 did not dampen demand for South African maize. Favorable weather conditions may also explain the increase in exports.

A Trade Map analysis of exports of *maize* reveals that South Africa is the largest exporter of these products to Angola, accounting for approximately 81% of Angola's total imports. In turn the Angolan market imports 9% of South Africa's total exports for this product and is the third largest market for South African exports. Over a five year period ranging from 2000-2004 the total Angolan import demand for these products has grown by an average of 5% in value terms. Over this same period Angolan import demand for South African products has grown by approximately 30%, this implies that South Africa is gaining market share in a growing market. Of the leading export nations to Angola, this represents the largest average growth over the five year period. This growth is also significantly higher than the growth in South Africa's exports to the rest of the world during this period, which grew by an average of 8%.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2004 Trade Map data provides that South African exports to the rest of the world amounted to US$ 84 million. Isolating South African trade capacity therefore implies that South Africa has the capacity to supply US$ 84 million worth of *maize*. Angola's import demand for these products during the same period totaled approximately US$ 9.6 million; of this demand South Africa supplied approximately US$ 7.8 million worth. Given this, the theoretical potential trade between Angola and South Africa is US$ 1.2 million (US$ 9.6 million minus US$ 7.8 million).

The second largest exporter of these products to Angola, and by implication South Africa's leading competitor, is *Argentina*, which accounts for almost 16% of total Angolan imports worth an estimated US$ 1.5 million in 2004. In contrast to South African exports to Angola that have grown by an average 30% during the 2000-2004 period, demand for *Argentinean* imports grew by an average of 20% over the same period.

The third largest exporter of *maize* to Angola is *Portugal*. *Portuguese* exports accounted for only 1% of total Angolan imports in 2004. *Brazil* is the fourth largest exporter of maize to Angola and also supplies 1% of total Angolan import demand. A significant point that emerges from the analysis is that of the leading five export nations to Angola, South Africa witnessed the highest growth rate in 2004 as well as the highest growth average over the five year period from 2000 to 2004.

In addition to the general trade barriers listed in section 8, *specific trade barriers* faced by exporters of this product to Angola include:

- MFN Tariffs (applied rate) – 2% ad valorem tariff.

9.2.3 Edible vegetables (HS07)

In 2004 *edible vegetables* (*HS10*) represented the second largest category of agricultural exports to Angola. Exports of edible vegetables generated an estimated R73 million worth of revenue and accounted for almost 8.3% of total agricultural exports to Angola. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals exports of edible vegetables to Angola had grown by almost 23% during 2003. This trend was reversed in 2004 with exports declining by growing by over 15%.

In 2003 edible vegetables replaced dairy as the second largest export category to Angola. In 2004 it maintained this position despite a decline in exports. Within the category of *edible vegetables (HS07*) two products at the *HS6* level rank in the top ten agricultural exports for 2004, these are: *potatoes, fresh or chilled (HS0701)* and *onions, shallots etc. (HS0703).* Combined these two categories of products constitute approximately 82% of edible vegetable exports and 6.7% of total agricultural exports to Angola. These categories also provide the basis for the analysis that follows.

(a) Potatoes, Fresh or Chilled *(HS0701)*

Within the *edible vegetables* nomenclature, the largest export is *potatoes, fresh or chilled (HS0701)*. In 2004 an estimated 18,471,168 kg of *potatoes* was exported at an average price of R2.26 per kg. In value terms this amounted to revenue in excess of R36 million. Disaggregated to the *6HS* level, this category is dominated by exports of *potatoes, other , not seed (HS070190),* which accounted for approximately 57% of trade in this sub category and ranks as the fourth largest agricultural export to Angola in 2004. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 6.

Table 6: ***Export Performance of Product Code- HS 070190 from South Africa to Angola***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	20.023786	29.261757	36.108971
Quantity Traded *(Kilograms)*	7 368 382	11 130 920	16 488 252
Average Price *(Rand per kilogram)*	2.72	2.63	2.19
Growth/Decline in Value *(relative to previous year)*	**38.26%**	**46.13%**	**23.4%**

Source: World Trade Atlas 2004

As Table 6 indicates, exports of potatoes have grown consistently since 2002. An increase in demand may be explained as a response to a consistently lower average price over this period.

A Trade Map analysis of exports of *potatoes* reveals that South Africa is the largest exporter of these products to Angola, accounting for approximately 83% of Angola's total imports. In turn the Angolan market imports 67% of South Africa's total exports for this product and is the largest market for South African exports. Over a five year period ranging from 2000-2004 the total Angolan import demand for these products has grown by an average of 43% in value terms. Over this same period Angolan import demand for

South African products has grown by approximately 44%, this implies that South Africa is maintaining market share in a growing market. This growth is significantly higher than the growth in South Africa's exports to the rest of the world during this period, which grew by an average of 31%.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2004 Trade Map data provides that South African exports to the rest of the world amounted to US$ 8.3 million. Isolating South African trade capacity therefore implies that South Africa has the capacity to supply US$ 8.3 million worth of *potatoes*. Angola's import demand for these products during the same period totaled approximately US$ 6.7 million; of this demand South Africa supplied approximately US$ 5.6 million worth. Given this, the theoretical potential trade between Angola and South Africa is US$ 1.1 million (US$ 6.7 million minus US$ 5.6 million).

The second largest exporter of these products to Angola, and by implication South Africa's leading competitor, is the *Netherlands*, which accounts for almost 16% of total Angolan imports worth an estimated US$ 1 million in 2004. In contrast to South African exports to Angola that have grown by an average of 44% during the 2000-2004 period, demand for Dutch imports grew by an average of 46% over the same period.

The third largest exporter of *potatoes* to Angola is *Zambia*. *Zambian* exports accounted for only 1% of total Angolan imports in 2004. Brazil is the fourth largest exporter of maize to Angola and also supplies 1% of total Angolan import demand.

In addition to the general trade barriers listed in section 8, *specific trade barriers* faced by exporters of this product to Angola include:

- MFN Tariffs (applied rate) – 15% ad valorem tariff.

(b) Onions, Shallots etc. *(HS0703)*

Within the *edible vegetables* nomenclature, the second largest export is *onions, shallots, garlic etc. (HS0703)*. In 2004 an estimated 9,466,295 kg of *onions, shallots etc*. was exported at an average price of R1.92 per kg. In value terms this amounted to revenue in excess of R18 million. Disaggregated to the *6HS* level, this category is dominated by exports of *onions and shallots fresh or chilled (HS070310),* which accounted for approximately 25% of trade in this sub category and ranks as the ninth largest agricultural export to Angola in 2004. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 7.

Table 7: ***Export Performance of Product Code- HS 070310 from South Africa to Angola***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	13.538743	20.0277732	17.861918
Quantity Traded *(Kilograms)*	5065802	9350573	9434624
Average Price *(Rand per kilogram)*	2.67	2.14	1.89
Growth/Decline in Value *(relative to previous year)*	**73.72%**	**47.93%**	**-10.81%**

Source: World Trade Atlas 2004

As Table 7 indicates the value of *onion and shallots* exports increased significantly in 2002 and 2003 and then declined in 2004. Examining the quantity traded reveals that growth has been consistent in 2003 and 2004 and the decrease in value in 2004 may be attributed to a lower average price rather than decreased demand.

A Trade Map analysis of exports of *onions and shallots* reveals that South Africa is the largest exporter of these products to Angola, accounting for approximately 96% of Angola's total imports. In turn the Angolan market imports 31% of South Africa's total exports for this product and is the largest market for South African exports. Over a five year period ranging from 2000-2004 the total Angolan import demand for these products grew by an average of 30% in value terms. Over this same period Angolan import demand for South African products has grown by approximately 64%, this implies that South Africa is gaining market share in a growing market. Of the leading export nations to Angola, this represents the largest average growth over the five year period. This growth is also significantly higher than the growth in South Africa's exports to the rest of the world during this period, which grew by an average of 50%.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2004 Trade Map data provides that South African exports to the rest of the world amounted to US$ 8.8 million. Isolating South African trade capacity therefore implies that South Africa has the capacity to supply US$ 8.8 million worth of *onions and shallots*. Angola's import demand for these products during the same period totaled approximately US$ 2.8 million; of this demand South Africa supplied approximately US$ 2.7 million worth. Given this, the theoretical potential trade between Angola and South Africa is US$ 100 000 (US$ 2.8 million minus US$ 2.7 million).

The second largest exporter of these products to Angola, and by implication South Africa's leading competitor, is *the Netherlands*, which accounts for only 4% of total Angolan imports in 2004. In contrast to South African exports to Angola that have grown by an average of 64% during the 2000-2004 period, demand for Dutch imports declined by an average of 48% over the same period.

In addition to the general trade barriers listed in section 8, *specific trade barriers* faced by exporters of this product to Angola include:

- MFN Tariffs (applied rate) – 15% ad valorem tariff.

9.2.4 Sugar *(HS17)*

In 2004 *sugars* (*HS17*), represented the fourth largest category of agricultural exports to Angola. An estimated 21,839,925 kg of sugar was exported to Angola at an average price of R1.91 per kg. This generated an estimated R41.6 million worth of revenue and accounted for almost 4.7% of total agricultural exports to Angola. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals exports of sugar to Angola had declined during 2003 as compared to 2002. However, this trend was reversed in 2004 with exports growing by an estimated 22% over this period.

Within the *sugar* nomenclature the leading export was *cane or beet sugar in solid form (HS1701)*. Exports of *cane and beet sugar (HS1701)* accounted for 86% of all sugar exports in 2004 and 4% of total agricultural exports.

(a) Cane or Beet Sugar *(HS1701)*

Within the *sugars* nomenclature, the largest export is *cane or beet sugar (HS1701).* In 2004 an estimated 21,317,552 kg of *cane or beet sugar* was exported at an average price of R1.69 per kg. In value terms this amounted to revenue in excess of R36 million. Disaggregated to the *6HS* level, this category is dominated by exports of *cane or beet sugar and chemically pure sucrose (HS170199),* which accounted for approximately 94% of trade in this sub category and ranks as the fifth largest agricultural export to Angola in 2004. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 8.

Table 8: ***Export Performance of Product Code- HS 170199 from South Africa to Angola***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	25.038685	22.35965	33.872398
Quantity Traded *(Kilograms)*	10069663	11861314	20668990
Average Price *(Rand per kilogram)*	2.49	1.89	1.64
Growth/Decline in Value *(relative to previous year)*	**36.20%**	**-10.70%**	**51%**

Source: World Trade Atlas 2004

As Table 8 indicates, the value of exports of *cane or beet sugar and chemically pure sucrose* has grown considerably, despite a decline in 2003. The decline in value of exports in 2003 can be attributed to a lower average price whilst an examination of quantity exported reveals that exports did grow marginally. 2004 witnessed significant growth in both export quantity and export value

A Trade Map analysis of exports of *cane or beet sugar and chemically pure sucrose* reveals that South Africa is the second largest exporter of these products to Angola, accounting for approximately 12% of Angola's total imports. In turn the Angolan market imports 7% of South Africa's total exports for this product and is the seventh largest

market for South African exports. Over a five year period ranging from 2000 to 2004 the total Angolan import demand for these products grew by an average of 20% in value terms. Over this same period Angolan import demand for South African products has grown by approximately 30%, this implies that South Africa is gaining market share in a growing market. Of the leading export nations to Angola, this represents the second largest average growth over the five year period. This growth is also significantly higher than the growth in South Africa's exports to the rest of the world during this period, which declined by an average of 8%.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2004 Trade Map data provides that South African exports to the rest of the world amounted to US$ 75.7 million. Isolating South African trade capacity therefore implies that South Africa has the capacity to supply US$ 75.7 million worth of *cane or beet sugar and chemically pure sucrose*. Angola's import demand for these products during the same period totaled approximately US$ 44.7 million; of this demand South Africa supplied approximately US$ 5.2 million worth. Given this, the theoretical potential trade between Angola and South Africa is US$ 39.5 million (US$ 44.7 million minus US$ 5.2 million).

The largest exporter of these products to Angola, and by implication South Africa's leading competitor, is *Brazil*, which accounted for approximately 83% of total Angolan imports in 2004 worth an estimated US$37 million. In contrast to South African exports to Angola that have grown by an average of 30% during the 2000-2004 period, demand for *Brazilian* imports grew by an average of 47% over the same period.

In addition to the general trade barriers listed in section 8, *specific trade barriers* faced by exporters of this product to Angola include:

- MFN Tariffs (applied rate) – 5% ad valorem tariff.

9.2.5 Tobacco *(HS24)*

In 2004 *tobacco* (*HS24*), represented the fifth largest category of agricultural exports to Angola. An estimated 2,097,126 kg of tobacco was exported to Angola at an average price of R18.66 per kg. This generated an estimated R39 million worth of revenue and accounted for almost 4.5% of total agricultural exports to Angola. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals exports of tobacco to Angola has been declining consistently over the three years with a decline in export value of 23% in 2004.

Within the tobacco nomenclature the leading export product is *other tobacco products (HS2403)*, which accounts for 80% of total tobacco exports. This category also provides the basis for the analysis that follows.

(a) Other Tobacco Products *(HS2403)*

Within the *tobacco* nomenclature, the leading exports *other tobacco products*. In 2004 an estimated 1,851,434 kg of other tobacco products was exported at an average price of R16.72 per kg. In value terms this amounted to revenue in excess of R30 million. This

represents approximately 80% of the trade within this category and 3.4% of total agricultural exports to Angola. Disaggregated to the *6HS* level this category is dominated by exports of *smoking tobacco (HS240310),* which accounted for over 99% of trade in this sub category and ranks as the sixth largest agricultural export to Angola in 2004. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 9.

Table 9: ***Export Performance of Product Code- HS 240310 from South Africa to Angola***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	10.470622	19.891577	30.955922
Quantity Traded *(Kilograms)*	489856	1277620	1850450
Average Price *(Rand per kilogram)*	21.38	15.57	16.73
Growth/Decline in Value *(relative to previous year)*	**500%**	**90%**	**55%**

Source: World Trade Atlas 2004

As Table 9 indicates, the value of exports of *smoking tobacco* has shown enormous growth over the three year period despite the value of total tobacco exports declining over the same period. The increase in value of exports in 2003 can be attributed to a lower average price. However, an increasing average price in 2004 did not dampen demand and exports continued to show significant growth in both value and volume terms.

A Trade Map analysis of exports of *smoking tobacco* reveals that South Africa is the largest exporter of these products to Angola, accounting for over 99% of Angola's total imports. In turn the Angolan market imports 13% of South Africa's total exports for this product and is the third largest market for South African exports. Over a five year period ranging from 2000-2004 the total Angolan import demand for these products grew by an average of over 200% in value terms. Over this same period Angolan import demand for South African products has grown by the same amount, this implies that South Africa is maintaining its position as the preferred supplier to Angola. This growth is also significantly higher than the growth in South Africa's exports to the rest of the world during this period, which grew by over 100%.

Since South Africa currently supplies almost all Angola's smoking tobacco, no additional trade potential exists in this product. However, potential does exist to the extent that Angolan demand continues to grow. In this respect and given South Africa's current export volumes, South Africa should have the export capacity to meet such growing demand and maintain its dominant position in the Angolan market.

In addition to the general trade barriers listed in section 8, *specific trade barriers* faced by exporters of this product to Angola include:

- MFN Tariffs (applied rate) – 30% ad valorem tariff.

9.2.6 Edible Fruits and Nuts *(HS08)*

In 2004 *edible fruits and nuts (HS08*) represented the seventh largest category of agricultural exports to Angola. An estimated 8,292,998 kg of *fruits and nuts* was exported to Angola at an average price of R4.53 per kg. This generated an estimated R37.5 million worth of revenue and accounted for almost 4.2% of total agricultural exports to Angola. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals exports of *fruits and nuts* to Angola has been declining consistently over the three years with a decline in export value of 11% in 2004.

Within the fruit and nut nomenclature the leading export product is *fresh apples, pears and quinces (HS0808)*, which accounts for 67% of total fruit and nut exports. This category also provides the basis for the analysis that follows.

(a) Apples, Pears and Quince *(HS0808)*

Within the *fruit and nut* nomenclature, the leading export is *apples, pears and quince*. In 2004 an estimated 5,921,796 kg of other apples, pears and quinces was exported at an average price of R4.27 per kg. In value terms this amounted to revenue in excess of R25 million. This represents approximately 67% of the trade within this category and 2.8% of total agricultural exports to Angola. Disaggregated to the *6HS* level this category is dominated by exports of *apples (HS080810),* which accounted for approximately 90% of trade in this sub category and ranks as the eighth largest agricultural export to Angola in 2004. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 10.

Table 10: ***Export Performance of Product Code- HS 080810 from South Africa to Angola***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	21.16144	22.375504	22.681254
Quantity Traded *(Kilograms)*	10 531 222	4 945 322	5 366 543
Average Price *(Rand per kilogram)*	2.01	4.52	4.23
Growth/Decline in Value *(relative to previous year)*	**11.82%**	**5.74%**	**1.37%**

Source: World Trade Atlas 2004

As Table 10 indicates, the value of exports of *apples* has increased marginally over the three year period despite the value of total fruit and nut exports declining over the same period. The increase in value of exports in 2003 can be attributed to a higher average price even though export quantity declined. A lower average price in 2004 stimulated demand, this is reflected by both an increase in export value and export quantity.

A Trade Map analysis of exports of *apples* reveals that South Africa is the largest exporter of these products to Angola, accounting for approximately 97% of Angola's total imports. In turn the Angolan market imports 2% of South Africa's total exports for this product and is the tenth largest market for South African exports. Over a five year period ranging from 2000-2004 the total Angolan import demand for these products grew by an average of 30% in value terms. Over this same period Angolan import demand for

South African products has grown by approximately the same amount, this implies that South Africa is maintaining market share in a growing market.

Since South Africa currently supplies almost all Angola's apples, very little additional trade potential exists in this product. However, potential does exist to the extent that Angolan demand continues to grow. In this respect and given South Africa's current export volumes, South Africa should have the export capacity to meet such growing demand and maintain its dominant position in the Angolan market.

The second largest exporter of these products to Angola, and by implication South Africa's leading competitor, is *Argentina*, which accounted for approximately 2% of total Angolan imports in 2004. In addition to the general trade barriers listed in section 8, *specific trade barriers* faced by exporters of this product to Angola include:

- MFN Tariffs (applied rate) – 10% ad valorem tariff.

9.2.7 Dairy & other *(HS04)*

In 2004 *dairy & other (HS04*) represented the sixth largest category of agricultural exports to Angola. An estimated 4,801,785 kg of dairy products was exported to Angola at an average price of R8.07 per kg. This generated an estimated R38.7 million worth of revenue and accounted for almost 4.35% of total agricultural exports to Angola. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals exports of *dairy & other products* to Angola has been declining drastically over the three years with a decline in export value of 58% in 2004.

Within the *dairy & other* nomenclature the leading export product is *bird egg and shells (HS0407)*, which accounted for 32.5% of total dairy & other exports. Other important dairy exports include: *buttermilk and yoghurt (HS0403)*-26% of total dairy exports, *milk and cream not sweetened or concentrate (HS0401)*-18.5% of total dairy exports and *milk and cream, sweetened or concentrate (HS0402)*-15.5% of total dairy exports. This analysis that follows examines exports of *bird egg and shell.*

(a) Bird Egg and Shell *(HS0407)*

Within the *dairy & other* nomenclature (HS04), the leading export is *bird egg and shell (HS0407)*. In 2004 an estimated 1,741,336 kg of other these products was exported at an average price of R7.23 per kg. In value terms this amounted to revenue in excess of R12.5 million. This represents approximately 32.5% of the trade within this category and 1.4% of total agricultural exports to Angola. Disaggregated to the *6HS* level this category is dominated by exports of *bird egg and shell (HS040700),* which accounted for approximately 100% of trade in this sub category and ranks as the tenth largest agricultural export to Angola in 2004. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 11.

Table 11: ***Export Performance of Product Code- HS 040700 from South Africa to Angola***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	53.854081	28.659911	12.58736
Quantity Traded *(Kilograms)*	n.a.	4 403 302	1 741 336
Average Price *(Rand per kilogram)*	n.a.	6.51	7.23
Growth/Decline in Value *(relative to previous year)*	**149.75%**	**-46.78%**	**-56%**

Source: World Trade Atlas 2004

As Table 11 indicates, the value of exports of *bird egg and shell* has decreased significantly in 2003 and 2004. This after phenomenal growth was recorded in 2002. The decrease in 2003 and 2004 can be attributed to an increased average price.

A Trade Map analysis of exports of *birds, egg and shell* reveals that South Africa is the second largest exporter of these products to Angola, accounting for approximately 21% of Angola's total imports. In turn the Angolan market imports 59% of South Africa's total exports for this product and is the largest market for South African exports. Over a five year period ranging from 2000-2004 the total Angolan import demand for these products grew by an average of 5% in value terms. Over this same period Angolan import demand for South African products has grown 25%, this implies that South Africa is gaining market share in a growing market.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2004 Trade Map data provides that South African exports to the rest of the world amounted to US$ 3.3 million. Isolating South African trade capacity therefore implies that South Africa has the capacity to supply US$ 3.3 million worth of *bird eggs and shells*. Angola's import demand for these products during the same period totaled approximately US$ 9.3 million; of this demand South Africa supplied approximately US$ 1.9 million worth. Given this, the theoretical potential trade between Angola and South Africa is US$ 1.4 million (US$ 3.3 million minus US$ 1.9 million).

The largest exporter of these products to Angola, and by implication South Africa's leading competitor, is *the Netherlands*, which accounted for approximately 48% of total Angolan imports in 2004. Demand for Dutch imports over a five year period from 2000 to 2004 declined by 13%. The third largest exporter to Angola is *Brazil* accounting for 15% of Angolan imports. Demand for *Brazilian* imports grew by a mammoth 360% over the five year period. An important point to note is that of the three leading export nations only South Africa witnessed a decline in demand in 2004.

In addition to the general trade barriers listed in section 8, *specific trade barriers* faced by exporters of this product to Angola include:

- MFN Tariffs (applied rate) – 8.5% ad valorem tariff.

10. SOUTH AFRICAN IMPORTS FROM ANGOLA[xix]

The analysis of South African imports from Angola on the *2HS* level reveals that the leading agricultural import cluster comprises of: *animal or vegetable oils and fat*. No other significant agricultural imports from Angola are recorded.

10.1 Animal or Vegetable fats and Oil *(HS15)*

In 2004, *animal or vegetable fat and oil (HS15)* represented the largest category of agricultural imports from Angola. An estimated 1,705,642 kilograms of *animal or vegetable oils or fats* was imported at an average price of R2.24 per kilogram. This cost South African importers an estimated R 3.8 million. Imports of this category of products accounted for approximately 98.5% of total agricultural imports from Angola in 2004. In 2004 *animal or vegetable oil or fat* maintained its position as the leading category of agricultural imports from Angola. The composition of the export profile within this category reveals that *palm oil* (*HS1511*) dominates trade within this product nomenclature, accounting for over 61% of trade in this category with *fish and marine mammal oil and fat* accounting for 38% of trade. The analysis is therefore confined to these categories of products.

(a) Palm Oil *(HS1511)*

Within the *animal or vegetable oil and fats* nomenclature, the leading export is *palm oil (HS1511)*. In 2004 an estimated 894,822 kg of other these products was exported at an average price of R2.63 per kg. In value terms this amounted to revenue in excess of R2.3million. This represents approximately 61% of the trade within this category and 60% of total agricultural exports to South Africa. Disaggregated to the *6HS* level this category is dominated by exports of *palm oil not chemically modified (HS151190),* which accounted for approximately 100% of trade in this sub category and ranks as the largest agricultural export to South Africa in 2004. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 12.

Table 12 ***Export Performance of Product Code- HS 151190 from Angola to South Africa***

	Jan-Dec 2002	***Jan-Dec 2003***	***Jan-Dec 2004***
Value of Trade *(Millions of Rand)*	n.a.	3.022024	2.355887
Quantity Traded *(Kilograms)*	n.a.	932522	894822
Average Price *(Rand per kilogram)*	n.a.	3.24	2.63
Growth/Decline in Value *(relative to previous year)*	**0%**	**0%**	**-22%**

Source: World Trade Atlas 2004

As Table 12 indicates, the value of exports of *palm oil* has decreased in 2004 relative to 2003 despite the exports of oils and fats increasing. A lower average price appears to have had no effect on stimulating South African demand.

A Trade Map analysis of exports of *palm oil* reveals that Angola is the fifth largest exporter of these products to South Africa. However, Angolan exports account for less than 1% of South Africa's total imports. In turn the South Africa market imports 100% of Angola's total exports for this product and is the largest market for Angolan exports.

Given that South Africa currently imports all available palm oil exports from Angola, there is no additional trade potential as measured by Trade Map. However, trade potential may exist if Angolan production is rehabilitated as envisaged by government plans and South African demand continues to grow.

The largest exporter of these products to South Africa, and by implication Angola's leading competitor, is *Malaysia*, which accounted for approximately 64% of total South African imports in 2004. The second largest exporter to South Africa is *Indonesia* accounting for 33% of South African imports. An important point to note is that of South African demand for *palm oil* from all its suppliers have grown consistently over the five year period from 2000 to 2004.

In addition to the general trade barriers listed in section 9, *specific trade barriers* faced by exporters of this product to South Africa include:

- MFN Tariffs (applied rate) – 40c/kg specific tariff,
- Preferential Access for SADC countries – 32c/kg specific tariff,
- Preferential Access for EU – 40c/kg specific tariff.

(b) Fish and Marine Mammal Oil *(HS1504)*

Limited data is available on the exports of this category of product. Available information indicates that the leading product within this category is *fish and marine mammal oil-not fish liver oil (HS150420)*. In 2004 this category of exports accounted for 38% of total animal and vegetable oil exports and 37% of total agricultural exports to South Africa. In 2004, South Africa imported 810,820 kg of this product at an average price of R1.80 per kg. This amounted to a value of approximately R1.5 million.

A Trade Map analysis of exports of *fish oil* reveals that Angola is the second largest exporter of these products to South Africa, accounting for approximately 17% of South Africa's total imports. In turn the South African market imports 26% of Angola's total exports for this product and is the second largest market for Angolan exports. Over a five year period ranging from 2000-2004 the total South African import demand for these products grew by an average of 35% in value terms.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2004 Trade Map data provides that Angolan exports to the rest of the world amounted to US$ 1.3 million. Isolating Angolan trade capacity therefore implies that Angola has the capacity to supply US$ 1.3 million worth of *fish oil*. South Africa's import demand for these products during the same period totaled approximately US$ 872,000; of this demand Angola supplied approximately US$ 228,000 worth. Given this, the theoretical

potential trade between Angola and South Africa is US$ 644,000 (US$ 872,000 minus US$ 228,000).

The largest exporter of these products to South Africa, and by implication Angola's leading competitor, is the *Netherlands*, which accounted for approximately 46% of total Angolan imports in 2004. South African import demand for this product has grown by 35% over the period 2000 to 2004.

In addition to the general trade barriers listed in section 9, *specific trade barriers* faced by exporters of this product to South Africa include:

- MFN Tariffs (applied rate) – 0% ad valorem tariff.

11. TRADE OPPORTUNITIES

11.1 Introduction

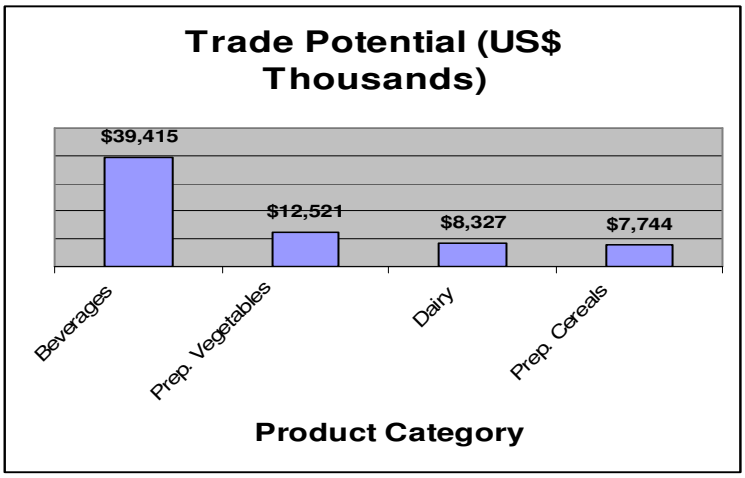
The identification of potential trade opportunities between South Africa and Angola was conducted using the ITC's Trade Maps and in particular the Trade Map estimates of "indicative trade potential". A trade potential index[xx] was developed at the *6HS* level to assist in identifying agricultural products that show the greatest potential for future trade (annexure 3). In terms of the index the products listed below represent some of the products providing the greatest potential for trade between the nations. Angola has not reported trade data to the COMTRADE database and as such mirror statistics are used for Angolan data. The values contained therein do not provide a true value of Angolan trade. The product specific discussions that follow will however focus almost entirely on South Africa exports as well imports reported by South Africa.

11.2 Potential for South African Exporters[xxi]

In terms of export potential, the trade potential index reveals a number of products that present valuable export opportunities. 50 of the leading export potential products are identified in annex 3(a). Four export clusters at the *2HS* level that provide the greatest trade potential are identified. These include: *HS20 Prepared Vegetables; HS04 Dairy & other; HS19 Prep. Cereal, Flour, Starch or Milk and HS22 Beverages.* The value of the trade potential of these clusters is represented in figure 2. These clusters account for 58% of the products identified as having the greatest trade potential and 46% of the total value of the trade potential identified.

The clusters are investigated on the basis of existing trade flows and subsequently disaggregated to their relevant *6HS* levels to identify specific products within them that hold the greatest export potential[xxii]. The leading three products per product nomenclature *(6HS)* level will then be discussed. Annex 4 provides a list of trade barriers for these and other selected products of importance to South African exporters at the *6HS* level. These barriers are then aggregated at the *2HS* level for the products listed.

Figure 2: Export Potential for South African Exporters



11.2.1 Beverages[xxiii] *(HS 22)*

World Trade Atlas data reveals that the decline in *beverage* exports is consistent with the decline in South African agricultural exports to Angola. However, *beverages* remain the leading category of exports to Angola. 18% of the leading 50 trade potential products fall within this product nomenclature. In order of greatest trade potential these include:

(a) Beer made from Malt *(HS220300)*

The Trade Potential Index reveals that of the *HS22* category products, beer *made from malt* provides the greatest trade potential for South African exporters. Refer to chapter 9.2.1(b).

(b) Mineral or Aerated Waters *(HS220210)*

Mineral and aerated waters represent the second most valuable trade opportunity within the beverage nomenclature. This category of product is currently the leading agricultural export to Angola. For a detailed discussion on this products refer to chapter 9.2.1(a).

(c) Undenatured Alcohol >80% vol *(HS220710)*

Undenatured alcohol represents the third leading trade opportunity. Over a five year period (2000 to 2004) exports to Angola have grown by an average of 6%. This growth is lower than the growth in Angolan import demand over the same period, recorded at 15%. World Trade Atlas data reveals that the South African export growth trend was reversed in 2004 with exports declining by just over 30%. In 2004 an estimated 2,142, 013 liters of *undenatured alcohol* at an average price of R3.25 per liter was exported. This generated an income of approximately R7 million. The decline in trade value was consistent with

the 18% decline in trade volume. The decline is not explained by price changes since the average price per liter also declined.

The leading supplier of this product to Angola is *Brazil*, which dominates the Angolan market with a market share of 64%. South Africa ranks as the second largest supplier to Angola.

(d) Other Miscellaneous Products

- *HS 220290 Non alcoholic beverages*
- *HS 220900 Vinegar and Substitutes*
- *HS 220421 Grape Wines*
- *HS 220410 Sparkling Grape Wines*
- *HS 220830 Whiskies*
- *HS 220110 Mineral and Aerated Water(not containing sugar)*

These six products represent the remainder of the *HS22* category products that featured in the top 50 Trade Potential Index. Of these only three products registered growth in export value in 2004. *Whiskies, grape wines and sparkling wine* exports grew by 88%, 13% and 170% respectively. Exports of the remaining products declined by over *40%* in 2004, with the largest decline of 66% being recorded by exports *vinegar and substitutes*

11.2.2 Prep. Vegetables and Fruit *(HS20)*

A decline of 32% in *prep. vegetable* exports in 2004 resulted in *this category of* products not featuring significantly in the aggregated trade analysis. However, the Trade Potential Index reveals that these products continue to hold enormous potential for South African exporters with 16% of the products identified in the Trade Potential Index falling within this product nomenclature. In order of greatest trade potential these include:

(a) Mixtures of Juices, Unfermented *(HS200990)*

In terms of the Trade Potential Index, *mixtures of juices* rank as the product with the greatest trade potential within the *prep. vegetables* nomenclature. Existing trade in this product coupled with growth in Angolan demand provides an opportunity for entrenching and expanding trading relations in this product. In 2004 South Africa exported 1,546,720 kg of mixtures to Angola at an average price of R5.48, this generated revenue of approximately R8.5 million. This represents a decline of 48% in trade value as compared to 2003. South Africa's leading competitor in the Angolan market is *Portugal* with a market share of 75%.

(b) Fruit and Vegetable Juice *(HS200980)*

Fruit and vegetable juice ranks as the product with the second largest trade potential in this nomenclature. In 2004 South Africa exported 1,477,360 kg of this product to Angola at an average price of R5.62 per kg., this generated revenue of approximately R8.3 million. Compared to 2003, trade value declined by over 46%. This can be explained by a 20% increase in average price.

Despite the decline in trade South Africa remains the leading exporter of this product to Angola with a market share of 41%. Other competitors in this market include *Portugal*, *Brazil* and *Italy* each with market shares of 31%, 19% and 6% respectively. An important point is that of the leading export nations only South Africa witnessed a decline in trade in 2004. *Portugal, Brazil* and *Italy* all recorded growth of over 50% over the same period. Examining unit costs reveals that South Africa exports an expensive product relative to competitors and this may indicate the reason for falling market share.

(c) Orange Juice *(HS200919)*

Over a five year period from 2000 to 2004 Angolan demand for *orange juice* grew at the average rate of 60%. This growth is also reflected in the increased demand for South African products that grew at an average of 30% over the same period. In 2004 South Africa exported 569,054kg of *orange juice* to Angola at an average price of R4.43 per kilogram. This generated an income of R2.5 million, which represents a decline in trade value of 29% compared to 2003. This decline occurred even though the average price per kilogram declined by 21%.

The Angolan market is dominated by *Portuguese orange juice*, with *Portugal* enjoying a market share of over 67% and recording average growth over the 2000 to 2004 period in excess of 100%. South Africa is the second largest supplier of orange juice to Angola with a market share of 28%. The third leading supplying nation is *Brazil* with a market share of 2%. Of the leading three nations only South Africa witnessed a decline in exports in 2004. This implies that both *Portugal* and *Brazil* have gained market share at the expenses of South Africa.

(d) Other Products

- *HS 200870 Prep. or Preserved Peaches*
- *HS 200210 Tomatoes*
- *HS 200940 Pineapple Juice*
- *HS 200892 Fruit Mixtures*
- *HS 200580 Prep. Sweet Corn*

Of the products listed above, *fruit mixtures, prep. peaches and prepared sweet corn* deserve specific mention. Although Angolan demand for *prep. vegetables and fruit* has been declining these products all recorded export growth in excess of 50% in 2004.

11.2.3 Dairy *(HS04)*

Dairy has been among the poorest export performers to Angola over 2003 and 2004. Exports of *dairy* have declined by 34% and 58% in 2003 and 2004 respectively. Seven products within this nomenclature feature in the Trade Potential Index with two of the seven products receiving a maximum scoring of 5 out of 5. These include:

(a) Milk, not Concentrate and Unsweetened- fat >1% & <6% *(HS040120)*

The Trade potential Index reveals this category of product as the product with the leading trade potential within the *dairy* nomenclature. Over a five year period from 2000 to 2004 South African exports to Angola have grown by an average of 25%, this despite declining exports in 2003 and 2004.Angolan import demand has grown by an average of 32% over the same period. In 2004 South Africa exported 1,289,545 kg of these products to Angola at an average price of R4.10 per kilogram. This generated an estimated R5.2 million in revenue. This 25% decline in trade value as compared to 2003 can in part be explained by a 9% increase in average price.

South Africa ranks as the largest supplier to Angola with a market share of only 37%. Leading competitors include *Portugal* with an 18% market share*, France* with a 17% market share, *Germany* with a 12% market share and the *Netherlands* with an 8% share. All the leading suppliers recorded growth in exports over the 2000 to 2004 period. However, only *Germany* and South Africa recorded declining exports in 2004.

(b) Milk not Concentrate and Unsweetened-Fat <1% *(HS040110)*

South African exports of this product have grown by an average of 41% over the five year period from 2000 to 2004. This growth outstrips the growth in Angolan import demand that averaged 29% over the same period. However, this trend was reversed in 2004 when export value declined by 25%.

The leading supplying nation of this product to Angola is *Portuga*l with a market share of 44%. South Africa ranks as the second largest exporter with a market share of 31%. *Germany, France, Brazil* and the *Netherlands* are other leading competitors. In 2004 only the *Netherlands* recorded export growth. Of the remaining export nations, South Africa recorded the lowest decline in exports.

(c) Milk and Cream Powder->1.5% Fat *(HS040221)*

South African exports of this product have grown by an average of 61% over the five year period from 2000 to 2004. This growth outstrips the growth in Angolan import demand that averaged 34% over the same period. However, this trend was reversed in 2004 when export value declined by a massive 84%.

The leading supplying nation of this product to Angola is the *Netherlands* with a market share of 61%. South Africa ranks as the eighth largest exporter with a market share of only 1%. *New Zealand, Ireland, the United Kingdom, Argentina, Brazil* and the *United*

States all supply this product to Angola. In 2004 only South Africa witnessed a decline in export growth to Angola.

This category of product holds enormous trade potential as evidenced by the indicative trade potential measure. However, there currently exists strong competition in this market with high value products being preferred over the lower value product exported by South Africa.

(d) Other Products

- *HS 040700 Bird and Eggs*
- *HS 040310 Yoghurt*
- *HS 040130 Milk and Cream not Concentrated (>6% Fat)*
- *HS 040630 Processed Cheese*

Of the products listed above only *yoghurt* registered a growth in exports in 2004. This growth was measured at 1%.

11.2.4 Prep. Cereals *(HS19)*

Consistent with the decline in total agricultural exports, the exports comprising this product nomenclature has also witnessed a marked decline. In 2003 and 2004 exports of *prep. vegetables* declined by 38% and 47% respectively. Although not one of the leading category of exports, five products from within this nomenclature feature in the Trade Potential Index. The categories of products within this nomenclature that provide the greatest trade potential include:

(a) Malt extract and Food Preparations *(HS190190)*

The trade potential for this category of product is evidenced in the growth of Angola import demand that averaged 48% for the five year period from 2000 to 2004. During this period South African exports to Angola also witnessed growth of 18%. Although this growth is significantly lower than the growth in Angolan import demand it does reveal that South African exporters have taken advantage of a growing market. Exports of this product also represent one of the select few products where exports have grown during 2003 and 2004. Within the *prep. cereals* nomenclature *malt extract and food prep*. is the only product that recorded growth in 2004, this growth was measured at 23%.

The leading supplying nation of this product to Angola is *Malaysia* with a market share of 33%. South Africa ranks as the ninth largest exporter with a market share of only 1%. *Ireland, Argentina, and Portugal* are the other leading suppliers with market shares of 28%, 9% and 7% respectively. In 2004 only South Africa witnessed a decline in export growth to Angola.

(b) Bread, Pastry, Cakes etc. *(HS190590)*

Angolan import demand for *bread, pastries, cakes etc*. has grown by an average of 36% for the period 2000 to 2004. South Africa does currently export these products to Angola and has witnessed export growth of 14% over this same period. Potential to increase supply to Angola therefore does exist. However, exports witnessed a decline of over 50% in 2004. The leading supplying nations to Angola are *Argentina, Portugal and Brazil* each with a market share of 42%, 23% and 15% respectively. South Africa ranks as the eighth largest supplier with a market share of 1%.

(c) Mixes and Doughs for Baking *(HS190120)*

Over a five year period from 2000 to 2004 Angolan import demand for this category of product has grown by 83%. During this same period South African exports to Angola have grown by an average of 41%. However, in 2004 exports declined by approximately 70%. Angolan imports are totally dominated by imports from *Argentina, Portugal* and *Brazil*, each having a market share of 64%, 14% and 13% respectively.

(d) Other Products

- *HS 190219 uncooked pasta*
- *HS 190410 prep. Food obtained by Swelling or Roasting Cereal*

Both of the products listed above witnessed a decline in exports during 2004.

11.2.5 Market Access Constraints

No significant market access constraints exist for exporters to Angolan market. Annexure 4 reveals the presence of tariff peaks[xxiv] only in the *beverages* nomenclature.

The category of products with the highest constraints is *beverages* with an average tariff for the identified products averaging 25%. The *prepared cereals* nomenclature contains the second highest tariff constraints with the average tariff for the identified products being 19%.

Prepared fruit and vegetables ranks third with an average tariff of 10%. *Dairy* represents the category with the lowest average tariff of only 6%.

12. POTENTIAL FOR SOUTH AFRICAN IMPORTERS[xxv]

As was previously stated, the Angolan economy is primarily dependant on oil exports as a source of foreign exchange earnings. Years of conflict has negatively affected the Angolan agricultural sector resulting in a relatively underdeveloped and uncompetitive agricultural sector. This has limited Angola's agricultural production capacity and as a result Angola's agricultural export profile. The import opportunities from Angola are therefore limited. However, several opportunities do exist and some of these are listed

below. A Trade Potential Index was constructed but as the scoring indicates, very few products show significant export potential.

12.1 Flour Meal and Pellet of Fish *(HS230120)*

This category of product represents the category with the greatest trade potential as per the Trade Potential Index analysis. Angola's share in South Africa's current imports of this product, which totaled US$ 1 million in 2004, is zero. According to mirror statistics of importing countries Angola does have capacity to supply this product, unless the statistics only represent re-exports of imported products.

Angola's leading competitors in the South African market includes *Panama* and the *Netherlands*, each with a market share of 23%, *St. Vincent and the Grenadines* with a market share of 19% and the *Seychelles* with a 10% market share.

12.2 Fish and Marine Mammal Oil *(HS150420)*

In addition to being the product with the second greatest trade potential in terms of the Trade Potential, fish oil is currently also Angola's second leading agricultural export to South Africa. For an analysis of this product refer to chapter 10.1(b).

12.3 Coffee *(HS090111)*

Coffee represents the agricultural product with the third largest trade potential. South Africa currently imports no coffee from Angola but has total imports of coffee in excess of US$ 21 million.

Mirror statistics indicate that Angola has the capacity to supply at least 2.5% of this demand. Further regeneration of coffee production as envisaged in government plans may increase this capacity and provide Angola with a valuable export opportunity. Angola's competitors in the South African market would include *Indonesia, Vietnam, Zambia, Brazil* and *Zimbabwe* who are currently the leading suppliers of coffee to South Africa.

12.4 Other Products

- Plants and Parts of Plants – *(HS 121190))*
- Bovine Hides – *(HS 410121)*
- Live Animals. – *(HS 121190)*
- Vanilla Beans – *(HS 090500)*

The lack of current bilateral trade in these products coupled with the unavailability of trade data for these products limits the potential for analysis.

13. CONCLUSION

The current agricultural trade structure that exists between Angola and South Africa reveals that trade between the countries is heavily biased in favor of South Africa. This pattern is consistent with South Africa's trade structure with most African nations and reflects the divesture in agricultural production profiles of most African nations relative to South Africa. Reducing the imbalance requires innovative approaches that shift away from trade dependency solely on limited commodity production to a more diversified production and supply.

Angolan agricultural export potential to South Africa has been hampered by years of civil war and continued emphasis on oil exports. The limited range of potentially exportable commodities reflects the relative underdeveloped nature of Angolan agricultural production and is in stark contrast to the relatively diversified range of export products available from South Africa.

It should also be noted that another vital area in terms of South African exports is the exports of skills and services. South Africa's developed commercial farming sector along with marketing and processing abilities places the country in a unique position in Africa in terms of human capital and expertise. These resources provide a valuable opportunity for South African farmers, producers, processors and managers to export their skills to the Angolan economy specifically and African economies in general. Management, marketing and business skills and experience could contribute significantly to advancing Angolan agricultural development initiatives whilst at the same time establishing and cementing bilateral relations that may further reinforce trade. The export of South African skills and technologies and investment in African agriculture can contribute significantly to the revolution of African agricultural production. This may in turn serve to reduce trade imbalances as African economies promote trade based on created competitive advantages and not merely dependant comparative advantages. This would also be consistent with the objectives espoused in NEPAD and further the development of the SADC community.

The leading competing nations in the Angolan market for agricultural products include Portugal, Brazil, the Netherlands and Argentina. This pattern can in part be explained by cultural ties borne of historical relations. However, as an African country and as a member of SADC South Africa enjoys a strategic advantage over these competitors given the close geographical connection between the countries and membership of a common economic community.

ANNEXURE 1

Agricultural Product Coverage

The WTO Agreement on Agriculture (Annex 1) provides that the agreement shall cover the following products:

(i)	HS 1 to 24 less fish and fish products, plus		
(ii)	HS Code	2905.43	(mannitol)
	HS Code	2905.44	(sorbitol)
	HS Code	33.01	(essential oils)
	HS Headings	35.01 to 35.05	(albuminoidal substances, modified starches, glues)
	HS Code	3809.10	(finishing agents)
	HS Code	3823.60	(sorbitol n.e.p.)
	HS Headings	41.01 to 41.03	(hides and skins)
	HS Code	43.01	(raw furskins)
	HS Headings	50.01 to 50.03	(raw silk and silk waste)
	HS Headings	51.01 to 51.03	(wool and animal hair)
	HS Headings	52.01 to 52.03	(raw cotton, waste and cotton carded or combed)
	HS Code	53.01	(raw flex)
	HS Code	53.02	(raw hemp)

**(Product descriptions in brackets are not necessarily exhaustive).*

Annexure 2

South African Exports to Angola (2HS Level) 2002-2004

		VALUE (MILLIONS OF RAND) AND (PERCENTAGE OF TOTAL TRADE)			EXPORT GROWTH	
HS CODE	**PRODUCT DESCRIPTION**	**2002**	**2003**	**2004**	**2002/2003**	**2003/2004**
22	BEVERAGES	579.42787 (48.08%)	723.907167 (57.72%)	474.675049 (53.29%)	24.93%	-34.43%
07	VEGETABLES	70.472286 (5.85%)	86.508073 (6.9%)	73.347696 (8.24%)	22.75%	-15.21%
10	CERELAS	19.373362 (1.61%)	42.971065 (3.43%)	62.632748 (7.03%)	121.81%	45.76%
17	SUGARS	39.078304 (3.24%)	34.116718 (2.72%)	41.672977 (4.68%)	-12.70%	22.15%
24	TOBACCO	57.696592 (4.79%)	51.379575 (4.1%)	39.132866 (4.39%)	-10.95%	-23.84%
04	DAIRY	140.853903 (11.69%)	92.671276 (7.39%)	38.730633 (4.35%)	-34.21%	-58.21%
08	FRUITS AND NUTS	43.980272 (3.65%)	42.192419 (3.36%)	37.552651 (4.22%)	-4.07%	-11%
20	PREPARED VEGETABLES	37.656527 (3.13%)	42.638079 (3.4%)	28.817641 (3.24%)	13.23%	-32.41%
21	MISCELLANEOUS FOOD	29.638115 (2.46%)	*31.152756* (2.48%)	*21.641739* (2.43%)	5.11%	-30.53%

		VALUE (MILLIONS OF RAND) AND (PERCENTAGE OF TOTAL TRADE)			EXPORT GROWTH	
HS CODE	**PRODUCT DESCRIPTION**	**2002**	**2003**	**2004**	**2002/2003**	**2003/2004**
11	MILLING PRODUCTS	*58.900362* (4.89%)	*23.607189* (1.88%)	*15.565389* (1.75%)	-59.92%	-34.07%
02	MEAT	35.231515 (2.92%)	20.892208 (1.67%)	*13.185841* (1.48%)	-40.70%	-36.89%
06	LIVE TREES & PLANTS	*3.344092* (0.28%)	*3.041242* (0.24%)	*7.115695* (0.8%)	-9.06%	133.97%
12	OIL SEED	39.537537 (3.28%)	18.224327 (1.45%)	*6.724208* (0.76%)	-53.91%	-63.10%
18	COCOA	11.388582 (0.95%)	6.119207 (0.49%)	*6.711258* (0.75%)	-46.27%	9.68%
19	PREPARED CEREAL	18.176503 (1.51%)	11.214799 (0.89%)	5.957279 (0.67%)	-38.30%	-46.88%
3301	ESSENTIAL OILS	0.918625 (0.08%)	2.836282 (0.23%)	4.417008 (0.5%)	208.75%	55.73%
09	COFFEE & TEA	6.41175 (0.53%)	3.894895 (0.31%)	3.02284 (0.34%)	-39.25%	-22.39%
16	MEAT PREPARATIONS	4.128856 (0.34%)	6.863770 (0.55%)	3.011016 (0.34%)	66.24%	-56.13%
23	FOOD INDUSTRY RESIDUE	2.370717 (0.2%)	2.861933 (0.23%)	2.900091 (0.33%)	20.72%	1.33%
15	ANIMAL, VEGETABLE FATS & OILS	3.719846	5.890814	2.488889	58.36%	-57.75%

		VALUE (MILLIONS OF RAND) AND (PERCENTAGE OF TOTAL TRADE)			EXPORT GROWTH	
HS CODE	**PRODUCT DESCRIPTION**	**2002**	**2003**	**2004**	**2002/2003**	**2003/2004**
		(0.31%)	(0.47%)	(0.28%)		
01	LIVE ANIMALS	1.242582 (0.1%)	*0.471079* (0.04%)	1.090776 (0.12%)	-62.09%	131.55%
3505	DEXTRINS	0.249569 (0.02%)	0.274691 (0.02%)	0.140785 (0.02%)	10.07%	-48.75%
3501	CASEIN	0.289724 (0.02%)	0.098399 (0.01%)	0.072486 (0.01%)	-66.04%	-26.33%
5202	COTTON WASTE	0.001722	0.034545	0.05974 (0.01%)	1906.1%	72.93%
13	GUMS, RESINS ETC.	0.588013 (0.05%)	0.302563 (0.02%)	0.029112	-48.54%	-90.38%
05	PRODUCTS OF ANIMAL ORIGIN	0.04286	0.055502	0.028974	29.50%	-47.80%
14	VEGETABLE PLAITING MATERIALS	0.040406	0.011898	0.006936	-70.55%	-41.70%
5101	WOOL	0.087804 (0.01%)	0.005789	0.00085	-93.41%	-85.32%
4103	RAW HIDES AND SKINS	0	0.022686	0.000424		-98.13%
5302	HEMP	0.00035	0.000744	0.000323	112.57%	-56.59%
5103	WASTE OF WOOL	0	0	0		
5201	COTTON NOT CARDED OR COMBED	0.004244	0	0	-100%	

		VALUE (MILLIONS OF RAND) AND (PERCENTAGE OF TOTAL TRADE)			EXPORT GROWTH	
HS CODE	**PRODUCT DESCRIPTION**	**2002**	**2003**	**2004**	**2002/2003**	**2003/2004**
5203	COTTON CARDED OR COMBED	0.001376	0.003802	0	176.31%	-100%
4301	RAW FURSKINS	0.003492	0.010341	0	196.13%	-100%
5001	SILKWRM COCOONS	0	0	0		
5102	FINE OR COARSE ANIMAL HAIR	0	0	0		
290544	D-GLUCITOL (SORBITOL)	0	0	0		
380910	FINISHING AGENTS	0	0.000222	0		-100%
382360	SORBITOL	0	0	0		
4101	RAW HIDES & SKINS (BOVINE)	0.002832	0	0	-100%	
4102	RAW HIDES & SKINS (SHEEP)	0.173443 (0.01%)	0	0	-100%	
	TOTAL AGRICULTURAL EXPORTS	**1205.034033**	**1254.276055**	**890.73392**	**4.09%**	**-28.98%**

Source: World Trade Atlas based on data from South African Revenue Service

Annexure 3

Trade Potential Index

The Trade Potential Index uses a scoring system based on data obtained from the Trade Map database. This allows the analysis to focus on trade potential whilst taking cognizance of import demand, import trends, growth rates and unit values rather than focusing solely on trade potential values. A score of either 1 or 0 is assigned to five of the trade indicators contained in the database. This score is then aggregated to give a total score, which is measured against a final score of 5. A score of 1 would therefore represent the lowest end of the scale and the least trade potential whilst a score of 5 would indicate the greatest trade potential.

The criterion for scoring is as follows:

- The value of imports from a country: If current trade in the form of imports does exist, a score of 1 is allocated. The absence of trade is allocated a score of 0. The existence of a trade relationship is deemed a significant factor in furthering trade.
- Growth in import demand: If imports from the partner country have registered positive growth measured over the five year period from 2000 to 2004, a score of 1 is allocated. No growth or negative growth rates are awarded a score of 0. In the absence of trade or import data between countries import growth from the rest of the world is used as an indication of general import demand with positive growth allocated a score of 1 and no or negative growth a score of 0. The inclusion of this value in the table is also intended to indicate general import demand for the product as well as providing a basis for comparing demand for specific country products relative to demand for the same product from global sources.
- Export growth: Growth of exports from the exporting countries to the rest of the world is indicative of supply capacity, and increased demand for locally produced goods. A positive growth rate in the value of exports over a five year period from 2000 to 2004 is awarded a score of 1, whilst no or negative growth is awarded a score of 0.
- Indicative Trade potential: Indicative trade potential isolates total demand and total export capacity thereby providing a rough estimate of how much countries could 'theoretically' trade between them. A positive 'indicative trade potential' suggests that a trade opportunity exists. A threshold value of 200 000 is set for the allocation of a score of 1. Trade potential with a lower value or with no or negative trade potential values are allocated a score of 0.
- Unit Value: Unit value is determined on the basis of value and quantity of exports. Products with a high unit value (>=1$) are allocated a score of 1. Products with a low unit value (<1$) are allocated a score of 0.

Annexure 3(a)

Trade Potential Index- South African Export Potential to Angola

HS Code	Product Description	South Africa's Exports to Angola		Growth in Angola's imports from the World (2000-2004)	Growth in S- A's exports to the Rest of the World (2000-2004)	Indicative Potential Trade (US$ Thousand)	*Unit Value (P/Q)*	*Trade Potential Index Final Scoring*
		Value 2004 (US$ Thousand	Annual Growth (2000-2004)					
220300	Beer made from Malt	29,526	45%	50%	28%	8,361	1.24	***5***
200990	Mixtures of Juices-Unfermented	1,319	32%	71%	6%	4,493	1.79	***5***
220210	Mineral or Aerated Waters (Sweetened or Flavored)	34,417	48%	51%	18%	3,636	1.58	***5***
110313	Maize (Corn) Groats and Meal	1,303	45%	41%	23%	3,467	3.83	***5***
220710	Undenatured Ethyl Alcohol > 80%	1,083	6%	15%	6%	2,268	2.48	***5***
200980	Fruit and Vegetable Juice	1,292	12%	21%	34%	1,835	1.10	***5***
100590	Maize (Corn)	7,886	30%	5%	8%	1,801	5.04	***5***
040120	Milk not Concentrated and Unsweetened(>1% & <6% fat)	822	25%	32%	6%	1,409	1.57	***5***
070190	Potatoes Fresh or Chilled	5,620	44%	43%	31%	1,148	3.25	***5***
220290	Non-Alcoholic Beverages (Excluding fruit and vegetable juices)	206	78%	7%	9%	1,132	28.51	***5***
200919	Orange Juice	393	30%	60%	29%	995	1.30	***5***
220900	Vinegar and Substitutes	449	90%	67%	54%	675	5.29	***5***
110710	Malt not Roasted	224	5%	34%	20%	341	1.82	***5***

HS Code	Product Description	South Africa's Exports to Angola		Growth in Angola's imports from the World (2000-2004)	Growth in S- A's exports to the Rest of the World (2000-2004)	Indicative Potential Trade (US$ Thousand)	*Unit Value (P/Q)*	*Trade Potential Index Final Scoring*
		Value 2004 (US$ Thousand	Annual Growth (2000-2004)					
200870	Prep. Peaches	242	99%	61%	22%	262	1.03	***5***
070110	Potatoes Seed	864	6%	0%	9%	241	2.23	***5***
040110	Milk not Concentrated and Unsweetened (<1% Fat)	105	41%	29%	26%	234	3.01	***5***
170199	Refined Sugar in Solid Form	5,272	30%	20%	-8%	39,496	3.80	***4***
220421	Grape Wines	948	45%	41%	22%	19,987	0.38	***4***
110100	Wheat or Meslin Flour	32	9%	13%	-14%	9,284	2.99	***4***
040221	Milk and Cream Powder (>1.5% fat)	525	61%	34%	7%	3,603	0.40	***4***
151710	Margarines	68	104%	16%	14%	6,144	0.79	***4***
160250	Bovine Meat and Meat Offal	73	54%	17%	27%	5,230	0.37	***4***
180690	Chocolate and Food Prep. containing Cocoa	133	31%	34%	35%	3,449	0.22	***4***
190190	Malt Extract and Food Prep.	153	18%	48%	23%	3,127	0.48	***4***
210390	Sauces and Condiments	239	21%	40%	16%	3,126	0.53	***4***
020230	Bovine Cuts Frozen	272	6%	24%	12%	2,890	0.75	***4***
190590	Communion Wafers	108	14%	36%	23%	2,701	0.79	***4***
220410	Sparkling Grape Wines	497	28%	21%	21%	2,006	0.3	***4***
100510	Maize Seed	1,421	75%	114%	65%	1,761	0.93	***4***
040700	Eggs, Bird in Shell	1,959	25%	5%	9%	1,342	0.73	***4***
230990	Animal Feed Prep.	247	34%	3%	1%	1,263	0.96	***4***
04310	Yoghurt Concentrated	1,559	53%	50%	40%	997	0.54	***4***

HS Code	Product Description	South Africa's Exports to Angola		Growth in Angola's imports from the World (2000-2004)	Growth in S- A's exports to the Rest of the World (2000-2004)	Indicative Potential Trade (US$ Thousand)	*Unit Value (P/Q)*	*Trade Potential Index Final Scoring*
		Value 2004 (US$ Thousand	Annual Growth (2000-2004)					
210320	Tomato Sauces (Ketchup)	20	14%	24%	6%	831	0.91	*4*
0160100	Suasages and Similar Meat Products	111	28%	24%	1%	828	0.39	*4*
220830	Whiskies	3,011	25%	15%	-8%	824	1.13	*4*
190120	Mixes & Doughs for Baking	12	41%	83%	-7%	754	1.09	*4*
190219	Uncooked Pasta	31	1%	16%	5%	622	0.76	*4*
200210	Tomatoes	26	35%	17%	39%	614	0.45	*4*
200940	Pineapple Juice	55	10%	56%	29%	602	0.96	*4*
200892	Fruit Mixtures	51	61%	67%	14%	598	0.87	*4*
190410	Prep. Foods obtained by Swelling or Roasting Cereal	77	19%	12%	27%	540	0.41	*4*
220110	Minerals & Aerated Waters (not contain sugar)	93	23%	37%	-10%	526	3.55	*4*
040130	Milk & Cream not Concentrated (>6% fat)	201	37%	48%	15%	399	0.88	*4*
210500	Ice Cream	592	34%	33%	17%	373	0.41	*4*
040630	Cheese Processed	38	27%	n.a.	1%	343	0.20	*4*
210230	Prep. Baking Powders	587	12%	10%	7%	333	0.43	*4*
150910	Olive Oil	26	62%	27%	21%	303	0.20	*4*
200580	Prep. Sweet Corn	41	n.a.	116%	34%	232	1.11	*4*
071080	Frozen vegetables	42	130%	1%	22%	231	0.54	*4*
070320	Garlic	38	9%	25%	15%	186	1.107	*4*

Annexure 3(b)

Angolan Export Potential to South Africa

HS Code	Product Description	South Africa's Imports from Angola		Growth in South Africa's imports from the World (2000-2004)	Growth in Angola's exports to the Rest of the World (2000-2004)	Indicative Potential Trade (US$ Thousand	*Unit Value (P/Q*	*Trade Potential Index Final Scoring*
		Value 2004 (US$ Thousand	Annual Growth (2000-2004)					
150420	Fish Fats and Oils	228	n.a.	-42%	n.a.	644	1.85	3
230120	Flour, Pellet or Meal from Fish	0	n.a.	35%	n.a.	1,005	1.65	2
090111	Coffee	0	n.a.	3%	-25%	501	1.04	2
151190	Palm Oil	368	n.a.	30%	n.a.	0	2.43	2
121190	Plants and Parts of Plants	0	n.a.	2%	88%	45	0.20	1
410121	Bovine Hides	0	n.a.	13%	n.a.	32	0.88	1
190219	Uncooked Pasta	0	n.a.	11%	n.a.	21	1.33	1
071310	Dried Peas	0	n.a.	23%	n.a.	16	1.56	1
160300	Extracts of Meat or Fish	0	n.a.	0%	n.a.	15	1	1
010600	Live Animals	0	n.a.	-3%	n.a.	28	n.a.	0
220421	Grape Wines	0	n.a.	18%	n.a.	28	0.38	0
090500	Vanilla Beans	0	n.a.	98%	n.a.	11	0.1	0

Annexure 4

Angolan Tariff Structure for Products of Importance to South African Agricultural Exporters

HS Code	Product Description	Bound Rates (MFN)	Total *Ad Valorem* Equivalent Tariff (estimated)
040110		5%	2%
040120		5%	2%
040130		5%	2%
040630		5%	2%
040700		10%	8.5%
04	**Dairy**	**6%**	**3.3%**
190120		10%	5%
190190		10%	5%
190219		10%	10%
190410		10%	5%
190590		55%	15%
19	**Prepared Cereals**	**19%**	**8%**
200210		10%	15%
200580		10%	15%
200870		10%	15%
200892		10%	15%
200919		10%	15%
200980		10%	15%
200990		10%	15%
20	**Prep. Fruit and Vegetables**	**10%**	**15%**
220110		30%	30%
220210		30%	30%
220290		30%	30%
220300		30%	30%
220421		30%	30%
220710		10%	10%
220830		35%	30%
220900		35%	10%
22	**Beverages**	**28.75%**	**25%**

Adapted from UNCTAD Trains and Mac Map Database: www.macmap.org/southafrica

14. REFERENCES

i Information obtained from www.angola.org

ii Data obtained from http://www.cia.gov/cia/publications/factbook/geos/ao.html

iii Angolan Provinces: Bengo, Benguela, Bie, Cabinda, Cuando Cubango, Cuanza Norte, Cuanza Sul, Cunene, Huambo, Huila, Luanda, Lunda Norte, Lunda Sul, Malanje, Moxico, Namibe, Uige, Zaire.

iv http://www.africa.upenn.edu/Country_Specific/Angola.html http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field(DOCID+ao0011

v Information from Mbendi Country Profiles.

vi Source: WTO, Trade Policy Review Angola 2006, WTO Secretariat Document no. WT/TPR/S/158, available from www.wto.org

vii COMESA member states: Angola; Egypt; Madagascar; Sudan; Burundi; Eritrea; Malawi; Swaziland; Comoros; Ethiopia; Mauritius; Uganda; Democratic Republic of Congo; Kenya; Rwanda; Djibouti; Seychelles; Zimbabwe; Zambia.

viii SADC member states include: Angola; Botswana; Democratic Republic of Congo; Lesotho; Madagascar; Malawi; Mauritius; Mozambique; Namibia; South Africa; Swaziland; Tanzania; Zambia and Zimbabwe.

ix Information obtained from www.angola.org

x Source: WTO, Trade Policy Review Angola 2006, WTO Secretariat Document no. WT/TPR/S/158, available from www.wto.org

xi Decree-Law No. 2/05.

xii Decree-Law 29/01.

xiii Decree-Law 85/99.

xiv Decree-Law 11/01.

xv Refer to para tariff measures.

xvi SQAM Online information available at http://www.sadc-sqam.org/regionalsqam/sqamobjectives.html

xvii Refer to annex 1.

xviii In contrast to the World Trade Atlas analysis that uses the South African Rand as a value measurement, the Trade Map analysis uses US Dollars as its basis. The use of US Dollars for value measurement is also adopted here since it allows for ease in conducting a comparative analysis across countries and competitors. The use of the Rand measure in the introductory section is aimed at providing a broad overview of the bilateral trade structure that exists between the countries.

xix Angola does not report trade data to COMTRADE. Trade Map data therefore reconstructs trade data on the basis of partner country data or mirror statistics. Mirror statistics do have shortcomings but does provide a valuable indication of trade which would otherwise be unavailable.

xx The Trade Potential Index uses a scoring system based on data obtained from the Trade Map database. This allows the analysis to focus on trade potential whilst taking cognizance of growth rates and unit values rather than focusing solely on trade potential values. A score of either 1 or 0 is assigned to five of the trade indicators contained in the database. This score is the aggregated to give a total score with 1 representing the lowest end of the scale and therefore the least trade potential and 5 the highest end of the scale representing the greatest trade potential.

xxi Refer to annex 3 (a) for listing of products identified as having the greatest trade potential.

xxii A detailed analysis of product performance, competitors etc. as contained in the product analysis for the leading exports and imports is available upon request from email: YusufD@nda.agric.za - Only a selected number of products are analyzed in this study.

xxiii Refer to 9.2.1 for an overview on the export performance of this product cluster.

xxiv For the purposes of this study a tariff peak refers to a total ad valorem tariff equal to or in excess of 20%.

xxv Refer to annex 3 (b) for listing of products identifies as having the greatest trade potential.