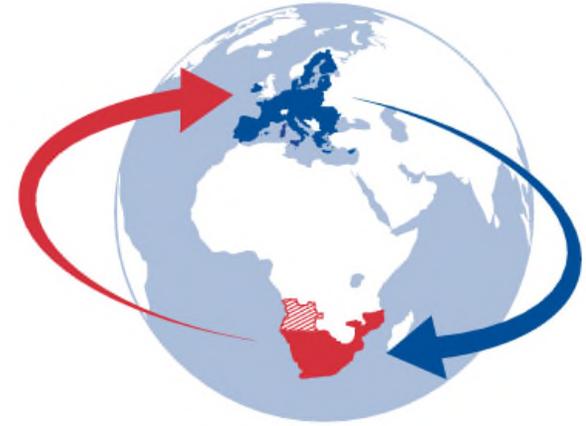


Sustainability impact assessment (SIA) in support of trade negotiations with Angola for EU-SADC EPA accession

(TRADE 2020/C1/C01, Contract No. SI2.839678)



Economic impact of Angola's accession to the EU-SADC EPA: Preliminary findings

National Workshop Angola
21-22 July 2021

Consortium led by



bkp ECONOMIC ADVISORS

Overview

1. Methodology for economic impact analysis
2. Preliminary findings
 - Impact on trade
 - Wider economic impacts in Angola: output, GDP, competitiveness, government revenues
3. Next steps

1. Economic analysis – scope and methods

A. Descriptive analysis of trade & investment flows

- Goods trade: review of recent trends & forecasts / export potential
- Services trade & investment: more qualitative (lack of bilateral sectoral data)

B. Economic impact analysis: Based on Commission PE modelling results (see next slide):

- Impact on trade & government revenues (border taxes)

C. Review of regulatory measures affecting bilateral trade

- Qualitative analysis – comparison of EPA provisions and AO existing situation

D. Analysis of possible impact on governance and business environment (in AO)

- Same as C

E. Impact on regional integration

- SADC and AfCFTA (AO ratified 04 Nov 20) – based on PE modelling + qualitative analysis

F. Impact on EU outermost regions

- Matching analysis based on OR exports (at product level)

1. Economic analysis – the partial equilibrium model

- Model estimates trade impact of **tariff liberalisation** associated with Angola's accession to the EU-SADC EPA by **comparing 2019 trade in the baseline with three liberalisation scenarios**:
 - Baseline: Angola: 2020 MFN tariffs on imports from EU; EU: GSP general arrangement
 - Liberalisation scenario 1: Angola and EU apply zero duty for all products (maximum lib.)
 - Liberalisation scenarios 2 & 3: EU applies zero duty; Angola excludes some products (182 in scenario 2, 98 in scenario 1)
- Products: at HS 6-digit level
- 3 regions: Angola, EU, rest of world

2. Preliminary findings: impact on trade

- **Small increase in Angola's exports** (both to EU and ROW): €21 M / 0.1%
 - Probably underestimated because of (a) zero-trade problem (diversification not reflected); (b) only tariff cuts reflected, not NTMs and removal of productive capacity constraints
- **Larger increase in EU exports to Angola:** €1.15B – €1.32B / 45% – 52%
- **Sizeable increase in Angola's total imports:** €693 M / 7.1%

Impact of tariff liberalisation on trade flows (€ million and %)

Exports from	Exports to	Changes in EUR compared to baseline				Changes in % compared to baseline			
		Angola	EU	ROW	Total	Angola	EU	ROW	Total
Scenario 1: Full liberalisation		693.0	24.1	0.3	717.4	7.1	0.0	0.0	0.0
	Angola	0.0	16.5	4.4	20.9	..	0.5	0.0	0.1
	EU	1,322.6	0.0	-37.1	1,285.5	51.2	..	0.0	0.1
	ROW	-629.5	7.6	32.9	-589.0	-8.8	0.0	0.0	0.0
Scenario 2: Conservative		596.1	22.8	0.4	619.3	6.1	0.0	0.0	0.0
	Angola	0.0	16.5	4.4	20.9	..	0.5	0.0	0.1
	EU	1,154.5	0.0	-32.4	1,122.1	44.7	..	0.0	0.1
	ROW	-558.4	6.2	28.4	-523.7	-7.8	0.0	0.0	0.0
Scenario 3: Ambitious		685.7	24.0	0.3	710.0	7.1	0.0	0.0	0.0
	Angola	0.0	16.5	4.4	20.9	..	0.5	0.0	0.1
	EU	1,311.2	0.0	-36.9	1,274.3	50.8	..	0.0	0.1
	ROW	-625.4	7.4	32.7	-585.3	-8.8	0.0	0.0	0.0

2. Preliminary findings: wider economic impact (1)

- Impact of tariff changes on **Angola's output** likely **negligible**:
 - Exporting sectors: due to limited export increases (but note caveats!)
 - Import-competing sectors: limited direct competition between imports from EU and domestic production
 - Full liberalisation: Angola's total imports of PRODESI products higher by €120 million (9.5% compared to the baseline; and 17% of the total import increase)
 - Conservative scenario: €28 million (2.2% compared to the baseline; and 4.7% of the total import increase) – almost zero if bleaches and plasters also excluded)
 - Products to be watched: wheat flour & hygiene products
- **Impact on competitiveness** likely **positive**:
 - Better price/quality ratio of inputs from EU (intermediates account for >33% of total imports from EU, and are up by 54%-59% due to the EPA)
 - Improved investment climate due to SIFA – more FDI and domestic investment
 - Benefits from EU assistance associated with EPA

2. Preliminary findings: wider economic impact (2)

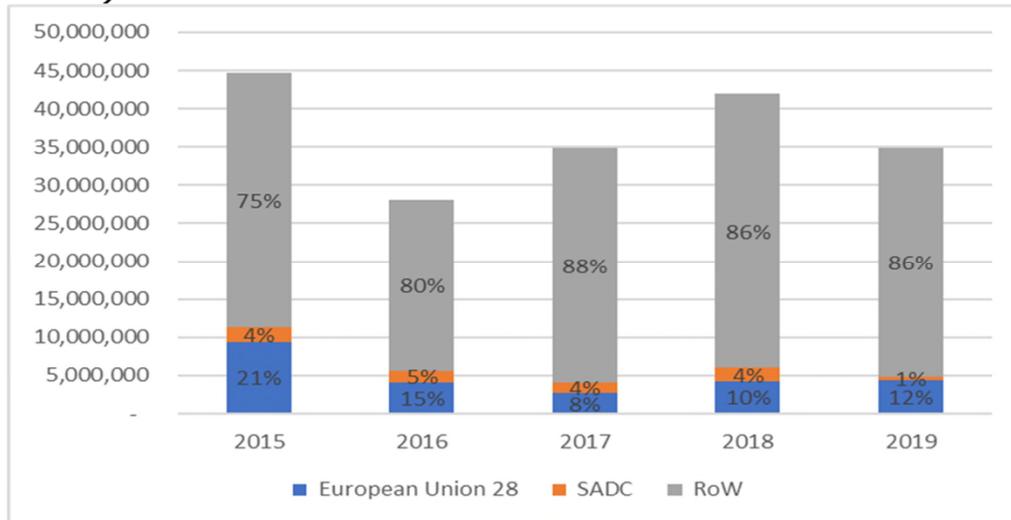
- Impact of tariff changes on **Angola's GDP** likely **negligible**
 - But longer-term positive effects from increased productivity and competitiveness – quantification impossible with PE model
- **Impact on government revenues** likely **negative**:
 - up to –€300M (–13.9% of border tax collection)
 - But: positive indirect effects (increase in collection of domestic taxes) not considered!

	Full liberalisation		Conservative scenario		Ambitious scenario	
	€ million	%	€ million	%	€ million	%
Change in tariff revenues						
On imports from EU	-227	-100.0	-207	-91.3	-225	-99.4
On imports from ROW	-171	-29.9	-153	-26.6	-170	-29.6
Total	-398	-49.7	-360	-44.9	-395	-49.4
Change in VAT on imports						
On imports from EU	185	51.2	162	44.7	184	50.8
On imports from ROW	-88	-8.8	-78	-7.8	-88	-8.8
Total	97	7.1	83	6.1	96	7.1
Change in total border tax revenues						
On imports from EU	-42	-7.1	-45	-7.7	-42	-7.1
On imports from ROW	-260	-16.5	-231	-14.7	-257	-16.3
Total	-301	-13.9	-276	-12.8	-299	-13.8

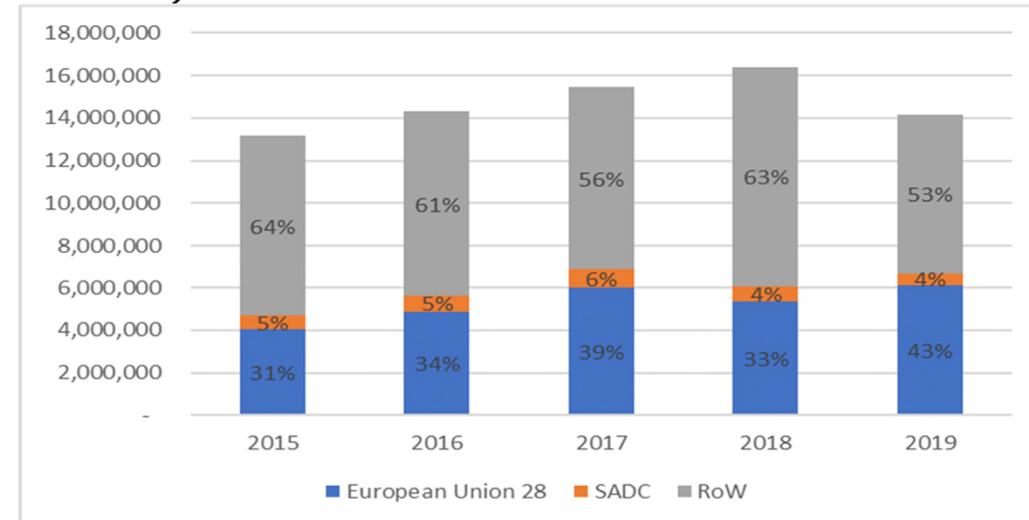
2. Preliminary findings: impact on regional integration(1)

- SADC-EU EPA (article 1): one of the key objectives is to promote intra-SADC trade flows
- The PE model results show **limited impacts on the overall increase in exports (both to EU and ROW)** → impact on **Angola's trade flows with the rest of the world including SADC is likely negligible** (at least in the **short term**)
- PE model results are consistent with current structure of trade flows: **SADC is still Angola's lowest trading partner : over 2015-2019, on average, annual exports were 1.4 USD billion (4% of total) and annual imports were USD 708.6 million (5% of total imports)**

- Exports of Angola to SADC (thousand USD and % total)



- Imports of Angola from SADC (thousand USD and % total)



2. Preliminary findings: impact on regional integration(2)

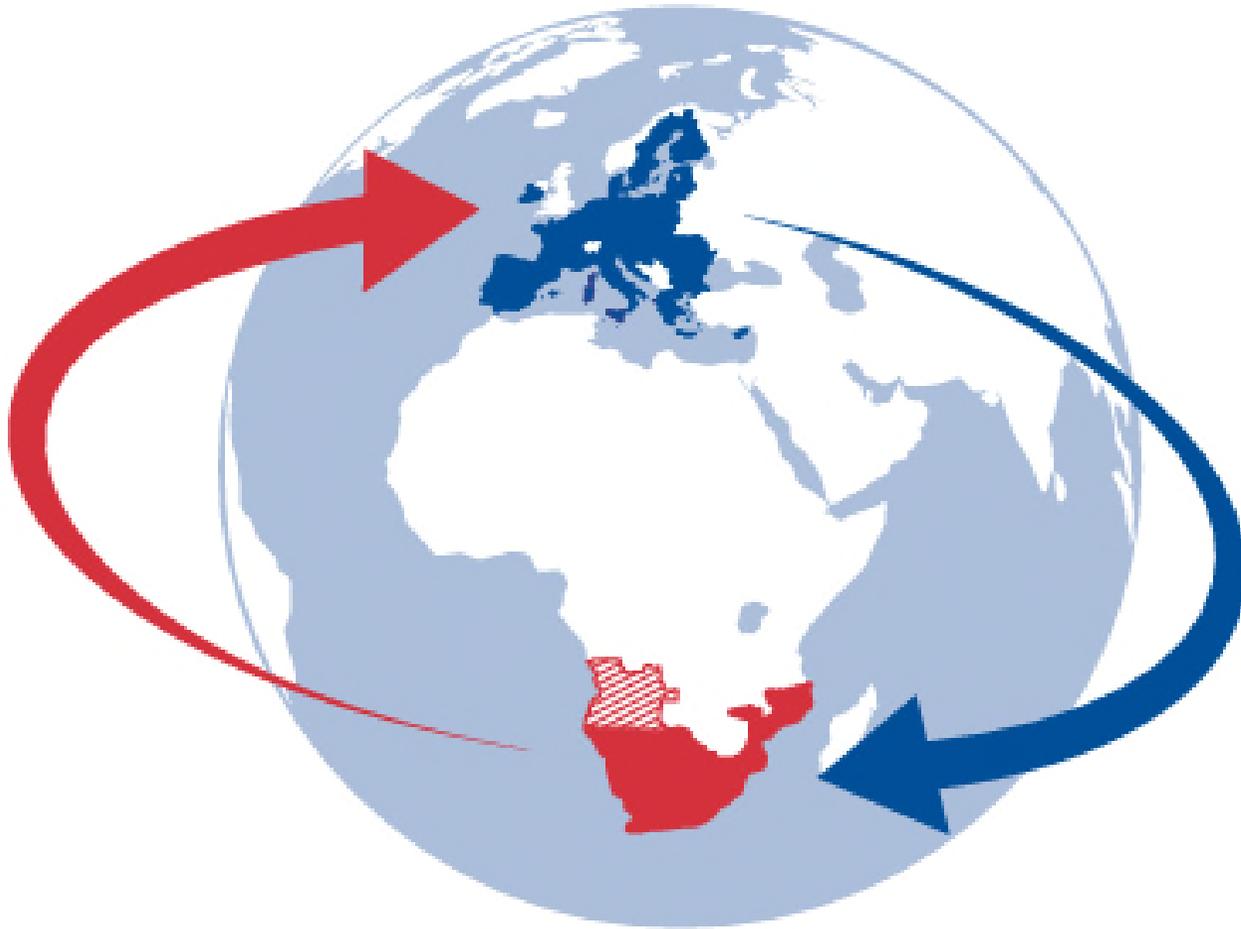
Opportunities

- **Exploit untapped demand in the SADC and EU markets** → one of the three value chain clusters of the SADC Industrialisation Strategy 2015-2063 is **agroprocessing**, which is also a priority sector for **Angola's PRODESI**; room for the development of offensive and defensive interests
- **Use provisions on rules of origin to cumulate with another SADC EPA State or ACP State** to develop regional value chains (Protocol 1 of the SADC-EU EPA)
- **Learn from the experiences from peer countries** in implementing the STP and SADC-EU EPA particularly to **mobilise resources (technical and financial)** at regional and national levels to **address supply-side and trade facilitation constraints**

3. Next steps

- Analysis of effects of non-tariff measures, investment facilitation and technical assistance
- Sector case studies:
 - Agrifood value chains
 - Fishery sector
- Based on interviews

Sustainability Impact Assessment: Angola's Accession to the EU-SADC EPA



<http://angola.fta-evaluation.eu>



sia@bkp-advisors.com



[@BKPEconAdvisors](https://twitter.com/BKPEconAdvisors)