# Project Study on
# WTO-Related Assistance
# in the African Region

## Final Report

July 2006

**Japan International Cooperation Agency (JICA)**

Mitsubishi UFJ Research and Consulting

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# Preface

African leaders focus on poverty reduction through economic growth and point out the importance of trade promotion in that context. In response, Japan is paying more attention to the issue, as reflected in the "Development Initiative" launched by Prime Minister Koizumi in December 2005.

The Japan International Cooperation Agency (JICA) has been implementing cooperation projects for African countries for more than three decades, while strategy regarding issues needs to be updated in order to appropriately respond to the situation stated above. Therefore, JICA Economic Development Department decided to undertake a project study on the response to the global trade system, particularly under World Trade Organization (WTO) agreements, by African countries, looking into a means of collaboration.

Mitsubishi UFJ Research and Consulting Co., Ltd. was selected as the implementing body. The team, headed by Mr. T. Fukunaga, undertook the study from January to June 2006, including literature search and field study on two occasions in Kenya, Zambia, Malawi, Rwanda, Senegal and Mali.

The report is expected to deepen JICA's understanding on Aid for Trade and future collaboration.

Lastly, I would like to express my gratitude to every person, having contributed to the study.

June 2006

SASAKI Hiroyo
Director General
Economic Development Department
Japan International Cooperation Agency (JICA)

## Acronym

| | |
|---|---|
| ACP | African Caribbean and Pacific Countries |
| AGOA | African Growth and Opportunity Act |
| AU | African Union |
| CACEU | Central African Customs and Economic Union |
| COMESA | Common Market for East and Southern African States |
| CSR | Corporate Social Responsibility |
| DDA | Doha Development Agenda |
| DFID | Department for International Development |
| EAC | East African Community |
| EAGGF | European Agricultural Guidance and Guaranty Fund |
| EC | European Commission |
| ECCAS | Economic Community of Central African States |
| ECOWAS | Economic Community of West African States |
| EPZ | Export Processing Zone |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FTA | Free Trade Agreement |
| F/S | Feasibility Study |
| GATS | General Agreement on Trade in Services |
| GATT | General Agreement on Tariffs and Trade |
| GDP | Gross Domestic Product |
| GNP | Gross National Product |
| GTF | Global Trade Facility |
| GTF | Global Trust Fund |
| GTZ | German Technical Cooperation |
| HIPC | Heavily Indebted Poor Countries |
| HIV/AIDS | Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome |
| IDA | International Development Association |
| IF | Integrated Framework |
| IFC | International Finance Corporation |
| IMF | International Monetary Fund |
| ISP | Internet Service Provider |
| ITC | International Trade Centre |
| JITAP | Joint Integrated Technical Assistance Programme |
| LDC | Least Developed Countries |
| MFA | Multifibre Agreement |
| MFN | Most Favoured Nation |
| MIGA | Multilateral Investment Guarantee Agency |
| NAMA | Non-Agricultural Market Access |

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| NEPAD | New Economic Partnership for African Development |
| NGO | Non-Governmental Organisations |
| NTB | Non-tariff Trade Barrier |
| ODA | Official Development Assistance |
| OECD | Organisation for Economic Co-operation and Development |
| PPP | Public-Private Partnerships |
| PRSP | Poverty Reduction Strategy Paper |
| PSI | Pre-shipment Inspection |
| PTA | Preferential Trade Agreement |
| SADC | Southern African Development Community |
| SITC | Standard International Trade Classification |
| SME | Small and Medium Enterprise |
| SOE | State Owned Enterprise |
| SPS | Sanitary and Phytosanitary |
| S&D | Special and Differential Treatment |
| TBT | Technical Barriers to Trade |
| TICAD | Tokyo International Conference for African Development |
| TPR | Trade Policy Review |
| TRIM | Trade Related Investment Matters |
| TRIPS | Trade Related Aspects of Intellectual Property Rights |
| TRTA | Trade Related Technical Assistance |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Development Programme |
| USAID | US Agency for International Development |
| USTR | United States Trade Representative |
| VAT | Value Added Tax |
| VER | Voluntary Export Restraint |
| VRA | Voluntary Restraint Agreement |
| WAMU | West African Monetary Union |
| WIPO | World Intellectual Property Organization |
| WTO | World Trade Organisation |

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# 1. Implementation and Negotiations of WTO Agreements in Africa: Present Situations and Challenges

## 1.1 Institutional-level Aspects of Present Situations and Challenges

Africa has suffered from conflict, poverty, refugee and the spread of HIV/AIDS, and has been confronted with problems threatening human lives. In addition, sluggish levels of new capital inflow and increase in repayment burden due to the accumulation of external debt have inevitably led to economic stagnation. However, since the mid-1990s, African countries have increasingly demonstrated ownership, taken steps to secure developmental base such as peace and governance, and have shifted its emphasis from aid to trade and investment, and towards the participation in the global economy. This trend is evident by the relations of African countries with the international community, and in particular, manifested through the 41 countries who are members of the WTO (33 countries are original signatories), and the seven countries currently in the accession negotiations[1].

As more efforts are made towards the development of Africa by Africans themselves, African leaders are starting to attach high values to economic growth through trade. Trade promotion is clearly set out in the "New Partnership for Africa's Development (NEPAD)" (Adopted at the OAU Summit, July, 2001). In addition, at the Third Tokyo International Conference for African Development (TICAD III) held in September 2003 under initiatives taken by Japan, the promotion of better governance in relation to economic climate, and trade-related studies were adopted in the chairperson's summary statement. This was followed by the adoption of "TICAD-NEPAD Joint Policy Framework for the Promotion of Trade and Investment", at the TICAD Asia-Africa Trade and Investment Conference in November 2004, which agrees to strengthen policies related to trade and investment promotion and to stimulate cooperation between Asia and Africa.

In the new WTO Round (Doha Development Agenda) launched at the 4th Ministerial Conference in November 2001, African countries have urged special consideration towards developing countries. These assertions of African countries are strongly reflected in the "Livingstone Declaration" adopted at the LDC Ministerial Conference in June 2005. Since the current round of negotiations aims to be completed by the end of 2006, active participation and commitments by African countries are vital.

[1] In the WTO, Northern African Maghrebian countries are categorised as Africa.

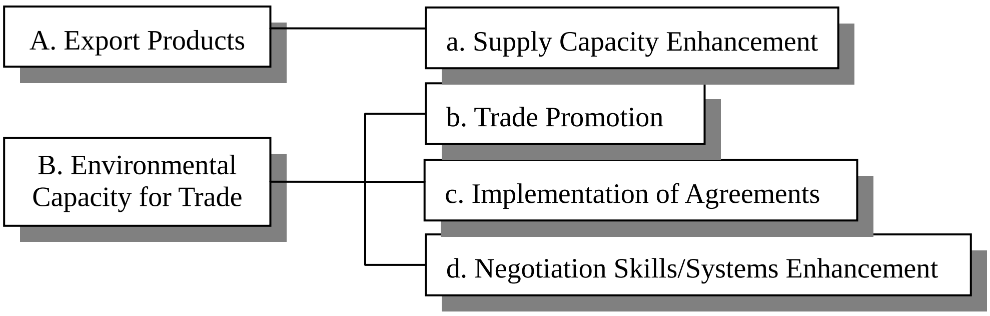
## 1.2 Basic Understanding

In order for a country to develop its economy on a sustainable basis in these highly integrated modern times, it cannot choose to isolate itself from the rest of the global economic system, but rather needs to formulate strategies to actively benefit from them. In fact, various countries have adopted strategies for economic growth through the facilitation of trade, especially exports. Since the global systems in the areas of trade and commerce converge at WTO, it can be said that such strategies are in essence the participation in and utilisation of WTO.

In line with the above understanding, the “export capacity” of a country can be determined based on the two components of A) export products and B) environmental capacity for trade, both of which need to be enhanced through medium-to-long-run efforts toward diversification of export products and expansion of supply capacity in order to maintain competitiveness in the international export market.

In the short run, on the other hand, if a country is not enjoying the benefits rightfully due under the WTO rules, it should respond appropriately so as not to lose opportunities, which are agreed upon internationally. In the WTO context, these factors can be illustrated as follows:

Component and Factors required for the Building Export Competitiveness in the Global Market




This chapter analyses the present situations and the challenges of African countries in the negotiations and implementations of the WTO Agreement in relation to the abovementioned factors. It should be noted, however, that the analysis below is not a direct description of a particular country, but is rather an exhaustive list of situations and challenges that African countries face in general.

## 1.3 Present Situation and Challenges in the Implementation and Negotiation of the WTO Agreements

### (1) Supply Capacity Enhancement

(Factors required for the Building Export Competitiveness in the Global Market: **a**)

#### 1) Supply Shortage

In many African countries, the production factors necessary for its economies to "take off" (labour force that can contribute to economic development, procurable capital, high-level productivity that can withstand international competition) are lacking. In addition, many African countries have current account deficits and insufficient savings that are leading to low levels of investment. This has caused a shortage of supply required for the economy to "take off". Strategies to diversify the domestic market have failed due to this chronic supply deficiency, and as a result, these countries have remained dependent on imports without achieving diversification of domestic industries.

In addition to the supply shortages caused by capital shortages, in Africa there are many other supply-side constraints. Despite many African economies being reliant on agriculture, development of economic infrastructure (road/rail) that connects rural agricultural communities to international airports or ports is very limited. Hence, agricultural exports are limited to products grown in farms close to metropolitan areas. Moreover, this is adding extra business costs for African exporters. For example, the export procedure at the ports is long due to poor maintenance and operational systems. This therefore means that products take a long time to reach markets, which may in turn require additional costs for storage. Improvements in trade and investment environment are common challenges that the African region face.

#### 2) Inadequate Inter-Sector Coordination

Many African governments have placed promotion of small and medium enterprises (SMEs) at the centre of its economic and industrial policies and institutions. It is clear that in countries where there are high levels of unemployment (including disguised unemployment), the promotion of SMEs (or microenterprises) will increase employment absorption and thus desirable for policies and institutions goals that aims to achieve sustainable economic progress. On the other hand, what has become clear from numerous feasibility studies (F/S) conducted by foreign companies is that local procurement is relatively difficult because the local industries have not been adequately fostered. In African countries where the industrial base, economies of scale and domestic consumption (demand), and cooperation between industries are insufficient, the lack of ability to foster enterprises with technology and service above a certain level is a severe problem in stimulating the domestic economy and in enhancing foreign investment inflows.

### (2) Trade Promotion

(Factors required for the Building Export Competitiveness in the Global Market: **b**)

#### 1) Dependency on Customs Revenue

Many African countries have had to rely on borrowed money for its development funds and as a result accumulated vast sums of debt to domestic and foreign financial institutions, due to the lack of adequate revenue. This has been a factor of the lack of enthusiasms by African governments in pursuing policies of trade liberalisation. Trade liberalisation will decrease customs revenue and this will lead to further budget deficit.

#### 2) Lack of Incentives for Active Trade Liberalization

There are considerable differences in the degree of trade liberalisation among African countries. In line with the conditionality imposed by IMF and the World Bank, there are countries with a relatively open trade regime (customs liberalisation). When compared with countries with more restricted trade regimes, the economic development of these open trade regimes is not significantly any higher, casting doubts on the link between trade liberalisation and economic growth. Thus, there has been a lack of incentives for active trade liberalisation.

#### 3) Reduction of Non-Reciprocal Preferential Benefits

There are many non-reciprocal preferential treatments towards African countries which are intended to increase trade and to achieve economic growth. These include the General System of Tariff Preferences (GSP), the African Growth Opportunity Act (AGOA), and the Cotonou Agreement. In addition to the debate on the benefits of these agreements when it is actually applied to businesses, recently, there are discussions regarding the decrease in the value of these preferential treatments because of the increased trade openness worldwide accomplished by international and regional trade agreements. Moreover, there is a common concern among these countries, over the DDA regarding the decrease of preference margin (preference erosion).

## 【Reference】 Status of trade liberalization

**Overall Trade Restrictiveness Index:OTRI**

| | OTRI | OTRI for agricultural sector | Market access OTRI | Market access OTRI for agricultural sector |
|---|---|---|---|---|
| African countries | | | | |
| Algeria | 40.8 | 48.7 | 12.1 | 0.0 |
| Burkina Faso | 130.0 | 38.5 | 27.0 | 35.1 |
| Cameroon | 17.6 | 24.0 | 9.9 | 17.5 |
| Central African Republic | 19.6 | 28.2 | 8.5 | 18.6 |
| Chad | 16.2 | 23.3 | 12.0 | 16.8 |
| Côte d'Ivoire | 36.6 | 51.4 | 23.0 | 40.8 |
| Egypt, Arab Rep. of | 39.9 | 79.1 | 16.1 | 63.5 |
| Equatorial Guinea | 15.9 | 24.3 | 5.9 | 41.3 |
| Ethiopia | 16.6 | 14.4 | 23.9 | 42.6 |
| Gabon | 16.9 | 21.2 | 1.9 | 11.8 |
| Ghana | 15.4 | 31.2 | 9.4 | 21.1 |
| Kenya | 9.7 | 31.4 | 19.0 | 35.0 |
| Madagascar | 13.3 | 18.1 | 20.6 | 37.7 |
| Malawi | 13.5 | 25.6 | 25.9 | 40.9 |
| Mali | 13.1 | 27.9 | 6.7 | 23.5 |
| Mauritius | 20.7 | 37.7 | 16.2 | 51.7 |
| Morocco | 44.3 | 73.1 | 11.8 | 28.2 |
| Mozambique | 13.3 | 29.2 | 22.2 | 37.4 |
| Nigeria | 47.0 | 75.7 | 5.9 | 15.1 |
| Rwanda | 11.3 | 13.8 | 17.1 | 53.0 |
| Senegal | 35.8 | 63.2 | 14.2 | 17.2 |
| South Africa | 7.1 | 12.3 | 12.2 | 46.7 |
| Sudan | 47.3 | 48.9 | 22.3 | 51.0 |
| Tanzania | 38.4 | 82.9 | 23.8 | 42.0 |
| Tunisia | 33.5 | 83.7 | 14.1 | 38.9 |
| Uganda | 6.5 | 10.9 | 14.0 | 28.4 |
| Zambia | 11.1 | 29.4 | 21.9 | 45.5 |
| Zimbabwe | 18.4 | 46.9 | 19.1 | 34.8 |
| Average | 26.8 | 39.1 | 15.6 | 33.4 |
| Asian countries | | | | |
| China | 12.5 | 24.7 | 6.1 | 27.3 |
| Hong Kong, China | 1.1 | 14.6 | 10.9 | 27.2 |
| India | 24.2 | 65.4 | 18.1 | 48.6 |
| Indonesia | 9.4 | 31.5 | 14.0 | 35.8 |
| Malaysia | 23.0 | 39.2 | 8.8 | 27.4 |
| Philippines | 20.5 | 50.2 | 9.7 | 61.3 |
| Vietnam | 35.2 | 52.5 | 22.3 | 53.1 |
| EU | 11.9 | 37.5 | 11.9 | 37.3 |
| JAPAN | 11.1 | 35.9 | 7.9 | 0.0 |
| U.S.A. | 7.8 | 21.6 | 10.8 | 47.6 |
| Low income countries Average | 20.2 | 29.7 | 18.2 | 37.1 |
| Middle income countries Average | 16.6 | 33.3 | 12.1 | 39.4 |
| High income countries Average | 11.2 | 28.6 | 12.6 | 34.9 |

Source: World Bank (2006) ,Global Monitoring Report 2006

**Comparison of tariff rate of African and ASEAN Countries**

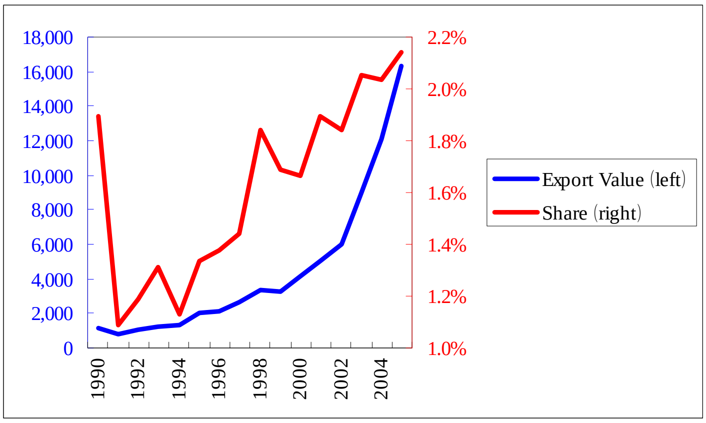
| | MFN final binding tariff rate (Simple average) | | | MFN applied tariff rate (Simple average) | | |
|---|---|---|---|---|---|---|
| | All products | Agricultural products | Non-agricultural products | All products | Agricultural products | Non-agricultural products |
| Africa Average | 56.2 | 75.5 | 36.2 | 14.6 | 19.2 | 13.9 |
| ASEAN Average | 32.2 | 41.2 | 21.1 | 8.7 | 11.5 | 8.3 |
| China | 10.0 | 15.8 | 9.1 | 10.4 | 16.2 | 9.5 |
| Japan | 2.9 | 6.9 | 2.3 | 3.1 | 7.3 | 2.5 |

Source：Compiled by MURC based on WTO data

### 4) Influx of Cheap Imports into Domestic Markets

Due to its need to secure resources and expand markets arising from rapid economic growth, China's presence in African countries is increasing significantly. On the one hand, China has provided benefits to African countries by giving out grants for resource development, but on the other hand, there has been rapid increase in Chinese exports of cheap products to these countries. Cheap products that have fully benefited from economies of scale have flooded the markets and snatched up market share in African countries where there is a higher production cost. This has had an opposite effect to the intended economic and industrial policies and institutions of these countries stemmed on the promotion of manufacturing.

China's export level towards Africa




Source: IMF, Direction of Trade Statistics

### 5) Government Programmes for Export Promotion

Many African countries increasingly view trade promotion as one of the main pillars of economic and industrial policies and institutions, and have established an export promotion organisation as their implementing bodies. These organisation's main activities include research on foreign trade institutions and markets, assistance in participating in trade fairs, strategic quality improvements of the country's products, etc. However, there is often a gap between the initial mandate and its activities, and are small-scale activities, in turn preventing the countries from enjoying benefits of free trade with other countries and regions. In addition, there is often a lack of information related to business, etc. and therefore it is difficult to assess the status of domestic private enterprises and to discover potentially good export products.

## (3) Implementation of Agreements

(Factors required for the Building Export Competitiveness in the Global Market: **c**)

### 1) Organisational and Institutional Aspects

In the implementation and negotiations of the WTO Agreement, trade ministries are required to play a proactive role with a strong leadership in partnership with other relevant ministries and private business groups and organisations. Generally speaking, in African countries, the department dealing with trade issues are mostly combined with ministries dealing with broad range of economic and industrial issues. Although in recent years there has been moves to mainstream the role of trade promotion in its economic and industrial policies and institutions, government bodies and systems do not sufficiently reflect the true needs, and trade ministries often remain as lower tier ministries, thus are not very powerful. In some cases, African trade ministries are not well informed and not sufficiently consulted in overall national economic decision making. In addition, coordination among ministries is not very good and in many cases, there is little to no coordination with private sector enterprises. Furthermore, there is no institutional framework where information regarding the economy, industries, and trade can be obtained. The lack of comprehensive database has meant that understanding the true situation of private enterprises is near impossible. In these countries where personnel transfers are limited, government bureaucrats rarely have information or experience in real business. Thus, the considerations of practical situations are not included in any stage, namely at formulation, implementation and evaluation processes of the WTO-related policies and institutions.

Additionally, the inadequate understanding and ability to implement the Agreement is another major factor. Public and private sectors alike have insufficient understanding of the WTO Agreements. In addition, understanding of such governmental efforts as policies, institutions, programmes, domestic laws, rights, obligations that are consistent to the WTO rules is also lacking. Moreover, necessary legislation for complying with WTO agreements has not been established adequately.

Although African countries place the trade promotion at the heart of their economic policies and systems, they often contradict WTO's frameworks, that is, there is a discrepancy between domestic institutional framework and the WTO framework. The shortages of the organisational and human resources capacities to organise and facilitate trade and investment have been blamed for these problems. As a consequence, they have created complications and unsuitableness as regards trade and investment, which runs counter to the trend of liberalisation.

Furthermore, generally in Africa, awareness of sanitary and phytosanitary (SPS) measures is low not just at the individual firm level, but at the industry level as a whole.

In addition, due to government's budget constraints, and to lack of technical and human resources, the ability to respond to the standards and certification requirements of the export market is limited. These have meant that in some cases goods cannot be exported as it cannot meet the required standard of its trade partners.

### 2) Human Resource Capacity

In order to fulfil the conditionality imposed by the IMF and the World Bank, many African countries have had to tighten their public spending. This is leading to a cut back on labour cost (as this is counted towards operating expenses), and this in turn has led to a structural deficit of trained and experienced government officials. In terms of trade policies and institutions, the roles of the bureau include formation, implementation and evaluation of domestic policies and institutions, dealing with issues related to international trade framework such as the WTO, and dealing with regional economic integration matters, in addition to dealing with individual issues in trade. It is required to deal with all of these matters, but often there are only two or three officers who deal with all of these various roles. In addition, the financial constraints at the level of WTO-related implementation agencies such as standard certification and quarantine bureaus impose serious problems in addressing the SPS issues. In the current framework where international agreements must be followed in each country, the lack of capacity in human resources to comply with agreements is leading African countries to take a negative stance towards international rules itself, and in some cases fundamentally missing the understanding of the benefits. This is also leading to the strong belief among African countries that the development aspect of the DDA should take priority and is also leading to the formation of WTO-related groupings.

## (4) Enhancement of Negotiation Skills/Systems

(Factors required for the Building Export Competitiveness in the Global Market: **d**)

### 1) Structure of negotiating bodies

As African countries increasingly view trade promotion as one of the main pillars of economic and industrial policies and institutions, there is increased interest in complying with international agreements. In particular, there is a surge of African officers resident in Geneva dealing with WTO issues. However, officers often come from the foreign ministry rather than the trade ministry, and have had very little trade experience before their Geneva assignments and often move to other non-trade assignments after Geneva. Moreover, this has led to communication problems between capitals and Geneva, as it is hard to imagine that officers from other ministries will be forthcoming in making contact with trade ministries or with private economic organisations.

### 2) Enhancement of group negotiations

The progress of WTO and particularly the DDA has created many different groups of countries that pursue different interests. Such groups are also effective means for smaller countries which have difficulty in conforming to the individual standards, to participate in the negotiations and increase their bargaining power. In the DDA negotiations, many different groups have been created with respect to individual negotiation issues. Listed below are the main groupings that involve African countries:

| Group | Member countries (African countries in **bold**) | Main Stance |
|---|---|---|
| The Cairns Group | 17 agro-exporting countries (Australia, Canada, Brazil, Malaysia, **South Africa**, etc.) | <Agriculture><br>Improve market access, decrease domestic support, abolish export subsidies |
| G-33 | 42 developing countries (**Benin**, **Botswana**, **Congo**, **Côte d'Ivoire**, **Kenya**, **Madagascar**, **Mauritius**, **Mozambique**, **Nigeria**, **Senegal**, **Tanzania**, **Uganda**, **Zambia**, **Zimbabwe**, China, South Korea, India, etc.) | <Agriculture><br>Establishment of special products (SP) special safeguard mechanisms (SSM) for developing countries |
| G20 | 19 developing countries (Brazil, India, **Egypt, Nigeria**, **South Africa**, **Tanzania**, **Zimbabwe**, etc.) | <Agriculture><br>Improve market access in developed countries, decrease domestic support and abolish export subsidies in developed countries, considerations for developing countries |
| G90 (African Union, ACP, LDC countries) | 64 WTO members (all developing countries) including **African countries** | <Agriculture><br>Consideration for preference erosion<br><NAMA><br>Consideration for developing countries towards tariff reduction<br><Development><br>Expand duties of developed countries, consideration for developing countries (incl. S&D) |
| ACP Group | ACP (**African**, Caribbean and Pacific) countries | <Agriculture (sugar, etc.)><br>Conserve preferential access to the EU |
| LDC Group | 32 LDC countries (including 25 **African countries**), current chair position is held by Zambia's Minister Patel | Expand duties of developed countries, consideration for developing countries, etc. |
| Africa Group | **African countries** | Expand duties of developed countries, consideration for developing countries, etc. |
| Cotton Group | 4 West African LDC (**Burkina Faso**, **Benin**, **Mali**, **Chad**), etc. | <Cotton><br>Abolish domestic support and export subsidies in developed nations<br>Assistance mechanism for developing countries |

The current negotiations in the DDA are separated as three market access negotiations (agriculture, non-agricultural market access (NAMA), and services), and negotiations in other specific issues (for example, development, rules, Singapore Issues including trade facilitations, trade-related aspects of intellectual property rights (TRIPS), trade and environment). A brief overview of the issues and the concerns of African countries is presented below.

### a) Agriculture

There are three main pillars in the WTO agricultural negotiations. First, in the market access negotiations, where the enhancement of trade opportunities including tariff reductions are being discussed, conflict lies between the net importing countries (such as those of the G10, including Japan, and the EU) and proponents of liberalisation (such as the G20, Cairn Group and the US). As regards African countries, South Africa is a member of the Cairns Group, and Nigeria, Tanzania, Zimbabwe, and South Africa are members of the G20. Their general stance is that they are proponents of market liberalisation of developed nations (tariff escalation and reduction of tariff peaks), but are concerned about losing its LDC preferential treatment for market access in the developed countries by non-discriminatory tariff reduction.

Second, as regards to area of domestic support, African countries calls for establishment of the modality (agreements on reduction rate and timeframe) to achieve substantial reductions in trade-distorting domestic support (domestic agricultural subsidies and other support) in the developed nations.

Third, in export competition, developing countries are demanding reduction in export subsidies. EU provides 90% of the export subsidies that exist in the world and is simultaneously the largest importer of food for Africa. Therefore, Africa is faced with the difficult challenge of achieving elimination of export subsidies in developed countries, while mitigating the negative price effects on African food importing countries from the removal of subsidies at the same time. Additionally, mitigating the negative effects of agricultural liberalisation on the livelihood concerns of Africa's poor food importing countries through the "Marrakesh Decision" with substantive and identifiable financial commitments is also an important issue.

### b) Cotton Issue

Within agriculture, the resolution of the cotton issue is singled out as a priority area. Since Cancun Ministerial Meeting in 2003, the need to agree on a package deal on an expedited basis is emphasised. This issue involves the demands of elimination of export subsidies over a three year period and the elimination of domestic support related to production over a four year period, with effect from 1 January 2005. The cottons issue is seen as a case where development and trade overlap in DDA, and especially in West and Central African countries, such as Benin and Mali, where the export volumes from the region is the second highest in the world, there are high interests in this issue.

### c) Non-Agricultural Market Access (NAMA)

The key issue associated with the NAMA negotiations for African countries relates to designing an appropriate tariff reduction formula that provides for special and differential treatment (S&D), entails less than full reciprocity, and allows policy space for accommodating needs related to the industrialisation of Africa. There will likely be substantial reductions in tariffs (including reductions in tariff escalation) in both developed and developing countries, regardless of which tariff reduction formulation is finally implemented. Developing countries are concerned about such outcome and are pushing for a formula that entails different reduction rates.

### d) Services

Developing countries in general are reluctant on liberalisation in service trade, except for in the area of the movement of natural person (Mode 4). It is said that the rights of developing countries to regulate or liberalise trade in services, with considerations of the needs of small-scale service providers in African countries, should be respected. In addition, liberalisation by developed nations should include sectors and modes of export of interest to African countries, particularly through mode 4. Furthermore, African countries are asking for technical assistance in this area to respond to the effects of the inevitable liberalisation.

### e) Development

Developing countries including African countries have, to a certain degree, appraised the strong recognition towards development at the Hong Kong Ministerial Conference in December 2005 and the positive outcomes achieved in this regard. Recently, there is a renewed interest towards strengthening assistance towards developing countries through "Aid for Trade" (strengthen technical assistance, grants and loans in the area of production and distribution) and "Integrated Framework (IF)" (Joint initiative on trade-related technical assistance towards LDCs), in addition to the existing clauses that consider issues of the developing countries, including agreements on special and differential treatment (S&D), implementation, market access for products from developing countries in agriculture and in NAMA negotiation,

## f) Singapore Issues[2]

The new agreement to drop the issues related to trade and investment, trade and competition policy, and transparency in government procurement from the Work Program is welcomed. However, the human resource and capacity constraints in Africa must be addressed first before any consensus on negotiating modalities with regards to the issue of trade facilitation is agreed. That is, these countries require training and the cost to address trade facilitation.

## g) Rules and Trade Remedies

South Africa is interested in the discussions of rules and in trade remedies in DDA, for both offensive and defensive reasons. This is because its products, particularly steel, have been targets of dumping and subsidy complaints in markets of other countries, and thus it seems likely that South Africa is more interested in defending its offensive interests than its defensive interests.

## h) TRIPS

Most African countries have very little interests towards the negotiations of intellectual property in the DDA framework. In addition, they have very little capability to identify and enforce violations. However, in August 2003, an agreement was reached to allow developing countries to waive rules protecting patents to import cheap, generic drugs related to HIV/AIDS remedies. African countries are pursuing negotiations to turn this agreement into a formal amendment to the WTO TRIPS Agreement.

As noted above, the significance towards WTO and liberalisation in trade and investment are not always shared amongst people in Africa, both in the public and the private sector. Therefore, countries with relatively weak negotiation ability tend to associate with other countries to form a group, in order to participate in the WTO negotiations. It is worth noting here that while the emergence of groupings has helped to strengthen negotiation power in Africa, there is a concern that there are often conflicting interests among African countries. This is because individual countries have different interests rooted on individual problems and these are not complementary to each other. For example, liberalisation in agricultural trade can lead to increases in prices of these goods and benefit some African countries, but in African food importing countries, this will mean outflows of foreign currency in order to purchase the high cost food products.

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[2] As regards to African reaction towards the Singapore Issues, opposition to investment matters is strong. African countries want to use various kinds of incentives to attract foreign investment and want to avoid international standards that interfere with national sovereignty in this area. Similar thinking has existed to matters of government procurement, but less so on competition policy.

In the area of services, the priority of many African countries is the liberalisation of movement of natural persons. However, many of these countries have not adequately analysed how the liberalisation may affect them, and in addition, richer African countries are demanding that the movement of natural persons be kept to a minimum. The same can be predicted about the liberalisation of non-agricultural market access (NAMA). For example, South Africa's multilateral tariff liberalisation will open up its market to imports from outside of the African region, making it increasingly difficult for sub-Saharan African countries to compete with these new entrants in the South African market.

WTO-Related Problems and Challenges Faced by African Countries (Summary)

| Issue | Factor | Problem | Description of Problem |
|---|---|---|---|
| a. Supply Capacity Enhancement | 1. Supply shortage | Shortage of production factors and inefficient distribution of resources | Production factors necessary for many African economies to "take off" (labor force that can contribute to economic development, procurable capital, high-level productivity that can withstand international competition) are lacking. Diversification of domestic industries has not been achieved to a sufficient degree. |
| | | Underdeveloped infrastructure | Economic infrastructure, such as ports, roads or railways, are underdeveloped and/or insufficiently maintained and inefficiently operated, not allowing the movement of large volumes of goods and thereby increasing the cost of transporting main products to markets. |
| | 2. Inadequate inter-sector coordination | Underdeveloped policies and institutions for small and medium-sized enterprises (SME) and underachieved goals | Although promotion of SMEs from the perspectives of absorbing employment and improving technology and skills is listed in the countries' economic/industrial policies and institutions, most of the objectives have not been sufficiently achieved. |
| | | Shortage of vibrant private businesses | There are not enough enterprises that can serve as driving forces for the economies. |
| b. Trade Promotion | 1. Dependency on customs revenue | Concern for decreasing tariff revenues by trade liberalization | Countries are already running large budget deficits and are increasingly concerned about reduced tariff revenues by trade liberalization. Thus, countries hesitate to go forward with it. |
| | 2. Lack of incentives for active trade liberalization | Declining motivation toward free trade | While some economies are stagnant despite relatively quick progress of trade (tariff) liberalization, other economies are growing despite relatively slow progress of liberalization. This has led to decreased motivation for free trade in many African countries. |
| | 3. Reduction of non-reciprocal preferential benefits | Unrealized non-reciprocal preferential treatment and decrease in benefits | They cannot export enough volumes to enjoy practical benefits of GPS, AGOA, Cotonou Agreement and other non-reciprocal preferential treatment. In fact, the benefits of these policies and programs will decrease along with the progress of trade liberalization. |
| | 4. Influx of cheap imports into domestic markets | Decline of domestic industries due to massive influx of cheap imports especially from China | Increasing volumes of relatively cheap Chinese-made products are flowing into the domestic markets, devitalizing and taking away the shares of domestic industries. |
| | 5. Government programmes for export promotion | Inactiveness of trade promotion organizations | Trade promotion organizations are not very active, in turn preventing the countries from enjoying benefits of free trade with other countries and regions. |
| | | Lack of information related to business, etc. | It is difficult to assess the status of domestic private enterprises and discover potential export products. |
| c. Implementation of Agreements | 1. Organizational / institutional aspect | Lack of authority of trade/investment divisions | Although African nations are increasingly aware of the importance of promoting trade and investment for economic development, their organizations in charge of policies and institutions related to trade and investment are positioned as a division of ministry or agency that broadly deals with economic and industrial affairs and often not given the authority to coordinate trade/investment-related matters within the government. |

| | | | |
|---|---|---|---|
| | | Lack of cooperation among government agencies | While the number of areas to be covered to ensure compliance to WTO rules continues to expand, the trade/investment divisions cannot obtain necessary assistance due to inadequate coordination among government ministries and agencies. |
| | | Lack of interaction with private sectors | Interactions and exchanges of views with private sectors are often inadequate. In addition, government trade/investment divisions rarely employ personnel with business experience. |
| | | Inadequate understanding and ability to implement the agreements | Public and private sectors alike have insufficient understanding of WTO agreements. In addition, understanding of such governmental efforts as policies, institutions, programs, domestic laws, rights, obligations that are consistent to WTO rules is also lacking. Moreover, necessary legislation for complying with WTO agreements has not been established adequately. |
| | | Apparent inconsistency with domestic systems | Organizational/personnel capacities necessary for facilitating trade and investment are inadequate. In addition, trade and/or investment procedures are unnecessarily complex and inappropriate. |
| | | Limits on meeting required standards and certification criteria | The countries' abilities to comply with the standards and certification required by export markets are limited with budgets and/or technical and human capacity based on inadequate understanding of such international framework as hygiene standards or plant quarantine. |
| | 2. Human resource aspect | Personnel shortage due to restricted finances | Because of the conditionalities imposed by international finance institutions, many African nations have reduced the number of government employees from a standpoint of minimizing expenditure. This has made it even more difficult for the personnel in charge of external trade to act promptly on WTO-related affairs, as they have a concurrent responsibility for attending matters related to regional economic integration. Personnel shortages are also prevalent among implementing agencies for certification and/or quarantine. |
| d. Negotiation Skills / Systems Enhancement | 1. Structure of negotiating bodies | Employment and deployment of personnel in charge of negotiations with WTO | Most diplomats negotiating with WTO in Geneva do not have experience in the areas of trade and investment as their previous job circulation. Also, they rarely work in these areas after the expiration of their terms. |
| | | Insufficient communication between the capital of nation and Geneva | It is a lot of possibility for diplomats stationed in Geneva to keep close contact with the trade and investment related ministries and agencies and/or private economic associations because of the barriers among different organizations. |
| | 2. Enhancement of group negotiation | Weakness of individual bargaining power and difficulty in reflecting individual situations in group negotiations | Countries with relatively weak individual bargaining power, where common views on general WTO matters as well as understanding of significance of free trade and investment have yet to be established among public/private sectors, often join such negotiation groups as LDC Group and Cotton Group in order to more effectively deal with real-time WTO negotiations in broad and diverse fields. In some cases, participation in negotiation groups could prevent member countries from pursuing their individual interests. |

## 1.4 Effectiveness of Capacity Building

In analysing the effectiveness of capacity building in developing countries including African countries, providing a brief overview of the WTO-related assistance by the developed nation is useful.

### (1) IF and JITAP

The assistance towards WTO-related assistance can be tracked down to the Integrated

Framework (IF), mentioned earlier. The IF, that was first mandated by the WTO Singapore Ministerial Conference in December 1996, was a joint program by the WTO, UNCTAD, International Trade Centre (ITC), the UNDP, the World Bank and the IMF, designed to (i) help LDCs fulfil WTO requirements and to ensure compatibility of laws with WTO commitments, (ii) assist in devising strategies to benefit from the Uruguay Round agreements and to ensure conformity to its results, and (iii) enhance capacity of LDCs to analyse trade policies and problems. One of the main achievements of the IF was the development aspects of trade, that is, IF was at the forefront of the getting developing countries to include "trade" in "development", through the Poverty Reduction Strategy Paper (PRSP).

At the same time, in 1998, the three organisations, namely, the WTO, UNCTAD and the ITC, established the Joint Integrated Technical Assistance Programme (JITAP) to help African countries benefit from the Multilateral Trading System created after the Uruguay Round and has become one of the main pillars of the current African assistance. JITAP aims to (i) create national networks of trainers and experts in WTO-related issues, (ii) to develop an internet-based capability to allow African countries to maintain contact with specialists in Geneva, (iii) to create a series of "Modules (device to strengthen production capacity)" that all recipient countries can use. The Programme emphasises the areas of (i) trade negotiations, implementation of trade agreements, and trade-related policy formulation, (ii) a national basic knowledge base on the multilateral trading system, and (iii) strengthening of supply capacity and market knowledge of exporting and export-ready enterprises to benefit from business opportunities presented by present and future trade liberalisation. Currently 13 donors (including Japan) are contributing approximately US$ 10 million in assisting countries including 16 African countries and this programme is in place until 2006.

### (2) International Efforts for Trade-Related Capacity Building

In the Doha Ministerial Declaration, strengthening of technical assistance or capacity building is prioritised and for example, the further use of IF or JITAP were advocated. In the background of this move, capacity building was recognised as being important for developing countries including Africa in order to participate fairly in the global economy. The needs of capacity building were many and varied, and the importance of it undeniable. The enhancement of the capacity building activities and the increase in this issue being taken up in negotiations have been helped by the recognition of its importance in developing countries as well as the developed nations. The World Bank has been an important actor in capacity building. This is apparent partly because of the increased understanding that trade is necessary for development. In addition, at the bilateral level, there is a wide range of capacity building programmes by developed nations in order to assist the formulation and implementation of policies and institutions aimed to develop trade, or more concretely, the product development for export. The information on the activities of each donor in the area of trade-related capacity assistance can be obtained through a database complied and maintained jointly by the OECD and WTO (TCBDB: Doha Development Agenda Trade Capacity Building Database).

Generally speaking, technical assistance and capacity building (TACB) in trade policies, negotiations and legal implementation often takes the form of seminars, workshops and training programmes. Many international agencies, such as the WTO, UNCTAD, World Bank, IMF, and aid organisations in donor countries, such as the United States and the European Union are involved in the TACB, but challenges remain both from the perspective of quality and quantity, in trying to carry out assistance that African countries truly desire.

### 1) WTO

WTO runs an array of assistance programmes, which can roughly be separated in two, namely, regional seminars and national seminars. The regional seminars aim to cover the contents of the DDA (especially since July 2004), and the issues associated the Agreement. The seminars are run in association with other organisations, such as the SADC, SACU and African Development Bank. However, due to the nature of these seminars, the seminars deal with three Agreements in a span of between three days to one week. Therefore, in general, the regional seminars only are able to cover the basic overviews. The national seminar in general is held based on a request from countries. In addition, for the past three years, there have been plans to hold a Needs Assessment, based on the idea that it is important to identify the needs. The financial resource for these national seminars is the Doha Development Agenda Global Trust Fund (DDA GTF)[3], which was established in 2001.Through the WTO's Institute for Training and Technical Cooperation, approximately 400 technical cooperation plans are drawn up every year and are carried out (Over the two years between 2002 and 2003, Japan has made a financial contribution of approximately 2.31 million Swiss francs (approximately 160 billion yen)). Developing countries are able to request up to two and LDCs up to three assistance programmes a year. Some of the problems cited for the programmes implemented by WTO are that they tend to be single isolated seminars, and the programmes take a centralised approach, and are not suited for the environment and

[3] GTF is a fund set up in the WTO following a call for long-term means of securing finance for technical assistances at the Doha Ministerial Declaration.

the needs of the beneficiaries[4].

In addition, WTO operates short and medium term foreign trade policy courses in and out of Geneva, and also offers remote education system, internship program and capacity building mainly in the area of legal consultation. The focuses tend to be in the implementation of the agreement, utilization of the system and enhancing negotiating skills. WTO works in collaboration with other international organizations, for example through the assistance of JITAP with the ITC and UNCTAD, and the IF. Recently, WTO has emphasised the interactive approach. In addition, as regards to the concerns for maintaining sustainable human resources, the Netherlands Trainee Program, a 2 million Euros programme by Netherlands to post officials from developing countries to the WTO secretariat as trainees for 10months is noteworthy. The General Council of WTO developed this program, and the trainees from LDCs are about 30 people at present and two thirds of them are from Africa.

### 2) UNCTAD

UNCTAD has implemented assistances related to the trade negotiation areas since GATT-Tokyo Round era, and it remains to play a key role in WTO-related capacity building. It has recently introduced technical assistance tools like "positive agenda[5]"and "commercial diplomacy programme[6]". UNCTAD is trusted for its emphasis on the interests of the developing countries.

### 3) IMF

IMF has implemented aid programmes to secure trade finance especially in times of financial crises in developing countries. Since 2004, under the framework of the Trade Integrated Mechanism (TIM), IMF has established funds for implementing adjustment supports in respect to the decrease of trade preferences in low-income countries. This is mainly in the form of loans, given for the damages to the international payments caused by the decrease of trade preferences.

### 4) World Bank

World Bank has been strengthening trade-related assistance activities. In addition to the assistance through the framework of the IF and JITAP, its activities include trade-related loans, assistance in the reforms of national policy, assistance in institution-building, training of officers and specialists on policy formation and analysis.

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[4] UNDP, "Changing the Power Balance at the WTO: Is the Capacity-Building Agenda Helping?", Human Development Report Office Occasional Paper

[5] Support towards active (not passive) participation in trade negotiations by developing countries.

[6] This programme was established for the enhancement of negotiation capacity in developing countries.

### 5) European Union (EU)

In response to the DDA, EU announced a Communiqué regarding its strategies for trade-related assistance, and this has remained as the basis for its assistance policies. In 2001-04, European Commission (EC) and its members contributed 4,974 million euros in trade-related assistance (trade policy regulations and trade development assistance), which amounts to over 50% of all bilateral assistance[7]. EC's bilateral assistance focuses on assistances to the ACP countries, founded on the Cotonou Agreement. It emphasises the compliance to TRIPS and trade facilitation.

### 6) United States (US)

The United States have increased assistance in the trade area, and its contribution in this area reached US$ 1,342 million in 2005. Traditionally USAID had been the main provider of the US capacity building assistance, but assistance from other US governmental organisations (for example, from the USTR) has been on the increase. The main areas of assistance are in WTO accessions, implementation of WTO agreements, trade facilitation, human resources development and labour standards, development of banking sector, governance, infrastructure, and agriculture development. In 2005, US$ 36.7 million were provided in the area of WTO awareness, accession, participation, but due to stronger emphasis on development of good trade environment, there is a marked increase in economic infrastructure and assistance aimed purely towards WTO agreements only constitutes 2.7% of its total assistance.

[7] However, this figure includes cooperation programme of broader scope, where the programme's main objectives were not on TRTA.

# 2. Present Situation and Challenges of Implementation and Negotiations of WTO Agreements in Africa of Selected Countries

For this Study, two field studies were conducted: once from February to March; and another in June in 2006. The objectives for the field study were to verify the findings from the literature research and to understand the actual situation that cannot be obtained purely from available literatures. The field study was conducted in Geneva, Switzerland where the relevant organisations for the Study are concentrated, and in six African counties, namely, Kenya, Zambia, Malawi, Rwanda, Senegal and Mali. These countries were selected on the basis that firstly, they are members of the WTO, and secondly they represent a balance from the aspect of geographical locations (these counties are located in the eastern, western and southern parts of Africa) and from the aspects of relative power within Africa.

## 2.1 Kenya

### 2.1.1 Current Status and Issues of the Institutional Framework

#### (1) Development and Implementation of Domestic Laws Related to WTO Agreement

#### 1) Tariffs

Kenya joined the WTO on January 1, 1995 (it joined GATT on February 5, 1964), and is also a member of the Common Market for East and Southern African States (COMESA) and the East African Community (EAC), both of which are economic communities.

<Common Market for East and Southern African States>

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|---|
| It is the largest African economic community established in 1994, which is a reorganized form of the Preferential Trade Area for Eastern and Southern Africa (PTA) that was established in 1991. There are currently 18 member countries: 1)Eritrea, 2)Djibouti, 3)Ethiopia, 4) Uganda, 5) Rwanda, 6) Burundi, 7) Mauritania, 8) Malawi, 9) Zambia, 10) Zimbabwe,11) Swaziland, 12) Sudan,13) Seychelles, 14) Comoros, 15) Madagascar, 16) Egypt, 17) Congo-Kinshasa, 18) Kenya. In October 2000, 9 countries, Djibouti, Mauritania, Malawi, Zambia, Zimbabwe, Sudan, Madagascar, Egypt, and Kenya, established a free trade zone, and Burundi and Rwanda joined it in 2004. Their goal is to establish a common external tariff by 2008, and to plan to establish a common market through the promotion of the liberalization of trade, capital, and transfer of labour. Also, Lesotho, Mozambique, Tanzania, and Namibia withdrew from COMESA |

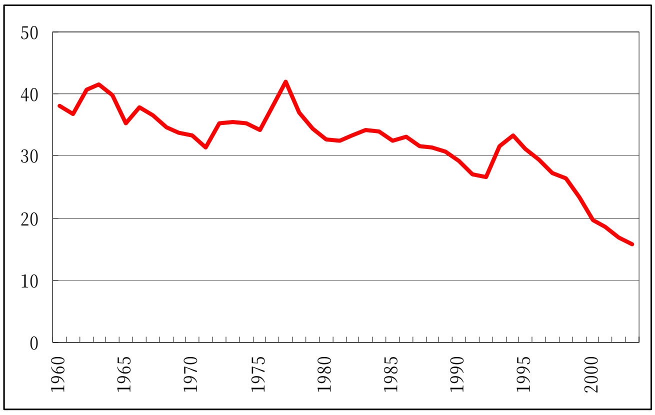
to avoid double membership with the Southern African Development Community (SADC). In addition, Angola is suspending its membership.

<East African Community>

Negotiations were made in 1996 to re-establish an economic community that was dissolved in 1977. A treaty was concluded in November 1999 (the treaty became effective in July 2000), and implemented an introduction of common external tariff in January 2005. The community already implemented mechanisms for prevention of double taxation, simultaneous announcement of budgets, currency exchange linked to a non-US dollar currency, issuance of common passports, and others, and plans to establish a monetary union. Burundi and Rwanda are applying for their membership now, and working to form a political union by 2013.

Although Kenya is shifting from an agricultural country to become an industrial country, it can still be considered as an agricultural country. This is clear from the fact that approximately 75% of the labour population is engaged in agriculture-related sectors, but its share of total value added as a percentage of GDP was over 30% until 1989, which was down to a 20% level, and was 20% from 1993 except in 1995, and was lower than 20% in 1999. In 2003, it was further reduced to 15.8%.

Kenya's Agricultural Value-Added as a Percent of GDP (%)




Source: World Bank (2005), World Development Indicators

Under the current situation, Kenya imposes a high import tariff and value-added tax (VAT), particularly in the agricultural sector. These are frequently said to be non-tariff barriers. Also, Kenya's import regulations against farm products are frequently revised due to political factors and fluctuations in the domestic supply and demand situation, mainly arising from the weather factor.[8] Also, the import-related laws are stipulated in

[8] Kenya's average economic growth rate was 8.2 percent from 1971 to 1980, 4.1 percent from 1981 to 1990, but was

the Export and Import Law (Cap 502), the Tariff Law (Cap 472), and the Financial Law that becomes effective every year after the national budget is approved.

Kenya's tariff system is comprised of (a) import duties (taxed on CIF price of imports), (b) commodity tax (taxed on total of CIF price plus import duties,) and (c) VAT (taxed on total of CIF price, import duties, and commodity tax), in principle, under the supervision of the Kenya Revenue Authority (KRA). Import duties are based on an ad valorem method, such as (a) import duties for materials: 0 percent for raw materials, 10 percent for intermediary goods, 25 percent for finished goods, (b) commodity tax rates are different depending on goods, and (c) VAT is 16 percent in principle.

A preferential intra-regional tariff is applied on the products produced in COMESA based on the trade agreement under approval of certificate of origin by the Department of External Trade and others, and a tariff is not imposed on the products produced in the EAC with some exceptions.

### 2) Customs Evaluation

Kenya is a signatory of the Customs Valuation Agreement, and therefore the sales and purchase prices are used for the evaluation of goods imported from WTO member countries, but it is said that consistency and certainty are not maintained. Also, in view of the claims of delays in the customs clearance because of preciseness, rigidity, and inflexibility, KRA introduced an electronic clearance system that uses the SIMBA2005 Customs Software in Mombassa in September 2005. However there are new problems such as an inefficient implementation system, insufficient processing and implementation ability, and inappropriate sharing of information due to a lack of training for the new system. Thus, the problem of delayed customs clearance is far from being solved. In addition, an inspection agency that is given the authority to follow a new Pre-shipment Verification of Conformity (PVC) Program is conducting the customs evaluation and risk assessment, but its achievement and evaluation are not determined

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down to 1.9 percent from 1991 to 2000. Particularly, the latter half of 1990 was stagnant. This was mainly due to 1) drought since the latter half of 1996, 2) agricultural production as the major industry was affected by flood damage arising from the El Niño phenomenon of 1998, 3) a decline in the number of tourists due to a deterioration of security, 4) loans from the IMF and the World Bank were suspended in July and August 1997, respectively, and funds inflows from the major donor nations were down. Also, in 2000, the GDP growth rate deteriorated to minus 0.2 percent due to drought since 1999 and rolling blackouts associated with it (September 1999 through January 2000). As shown above, the fate of agricultural production affects its national economy greatly. This is clear if you look at the macro-economic trend afterwards. Namely, the GDP growth rate in 2001 recovered to positive growth of 1.1 percent, which was maintained at 1.1 percent in 2002 despite negative external factors, such as a spike in oil prices, and the economy showed stable recovery at 1.8 percent in 2003. Furthermore, as the loans from the IMF and the World Bank resumed from November 2003, funds from the major donors have increased. Since there were recoveries in the agricultural sector, mainly of garden products and tea, with relatively much rain in 2003, and in the tourism sector due to improvements in security, the GDP growth rate in 2004 showed 4.3 percent. However, there was a background of abolishment of the VAT and tariffs on a certain amount of imported corn, to respond to a serious food shortage of 2004.

yet.

### 3) Inspection before Shipment

Concerning a prior inspection (inspection before shipment), until 28th September 2005, it was required to obtain an approval certificate from the designated inspection agency through a prior inspection (inspection before shipment) of price, quantity, and quality, submitting an import declaration, if the FOB price of imports is over 5,000[9]. However, in 29th September 2005, the government introduced the PVC Program, and only those imports that have the "Certificate of Verification of Conformity" which shows that the conformity is verified before the shipment in the exporting country, are allowed. The subject items are classified as follows: (a) all second-hand products, (b) foods and agricultural products, (c) chemical products, (d) fuel and petrol products, (e) textiles and textile products, (f) footwear, (g) toys, (h) electric appliances, (i) machinery[10]. Importers are required to have an inspection by a private agency to comply with the PVC program designated by KEBS (Kenya Bureau of Standards) .[11] If the imported goods are landed without such a certificate, they must pay an inspection fee of 15 percent of the CIF value, and the goods will be held until the above conformity is verified. However, as before, it is generally suspected that the new initiative will be successful because sufficient and practical information of the new system is not provided to the customs officers at the site.

### 4) TBT

The most important point concerning Kenya's conformity verification is the establishment of a guideline for biotechnology in the agricultural sector. It has ratified the Cartagena Protocol on Biosafety.

As mentioned earlier, in Kenya, fluctuations of natural environmental conditions, such as weather, greatly affect not only the stable supply of foods but also the macro-economic trend, and therefore it is urgently necessary to secure the production of agricultural products that are (a) safe, (b) functional, (c) resistant to changes in weather, (d) environmentally friendly, (e) possible to increase productivity. Research and development is actively conducted to commercialize variety using biotechnology, however, such efforts are regulated by a guideline only, and the laws and regulations are

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[9] Import was approved with submission of an import declaration only if the amount was less than 5,000 dollars.
[10] Among raw materials and half-finished products, only those that will change its quality in certain manufacturing processes are excluded.
[11] When exporting to Kenya from Japan, the Intertek Testing Services that is assigned by KEBSis the agency to issue the Certificate of Verification of Conformity. Also, the Japan Auto Appraisal Institute is supposed to inspect used cars for export to Kenya, as before.

not developed. Under the current guideline (issued in 1998), the Biosafety Committee is responsible for the evaluation and approval of the import of biotechnology, but a fairly large amount of agricultural products produced using biotechnology are imported, particularly through food aid. The genetically modified products using biotechnology are allowed for purchase. For instance, it imports a large amount of corn from South Africa, where biotechnological variety is commercially available.

Also, some of the biotechnology standards of Kenya do not match international standards, which is a negative factor for trade and investment in Kenya. The Kenya Plant Health Inspectorate Service (KEPHIS) requires inspections on imported agricultural products, and it restricts plant trade and biosafety-control-organism trade.[12] More specifically, a license for the import of plants and a certificate of quality are required before agricultural products are imported. In addition, genetically modified agricultural products are required to indicate such fact and the details in the plant quarantine certificate. A certificate of analysis issued by an inspection agency, such as a reliable research laboratory, is also required.

Furthermore, KEPHIS is to conduct a prior inspection on the hybrid grains that were commercially produced, which will be allowed to go to the market after an evaluation based on three years of inspections. The Ministry of Agriculture imposes restrictions on the import of grains setting maximum quantity limits. However, once a grain seed is approved, such limits are lifted. There are many opinions in the industrial circle that say it takes very long time to obtain approval and is restrictive.

### 5) Government Procurement

In Kenya, corruption is regarded as obstacle to economic development. The current administration was established in January 2003, with the elimination of corruption that was widespread under the former administration, as one of the campaign promises. Kenya is not a signatory of the WTO Government Procurement Agreement, but it established the Public Procurement and Disposal Act (PPDA) in 2005, and set up the Public Procurement Oversight Authority (PPOA) on January 1, 2006.[13] At the same time, the Oversight Advisory Board was established to implement transparent and accountable government procurement, assigning nine committee members by the finance minister, but nevertheless, there are many opinions that the operations of the PPOA itself are still not transparent. Under the PPDA, it is possible to conduct

[12] Agricultural products require special handling to avoid being released into the environment by mistake.

[13] Under PPOA, criminal punishments are imposed, and in case of an individual person, a penalty of 4 million Kenyan shillings (approximately 52,000 dollars) or three years of imprisonment, or both, and in case of a corporation, a maximum penalty of 1,000 shillings（approximately 130,300 dollars） is imposed.

restrictive bidding where only pre-qualified bidders can participate, such as (a) Kenyan government corporations and corporations wholly-owned by private shareholders, (b) bid projects with undecided project amounts, (c) projects with particularity, (d) projects which require time and cost for the bidding process. While the above restrictions are imposed at the entry, the Central Tender Board is obligated to announce the result of bids, and if a participation to bid is declined, it must show the reason.

### 6) TRIPS

Kenya is a member of the major international and regional intellectual property rights agreements, such as the World Intellectual Property Organization (WIPO), the African Regional Industry Property Organization (ARIPO), the Paris Convention for the Protection of Industrial Property, and the Berne Convention on the Protection of Literacy and Artistic Works. Also, the Kenya Industrial Property Act (revised), a domestic law which became effective in 2001, is an enforcement law based on TRIPS. In 2004, a revised trademark law became effective to comply with the Madrid Protocol adopted on June 27, 1989, under the Madrid Agreement on International Registration of Trademark".

The Kenya Revenue Service Agency announced in June 2004 through a newly established anti-counterfeit products bureau, that the estimated loss caused by uncollected tax due to illegal trade amounted to 20 billion shillings (approximately 256 million dollars). Major counterfeit products are imported medicine, shoes, fabrics, stationery, tires and tubes, batteries, shoe cream, soups, and detergents. Also, concerning copyrights in Kenya, tape and video recordings of voices, broadcasting programs, literary, musical, and artistic audio-visual products are protected by the copyright law under the supervision of the copyright committee. An intellectual property rights protection group is established mainly by the artists and entertainers involved in copyright in Kenya, to appeal for increased awareness for intellectual property rights, and protection and fair implementation of such rights. Reflecting such movements, under a copyright infringement lawsuit between Alternative Media Limited and Safaricom Limited, the Higher Court made a judgment in favour of a plaintiff for the first time in Kenyan history in October 2005.

### 7) GATS

Kenyan individuals and corporations providing services are treated equally whether domestic or overseas. And a particular concern for discussion is the telecommunications business. Kenya's telecommunications business is dominated by three state-run organizations of the Telecom Kenya that dominates fixed phone lines service, the Communications Commission of Kenya (CCK) that supervises telecommunications business, and the Postal Corporation of Kenya. Telecom Kenya's services are limited to 280,000 land-based communications lines. In January 2005, the Kenyan government abolished Telecom Kenya's dominance over the very small aperture terminal (VSAT) and the Internet band, and approved more than one company to enter the business to promote competition with Telecom Kenya. Also, in July 2004, the government suspended the proceedings for competitive bidding of the business license for the second national phone operator (SNO) of fixed phone line service, but it appears that CCK will resume the bidding process for the business license. In addition, the government proposed major telecommunications reforms through the New National Information and Communication Technology Policy announced in the latter half of 2005, which included the reorganization of Telecom Kenya before its long-delayed privatization. In mobile communication, Safaricom (a joint-venture between Telecom Kenya and Vodafone) and Centel (a joint-venture between Vivendi and Sameer Investment) are permitted to provide services. If both companies are combined, the total number of users will exceed 5 million as of December 2005. The number-three mobile phone company, Econet Wireless, that obtained a mobile phone business license in 2003, is yet to initiate its operations, and is in a lawsuit with the government now. More than 70 Internet service providers (ISP) are registered, but less than 20 providers are actually providing services. Also, there are 14 public data network operators, and 6 hub operators of VSAT (very small aperture terminal). Shareholding of ISP by foreign investors is limited up to 40 percent.

### (2) Organisational Structure and its Efforts

For the first time, there are three personnel in the Geneva representative office who handle the WTO negotiations. They are basically interested in all matters, since the single undertaking method was introduced at the Uruguay Round. This is to avoid facing the issues and problems of the Round in future again. In particular, they are involved in the negotiation from the viewpoint of what impacts will the agriculture negotiations have on domestic agriculture, and what impacts will the NAMA negotiations have on the development of the domestic industry.

For Kenya, understanding of the WTO by the trade-related ministries other than the Ministry of Trade and Industry (e.g., Ministry of Finance, Ministry of Agriculture) is considered insufficient. It is necessary to improve their understanding and institutional capacity in view of the necessity to reflect the WTO Agreement on the domestic legal structure. Additionally, there exist problems such as the development of trade data (to measure the impact of tariff cuts), development of the domestic legal structure and research authorities concerning trade remedy measures (AD, SG, CVD), and training of personnel who enforce laws. For these problems, training-program-type capacity-building that is frequently conducted is not sufficient, and an understanding of actual operations concerning implications to the economy is necessary. Understanding of the WTO terminology by the ministries concerned and the industrial arena is not satisfactory, and it is necessary for them to understand it better. For non-tariff barriers (NTBs) related to SPS and TBT to be identified, trade promotion with involvement from both political and industrial levels is required since the government cannot alone gather information without the private sector's knowledge in the field. When these issues are considered, human resources of the country are insufficient and a continuous training is necessary. In particular, there are such issues as a lack of specialists in TBT and SPS, and a lack of testing agencies, and trade promotion involving the industrial arena. At the same time, delays in customs clearance for exports and imports need to be improved.

It is a fact that human resources in Kenya are limited, and as there are many negotiation subjects and matters in Geneva, attendance in all is not possible for overlapping meetings. Therefore, the 10 months internship system funded by Holland has more benefits in increasing human resources for example than conducting seminars for several weeks, especially since it also has the benefits of improving capacity through on-the-job training. Although it is important to investigate and study the impact of negotiation items, it is a major issue that such capacity is not available. Considering the above, it is desirable to establish a research institute to investigate and study the African region.

So far Kenya has received such assistance activities as the WTO trade policy course (three months), a regional seminar, a national seminar, assistance from UNCTAD in policy implications, and Canada's International Laws and Economist against Poverty that focuses on the Sub-Sahara region. Particularly, the WTO's JITAP is evaluated as highly beneficial. Kenya was the first beneficiary country of JITAP, and has benefited from it in understanding the impact of the Agreement and the domestic market. On the other hand, there are unsuccessful cases. For example, the WTO dispatched a specialist to Kenya between 1996 and 1997, to formulate a draft of the law related to trade remedy measures. However the law was so detailed in the provisions, that the draft became longer than the Kenyan Constitution. This draft was sent to the Chamber of Commerce, but for the most part was ignored as it was longer than the Kenyan Constitution, and it became insubstantial. Also, concerning trade remedy measures, it once considered issuing a safeguard against imports from South Africa, but there were no domestic rules. Additionally, the cost to use the dispute settlement process is considered to be very high.

Therefore, assistance based on the full understanding of the situation is requested.

### 2.1.2 Current Status and Issues of Trade Policies

#### (1) Position of Trade Policy in Development Strategy

The medium-term economic development strategy announced by the Kenyan government in 2004, entitled "Investment Programme for the Economic Recovery Strategy for Wealth and Employment Creation: 2003 – 2007 (IP-ERS)"[14] argues that (a) export promotion is imperative for the sustainable growth of the Kenyan economy, (b) establishment of the structure for policies and system for exporters is necessary from the viewpoint of improved international competitiveness, (c) the Kenyan economy has been greatly opened under the trade liberalization since the beginning of the 1990s, and the liberalization is ongoing through such regional economic integration as COMESA and EAC, and such measures have been taken to liberalize trade further as the review of licensing, provision of market information to manufacturers, finding new markets, improvement of Kenyan products' quality, reduction of non-commercial risk, holding of trade fairs and promotion of AGOA.

#### (2) Major Export and Import Policy and System

The core of Kenyan export promotion policy and system is the Export Processing Zones programme by the Export Processing Zones Authority (EPZA). The Kenyan government introduced the Export Processing Zones programme in 1990, to shift its economy from an import-substitution-type to an export-driven-type. The objectives of the introduction of the program are to integrate the global supply chain with Kenya

[14] Originally, ERS was formulated as PRSP, and after additions and revisions, IP-ERS (Investment Programme for the ERS) was formulated in March 2004, which was submitted to the IMF and the World Bank in May 2004, and was supported as PRSP. Development issues under the original ERS were as follows: (i) Fostering of human resources: free primary education, curriculum review to reduce economic burden, training teachers, formulation of curriculum matching supply-and-demand of the labour market, (ii) Agricultural development: dissemination of agricultural development research and new technology, establishment of micro-finance institutions, development of irrigation facilities, strengthening of cooperative unions, enhancement of irrigation facilities to promote dry and sub arid areas' agriculture and livestock farming, promotion of road development, etc. (iii) Economic infrastructure development: infrastructure development to promote private investment, economic growth, job creation, etc. (particularly, repair and development of major highways, regional roads, railroads, air traffic networks, communications, energy, and others), (iv) Healthcare and medical: healthcare program for HIV/AIDS patients, setting up curriculum for HIV/AIDS in school education, revision of the health insurance system in consideration of the benefits of the socially vulnerable, repair of medical-related equipment, improvements in procurements and distribution of medicine, etc., (v) Environmental conservation: establishment of a public corporation accountable for water supply services, promotion of private sector participation, development of a water supply model in regional poor areas, forestation program and environmental pollution control, raising awareness for environmental issues through environmental education, etc.

through EPZ, to create employment, to diversify and expand exports, to increase productive investment and technology transfers, and to establish a linkage between EPZ and the domestic economy, through inducement of export-oriented investments. This programme contributed in establishing more than 40 EPZs, in creating nearly 40,000 jobs, and an estimated 10.7% of exports.

Companies using EPZ are exempt from tariffs and VAT for imports of raw materials and other materials, and are eligible for a 100% investment allowance for plants, machinery, equipment, and buildings. Also, companies operating in the Export Processing Zones (EPZ) are exempt from withholding tax imposed on the dividends and salaries of non-residents for the first 10 years, and import tax imposed on machinery, raw materials, and intermediate inputs. In addition, companies in EPZs can sell no more than 20% of products in the domestic market, but every applicable tax is imposed on such sales, and a 2.5% surcharge is imposed. There are no preferential loan systems, but they are eligible for borrowing with interest rates lower than the market interest rates. This is provided to promote investment and export in tourism and tea sectors by the government development ministries and agencies.

The EPZA provides detailed information through its website (http://www.epzakenya.com/index.php) on the following 16 key sectors for domestic and foreign investors: (i) dairy products, (ii) fishing, (iii) jewelry goods, (iv) grains, (v)garden products, (vi)clothing and textile products, (vii) ICT, (viii) medicines, (ix) insect flowers, (x) sisal fibre, (xi) sugar, (xii) meat products, (xiii) tea and coffee, (xiv) beer, (xv) vegetable oil, and (xvi) wood and wooden products.

### 2.1.3 Trade Environment and Major Trade Items

#### (1) Trade Environment

To promote trade, Kenya’s Ministry of Trade and Industry (MTI) indicated the factors preventing trade facilitation as follows, and it plans to implement or has implemented policies and system to improve them. First, there is insufficient capacity of the staff of various institutions working for the facilitation of trade (customs, quarantines, and inspections). In particular, the insufficient capability of staff and middle managers at the site is serious. Second, bureaucratic procedures require huge time spent by the above mentioned institutions. Third, there is insufficient communications among those institutions. Fourth, there is a lack of transparency in procedures. Fifth, submission of unnecessary documents is required. Sixth, there is insufficient training and a lack of IT capability. Seventh, there is insufficient coordination among those institutions concerned. Eighth, unnecessary time is spent on inspections. Ninth, unnecessary work is carried out to generate tariff revenues. Tenth, infrastructure is insufficient. This will include not only such infrastructure as a port facility and a cold storage warehouse, but also insufficient ability of inspection equipment and the staff of inspection institutions, and necessary information.

Most of the import restrictions were eased when the import control ordinance was abolished in 1994, but there are 13 restricted items, as follows from the viewpoint of security, health, and environment: (a) forged notes or coins, (b) yellow phosphorus match, (c) national flag with Kenya's emblem or goods using Kenya's emblem without permission, (d) goods promoting sales of treatment drugs or instruments for tuberculosis, cancer, sexually transmitted diseases, and sexual disability, (e) distilled beverages that contain health-hazardous essential oil or chemical products, (f) products that try to give a special impression of Kenyan products using the names of Kenyan makers, dealers, locations, addresses, and trademarks despite the fact that they are not Kenyan products, (g) unauthorized tear gas, and tools to blow out similar lachrymatory materials or tear gas, (h) unauthorized weapons, explosives, or toys similar to those, (i) postal meters, (j) traps capable of killing or catching animals, (k) goods with budges, medals, and emblems of boy scouts or girl scouts, (l) sound reduction tools or silencers attachable to small firearms stipulated in the firearms law, and (m) unauthorized unprocessed precious metals or precious metals. There are no particular restricted countries or areas for imports to Kenya, but this may be changed when the government authorities issue a warning for diseases transmittal via human bodies or domestic animals.

<Reference: Kenya's Investment Climate>

Kenya's investment barriers are made clear by the policy proposal on development of investment climate (the so-called Blue Book) issued by the Japan Bank for International Cooperation (JBIC) jointly with the UN Conference on Trade and Development (UNCTAD) in June 2005. This proposal is based on the Japanese government's African assistance measures, and its objectives are the "Realization of poverty reduction through the economic growth of each country", the "Acceleration of regional integration based on the East African Tariff Union" established in January 2005, and others through the promotion of direct investment by Japanese companies to Uganda, Kenya, and Tanzania, the three countries that had been subject to the study. The Blue Book proposed action plans for each country that are important for the development of the investment climate, and can be implemented within a year, such as (a) formulation of a development strategy for a comparative advantage industry, (b) establishment of business linkage with small and medium sized companies, (c) provision of one-stop service to new investors, and others. In addition, it proposed the following two actions as action plans that are common in the three countries from the perspective of trying to promote regional integration through the East African Community (EAC) framework: (a) conclusion of a treaty for the prevention of double taxation in the region, (b) issuance of a common business visa in the region.

7 proposals for Kenya were as follows.

Action Plan (a): Liberalization of Foreign Capital Investment under Investment Promotion Act

Under the current Investment Promotion Act, it is required that the minimum amount of new foreign capital investment is 500,000 dollars, and to undergo a screening concerning national interest by the Kenya Investment Authority, which are *de facto* foreign capital regulations.

Action Plan (b): Review of Foreigner's Working Visa Acquisition Process

Under the current Immigration Law, a working visa for foreigners is issued if it is confirmed that "the employment of the subject foreigner is beneficial for Kenya", but there is no clear guideline.

Action Plan (c): Setting Deadline for Refunds of VAT by Kenya Revenue Authority and Payment of Penalty

Refund of VAT to foreign companies is delayed due to the Kenya Revenue Authority's lack of budget for VAT refunds, and slow operational processing by the employees.

Action Plan (d): Introduction of Guideline for Application of Purchase and Sale of Agricultural Land by Foreign Investors

Under the current Land Management Law, foreign companies are allowed to trade agricultural land exceptionally if the presidential approval is obtained, but there is no clear guideline.

Action Plan (e): Development of Kenya Investment Authority's Comprehensive Aftercare Service System for Existing Investors

Comprehensive aftercare service (assistance after starting operations, and problem-solving) for existing investors is not provided in Kenya, despite the fact that the existing investors are a source of new investment.

Action Plan (f): Major Companies' Participation (at lease 10 foreign companies) to Business Linkage Project with Small and Medium-Sized Companies

The Business Linkage Project is useful for strengthening the competitiveness of small and medium-sized companies, creating employment, and for cost-reduction through providing information on foreign companies' needs to local companies, but is not conducted in Kenya.

Action Plan (g): Introduction of Benchmark for Domestic Manufacturing

It is necessary for Kenya's manufacturing to improve productivity in relation to the manufacturing of such other countries as India, China, and others, but the benchmark to properly access their own performance is not introduced yet.

### (2) Major Trade Items

Kenya is an agriculture country producing mainly coffee, tea, horticulture, etc. and its economy has been driven by production and exporting of agricultural products, aggressive pursuit of foreign investment and capital investment, and assistance in the agriculture sector. Kenya's economic activities of special note today are as follows.

## Table: Kenya's Major Trade Items (Top 20 Items) (in US$)

Export

| | 1995 | | | | 2000 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 074 | Tea and maté | 362,645,125 | 19.9% | 074 | Tea and maté | 467,059,744 | 29.7% | 334 | Petroleum oils (other than crude) | 609,103,859 | 22.7% |
| 2 | 071 | Coffee and coffee substitutes | 291,853,357 | 16.0% | 071 | Coffee and coffee substitutes | 153,914,736 | 9.8% | 074 | Tea and maté | 468,422,489 | 17.5% |
| 3 | 292 | Crude vegetable materials, n.e.s. | 107,986,677 | 5.9% | 334 | Petroleum oils (other than crude) | 123,467,856 | 7.9% | 292 | Crude vegetable materials, n.e.s | 289,331,340 | 10.8% |
| 4 | 334 | Petroleum oils (other than crude) | 102,124,816 | 5.6% | 292 | Crude vegetable materials, n.e.s. | 117,627,896 | 7.5% | 054 | Vegetables, fresh, chilled, frozen or simply preserved | 160,907,765 | 6.0% |
| 5 | 674 | Flat-rolled products of iron or non-alloy steel, clad, plated or coate | 66,191,849 | 3.6% | 054 | Vegetables, fresh, chilled, frozen or simply preserved | 103,311,232 | 6.6% | 071 | Coffee and coffee substitutes | 94,913,515 | 3.5% |
| 6 | 058 | Fruit, preserved, and fruit preparations (excluding fruit juices) | 54,002,612 | 3.0% | 278 | Other crude minerals | 37,127,000 | 2.4% | 278 | Other crude minerals | 89,701,226 | 3.3% |
| 7 | 554 | Soap, cleansing and polishing preparations | 39,748,701 | 2.2% | 034 | Fish, fresh (live or dead), chilled or frozen | 36,074,644 | 2.3% | 674 | Flat-rolled products of iron or non-alloy steel, clad, plated or coated | 64,580,268 | 2.4% |
| 8 | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 39,160,634 | 2.1% | 058 | Fruit, preserved, and fruit preparations (excluding fruit juices) | 34,139,044 | 2.2% | 034 | Fish, fresh (live or dead), chilled or frozen | 48,140,578 | 1.8% |
| 9 | 278 | Other crude minerals | 38,062,888 | 2.1% | 542 | Medicaments (including veterinary medicaments) | 29,370,888 | 1.9% | 058 | Fruit, preserved, and fruit preparations (excluding fruit juices) | 45,835,916 | 1.7% |
| 10 | 044 | Maize (not including sweet corn), unmilled | 36,308,658 | 2.0% | 893 | Articles, n.e.s., of plastics | 27,593,464 | 1.8% | 057 | Fruit and nuts (not including oil nuts), fresh or dried | 43,306,809 | 1.6% |
| 11 | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 35,273,382 | 1.9% | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 21,922,392 | 1.4% | 893 | Articles, n.e.s., of plastics | 41,602,811 | 1.6% |
| 12 | 034 | Fish, fresh (live or dead), chilled or frozen | 32,923,555 | 1.8% | 122 | Tobacco, manufactured (whether or not containing tobacco substitutes) | 20,790,336 | 1.3% | 554 | Soap, cleansing and polishing preparations | 32,095,445 | 1.2% |
| 13 | 112 | Alcoholic beverages | 27,025,989 | 1.5% | 057 | Fruit and nuts (not including oil nuts), fresh or dried | 17,463,076 | 1.1% | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 30,149,899 | 1.1% |
| 14 | 046 | Meal and flour of wheat and flour of meslin | 23,468,875 | 1.3% | 062 | Sugar confectionery | 17,397,164 | 1.1% | 122 | Tobacco, manufactured (whether or not containing tobacco substitutes) | 28,976,602 | 1.1% |
| 15 | 893 | Articles, n.e.s., of plastics | 23,235,304 | 1.3% | 554 | Soap, cleansing and polishing preparations | 17,036,784 | 1.1% | 062 | Sugar confectionery | 26,733,465 | 1.0% |
| 16 | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 22,117,171 | 1.2% | 642 | Paper and paperboard, cut to size or shape, and articles of paper or paperboard | 15,431,483 | 1.0% | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 26,366,135 | 1.0% |
| 17 | 542 | Medicaments (including veterinary medicaments) | 19,748,293 | 1.1% | 851 | Footwear | 14,967,860 | 1.0% | 542 | Medicaments (including veterinary medicaments) | 25,862,099 | 1.0% |
| 18 | 611 | Leather | 18,440,460 | 1.0% | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 11,721,531 | 0.7% | 056 | Vegetables, roots and tubers, prepared or preserved, n.e.s. | 25,180,434 | 0.9% |
| 19 | 056 | Vegetables, roots and tubers, prepared or preserved, n.e.s. | 17,094,519 | 0.9% | 059 | Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter | 11,433,731 | 0.7% | 642 | Paper and paperboard, cut to size or shape, and articles of paper or paperboard | 24,598,468 | 0.9% |
| 20 | 642 | Paper and paperboard, cut to size or shape, and articles of paper or paperboard | 17,084,053 | 0.9% | 674 | Flat-rolled products of iron or non-alloy steel, clad, plated or coated | 11,415,907 | 0.7% | 851 | Footwear | 23,080,277 | 0.9% |
| Total | | | 1,825,996,055 | 100.0% | | | 1,570,996,480 | 100.0% | | | 2,683,206,193 | 100.0% |

Import

| | 1995 | | | | 2000 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 333 | Petroleum oils and oils obtained from bituminous minerals, crude | 232,887,689 | 13% | 333 | Petroleum oils and oils obtained from bituminous minerals, crude | 340,598,592 | 11.8% | 333 | Petroleum oils and oils obtained from bituminous minerals, crude | 545,066,177 | 11.9% |
| 2 | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s. | 167,415,454 | 9% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s. | 287,187,424 | 9.9% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s. | 531,581,179 | 11.6% |
| 3 | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 133,014,229 | 7% | 716 | Rotating electric plant, and parts thereof, n.e.s. | 107,102,864 | 3.7% | 673 | Flat-rolled products of iron or non-alloy steel, not clad, plated or coated | 169,921,370 | 3.7% |
| 4 | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 125,653,870 | 7% | 041 | Wheat (including spelt) and meslin, unmilled | 91,059,840 | 3.1% | 892 | Printed matter | 155,138,170 | 3.4% |
| 5 | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 124,321,612 | 7% | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 88,375,608 | 3.1% | 562 | Fertilizers (other than those of group 272) | 150,408,374 | 3.3% |
| 6 | 673 | Flat-rolled products of iron or non-alloy steel, not clad, plated or coated | 115,367,509 | 6% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 83,883,672 | 2.9% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 137,060,110 | 3.0% |
| 7 | 581 | Tubes, pipes and hoses, and fittings therefor, of plastics | 65,267,081 | 4% | 562 | Fertilizers (other than those of group 272) | 71,500,144 | 2.5% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 125,178,303 | 2.7% |
| 8 | 542 | Medicaments (including veterinary medicaments) | 62,690,451 | 3% | 792 | Aircraft and associated equipment; spacecraft (including satellites) and spacecraft launch vehicles; parts thereof | 70,322,680 | 2.4% | 792 | Aircraft and associated equipment; spacecraft (including satellites) and spacecraft launch vehicles; parts thereof | 107,419,974 | 2.4% |
| 9 | 728 | Other machinery and equipment specialized for particular industries; parts thereof, n.e.s. | 55,139,248 | 3% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 61,681,232 | 2.1% | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 104,608,016 | 2.3% |
| 10 | 041 | Wheat (including spelt) and meslin, unmilled | 45,035,386 | 2% | 044 | Maize (not including sweet corn), unmilled | 61,222,312 | 2.1% | 542 | Medicaments (including veterinary medicaments) | 99,101,734 | 2.2% |
| 11 | 562 | Fertilizers (other than those of group 272) | 44,322,434 | 2% | 542 | Medicaments (including veterinary medicaments) | 60,614,060 | 2.1% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 95,268,271 | 2.1% |
| 12 | 641 | Paper and paperboard | 41,929,777 | 2% | 673 | Flat-rolled products of iron or non-alloy steel, not clad, plated or coated | 60,108,736 | 2.1% | 041 | Wheat (including spelt) and meslin, unmilled | 83,830,321 | 1.8% |
| 13 | 784 | Parts and accessories of the motor vehicles of groups 722, 781, 782 and 783 | 41,745,034 | 2% | 571 | Polymers of ethylene, in primary forms | 43,251,824 | 1.5% | 571 | Polymers of ethylene, in primary forms | 80,051,534 | 1.8% |
| 14 | 571 | Polymers of ethylene, in primary forms | 40,959,854 | 2% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 36,659,456 | 1.3% | 641 | Paper and paperboard | 64,323,522 | 1.4% |
| 15 | 792 | Aircraft and associated equipment; spacecraft (including satellites) and spacecraft launch vehicles; parts thereof | 39,800,771 | 2% | 591 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (e.g., sulphur-treated bands, wicks and candles, and fly-papers) | 35,708,612 | 1.2% | 044 | Maize (not including sweet corn), unmilled | 56,539,142 | 1.2% |
| 16 | 591 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (e.g., sulphur-treated bands, wicks and candles, and fly-papers) | 33,029,076 | 2% | 713 | Internal combustion piston engines, and parts thereof, n.e.s. | 35,610,344 | 1.2% | 783 | Road motor vehicles, n.e.s. | 53,974,148 | 1.2% |
| 17 | 783 | Road motor vehicles, n.e.s. | 32,848,226 | 2% | 061 | Sugars, molasses and honey | 34,912,460 | 1.2% | 676 | Iron and steel bars, rods, angles, shapes and sections (including sheet piling) | 53,230,038 | 1.2% |
| 18 | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 32,561,744 | 2% | 752 | Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s. | 33,538,692 | 1.2% | 061 | Sugars, molasses and honey | 50,273,513 | 1.1% |
| 19 | 778 | Electrical machinery and apparatus, n.e.s. | 32,281,515 | 2% | 641 | Paper and paperboard | 32,679,168 | 1.1% | 752 | Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s. | 48,473,083 | 1.1% |
| 20 | 892 | Printed matter | 31,401,150 | 2% | 269 | Worn clothing and other worn textile articles; rags | 30,983,154 | 1.1% | 713 | Internal combustion piston engines, and parts thereof, n.e.s. | 47,381,079 | 1.0% |
| Total | | | 1,825,996,055 | 100% | | | 2,891,363,840 | 100% | | | 4,563,456,287 | 100.0% |

Source: UN-COMTRADE

Firstly, EU countries are requesting the compliance with environmental standards on the rapidly growing exports of horticulture products, and the Ministry of Agriculture and the Horticulture Development Agency (HCDA) are taking countermeasures. In particular, education for the workers of domestic companies and the out-growers to comply with environmental standards are promoted. Also, marketing has been conducted to expand the market for horticulture to the Middle East and Asian countries, and active diversification of variety has been initiated.

Secondly, regarding traditional product of coffee, expansion of its market to Central and Eastern Europe, Russia, China, etc is promoted. The industry is starting to show signs of recovery.

Thirdly, while Kenyan government is focused on the promotion of tourism, by increasing the budget of the Ministry of Tourism and the Tourism Development Board (TDB), private companies have been constructing more hotels, expanding travel routes, and to possessing more buses to cope with the recent expansion of tourists.

Fourthly, remittances, particularly the inflows of investment funds from overseas Kenyans, are rapidly increasing. The majority of people view the increased inflows of investment funds as a successful result of anti-corruption activities.

Fifthly, concerning the privatization of national railways that has been long-pending, it has become more likely to be realized due to successful bidding by a South African company, as a result of a bid conducted in October 2005. While its immediate economic impact is the investment of about Ksh. 4 billion for three years, annual tax revenues of US$ 8-13 million are expected (annual concession fees to Kenya government are expected to be about US$ 5-8 million, and tax revenues of US$ 3-5 million)[15]. As for exchange rates, the Kenya shilling (Ksh.) is on an upward trend due to economic recovery, and the Kenya shilling is thought to be allowed to appreciate up to the level at the end of the 1990s. This will be a negative factor to the export industry, mainly of horticulture, but some say it will be offset by price increases due to higher prices of oil. Therefore the general perception is that the economic recovery trend will continue, and is expected to achieve 4.8% in 2005 (4.5% – 5%), and 5.1% in 2006.[16] The government target for 2005 is 5.0%.

[15] In the privatization of the Kenya and Ugandan Railway Public Corporation, Kenya's government projects that it will cost at least 4 billion Shillings over the next three years. A successful bidder of the privatization of this corporation was announced on October 14, 2005. The successful private bidder will establish a new company, and is entitled to own 35 percent, while 40 percent of shares go to Kenyans and Ugandans.

[16] Projections by EIU (Economist Intelligence Unit) (July 2005).

Table: Kenya’s Major Trade Partners (Top 20 Countries) (in US$)

Export

| Ranking | 1995 | | | 2000 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | Uganda | 277,061,480 | 15.2% | UK | 243,972,304 | 15.5% | Uganda | 470,441,637 | 17.5% |
| 2 | Tanzania | 216,012,013 | 11.8% | Uganda | 226,230,592 | 14.4% | UK | 282,060,770 | 10.5% |
| 3 | UK | 197,598,282 | 10.8% | Pakistan | 130,807,192 | 8.3% | Other Areas | 245,358,821 | 9.1% |
| 4 | Germany | 155,163,930 | 8.5% | Tanzania | 114,495,368 | 7.3% | Netherlands | 222,937,474 | 8.3% |
| 5 | Pakistan | 110,628,710 | 6.1% | Netherlands | 95,511,072 | 6.1% | Tanzania | 213,635,520 | 8.0% |
| 6 | Netherlands | 86,098,318 | 4.7% | Egypt | 93,224,488 | 5.9% | Pakistan | 144,423,896 | 5.4% |
| 7 | Egypt | 57,992,282 | 3.2% | Germany | 73,029,712 | 4.6% | Egypt | 84,216,960 | 3.1% |
| 8 | Ethiopia | 53,276,339 | 2.9% | USA | 36,232,092 | 2.3% | Rwanda | 81,823,802 | 3.0% |
| 9 | S A C U | 51,060,876 | 2.8% | UAE | 34,202,664 | 2.2% | Germany | 60,602,336 | 2.3% |
| 10 | USA | 49,588,998 | 2.7% | Somalia | 33,014,204 | 2.1% | France | 59,015,630 | 2.2% |
| 11 | France | 46,416,985 | 2.5% | France | 32,021,280 | 2.0% | Sudan | 54,115,643 | 2.0% |
| 12 | Luxembourg | 43,382,366 | 2.4% | Afghanistan | 31,548,916 | 2.0% | India | 51,063,256 | 1.9% |
| 13 | Democratic Republic of the Congo | 40,977,072 | 2.2% | Democratic Republic of the Congo | 28,037,156 | 1.8% | USA | 48,231,474 | 1.8% |
| 14 | Rwanda | 34,127,087 | 1.9% | Sudan | 25,330,532 | 1.6% | Somalia | 40,423,509 | 1.5% |
| 15 | Italy | 31,826,493 | 1.7% | Belgium | 24,172,316 | 1.5% | Brundi | 39,379,745 | 1.5% |
| 16 | Somalia | 31,581,052 | 1.7% | Rwanda | 23,241,696 | 1.5% | Afghanistan | 36,617,582 | 1.4% |
| 17 | Sweden | 29,423,153 | 1.6% | Bunkers | 21,949,952 | 1.4% | Belgium | 32,230,582 | 1.2% |
| 18 | Sudan | 21,423,450 | 1.2% | Ethiopia | 21,126,008 | 1.3% | Italy | 30,915,723 | 1.2% |
| 19 | Switzerland | 19,507,140 | 1.1% | Italy | 19,830,028 | 1.3% | Zambia | 30,328,677 | 1.1% |
| 20 | Spain | 16,641,411 | 0.9% | Japan | 18,911,108 | 1.2% | UAE | 30,112,058 | 1.1% |
| Total Amount | | 1,825,996,055 | 100.0% | | 1,570,996,480 | 100.0% | | 2,683,206,193 | 100.0% |

Import

| Ranking | 1995 | | | 2000 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | UK | 348,978,349 | 12.4% | UAE | 405,786,528 | 14.0% | UAE | 502,423,293 | 11.0% |
| 2 | Japan | 289,453,681 | 10.3% | UK | 315,416,064 | 10.9% | South Africa | 446,183,489 | 9.8% |
| 3 | UAE | 225,419,554 | 8.0% | South Africa | 216,514,288 | 7.5% | Saudi Arabia | 410,715,732 | 9.0% |
| 4 | S A C U | 209,739,766 | 7.4% | Saudi Arabia | 177,136,544 | 6.1% | UK | 404,789,331 | 8.9% |
| 5 | Germany | 191,589,665 | 6.8% | Japan | 163,860,128 | 5.7% | Japan | 278,870,426 | 6.1% |
| 6 | India | 154,019,163 | 5.5% | India | 132,305,112 | 4.6% | India | 262,623,114 | 5.8% |
| 7 | Luxembourg | 151,332,370 | 5.4% | USA | 126,895,792 | 4.4% | Bahrain | 202,291,225 | 4.4% |
| 8 | France | 143,667,414 | 5.1% | Netherlands | 112,370,672 | 3.9% | USA | 197,467,733 | 4.3% |
| 9 | Italy | 141,493,245 | 5.0% | Germany | 112,269,560 | 3.9% | China | 163,335,002 | 3.6% |
| 10 | USA | 114,780,811 | 4.1% | France | 102,149,136 | 3.5% | Germany | 155,539,249 | 3.4% |
| 11 | Saudi Arabia | 99,591,408 | 3.5% | China | 100,985,328 | 3.5% | France | 154,274,453 | 3.4% |
| 12 | Netherlands | 83,666,683 | 3.0% | Italy | 93,935,424 | 3.2% | Belgium | 111,585,893 | 2.4% |
| 13 | Indonesia | 70,562,576 | 2.5% | Belgium | 75,667,168 | 2.6% | Indonesia | 105,622,303 | 2.3% |
| 14 | China | 59,747,758 | 2.1% | Bahrain | 72,280,648 | 2.5% | Netherlands | 99,439,372 | 2.2% |
| 15 | Malaysia | 54,901,032 | 1.9% | Singapore | 62,234,952 | 2.2% | Italy | 86,126,941 | 1.9% |
| 16 | Argentina | 37,511,010 | 1.3% | Malaysia | 40,370,016 | 1.4% | Egypt | 81,077,952 | 1.8% |
| 17 | Switzerland | 32,157,658 | 1.1% | Russia | 40,365,688 | 1.4% | Singapore | 56,756,674 | 1.2% |
| 18 | S.Korea | 30,385,687 | 1.1% | S.Korea | 37,500,568 | 1.3% | Switzerland | 52,336,208 | 1.1% |
| 19 | Singapore | 30,135,047 | 1.1% | Indonesia | 34,917,960 | 1.2% | Argentina | 51,548,104 | 1.1% |
| 20 | Israel | 24,068,865 | 0.9% | Switzerland | 34,690,724 | 1.2% | S.Korea | 39,997,243 | 0.9% |
| Total Amount | | 2,817,925,778 | 100.0% | | 2,891,363,840 | 100.0% | | 4,563,456,287 | 100.0% |

Source: UN-COMTRADE

### 2.1.4 Current Status and Issues of WTO Negotiations

#### (1) Stance toward WTO Negotiations

Kenya plays a major role in the WTO negotiations. This comes from Kenya’s central position established in various areas, such as diplomacy, politics, economics, society, and culture, among African countries, particularly East African, although Kenya is a developing country. There is no arguing that Kenya’s role in COMESA and EAC is equal to or more important than that in the WTO. The evaluation for Kenya is generally positive, because Kenya’s efforts in the WTO negotiations, based on the assistance of JITAP, reflect well the position of Kenya and African countries under the leadership of

Mr. Mukhisa Kituy, Minister of Trade and Industry.

The most important agenda for Kenya in the WTO negotiations is agriculture. This is clear from its position as an agricultural country, as mentioned earlier. For instance, Kenya considers that imports of sugar from a country that subsidizes sugar (such as Egypt) is dumping, and is negotiating to block it. It is a key country requesting abolishment of the EU common agricultural policy, as a representative of developing countries. It is actively involved in the discussions concerning NAMA, and trade facilitation.

Also, Kenya supports the TRIPS Agreement from the standpoint of promoting economic development through enhancement of FDI acceptance and technology transfers similar to other developing countries. However, although Kenya hopes for a concession with the developed countries that argues for stronger intellectual property rights based on largely on principle, its position is basically that of other developing countries, namely it argues that an excessive protection of intellectual property hinders promotion of FDI.

Furthermore, it is very active in SPS, as Kenya's major exports are shifting from such traditional agricultural products as coffee and tea, to horticultural products. The level of quarantine required by the major export market of EU countries is rising, and it had been urgently required to strengthen the Kenya Bureau of Standards (KEBS) to cope with the situation. At the same time, there are moves to diversify exports to non-EU countries from the viewpoint of diversification of export markets, and therefore a greater role of KEBS is demanded from the viewpoint of clearing new requirement levels.

As mentioned above, Kenya's government is expanding its efforts for trade liberalisation, but a problem for the government is unsatisfactory involvement by the private sector. While attention is paid by the large companies to WTO issues as it may become a matter of "life and death" for them, many small and medium-sized companies for which the government is supporting under its policies and system are not interested in it. For these companies, the involvement in COMESA and EAC is directly linked to daily business, so they put more importance to regional economic integration. Therefore, importantly, the government efforts and the needs of the private sector don't match.

### (2) Limitations in WTO Negotiations

There are four limitations in the WTO negotiations, as follows. Firstly, the legal framework that manages foreign trade does not match with the current Kenya's trade policies and system. Secondly, Kenya's legal environment imposes inefficiency in business. This is a result of insufficient gathering and disclosing of legal matters, and the insufficient and slow spread of the legal system. Thirdly, there still remains broad discretion in such laws and regulations as taxation and customs. This problem is exacerbated by the complicated and slow court process of Kenya and the absence of sufficiently specialised commercial courts that can process business disputes promptly. Fourthly, the government authorities expressed dissatisfaction over the result of Uruguay Round, particularly in agriculture and textile areas, and indicated the technical barrier concerning trade as one area of the multilateral trade system, which requires a special response. In particular, the necessity of technical assistance in the area of intellectual property is indicated. The intellectual property law has been amended several times to match the TRIPS Agreement.

## 2.2 Zambia

### 2.2.1 Current Status and Issues of the Institutional Framework

### (1)Development and Implementation of Domestic Laws Related to WTO Agreement[17]

Zambia has *de facto* applied the GATT since its independence in 1964, and in 1982, it formerly became a contracting party under the GATT XXVI: 5(c). It ratified the 1994 Marrakesh Agreement to become an original member of the WTO since its establishment in 1995, but is not a signatory to the Plurilateral Trade Agreements. Zambia's legal framework is made up of the 1991 Zambia Constitution (amended in May 1996) and various legislations. International agreements are signed by the President, but they have to be ratified by the Cabinet. Where domestic laws are not consistent with the international agreements, necessary amendments to the law are made. The court system of Zambia consists of the High Court (issues dealing with all

[17] Initial information is obtained from the Trade Policy Review of the WTO Secretariat: 2002. The authors have verified the statements where applicable, and have added extra information and/or altered using the findings of the field study.

matters except for labour and industrial matters), Industrial Relations Court, Commercial Court (established in 2001), in addition to subordinate courts and local courts, and appeals can be made to the Supreme Court, which is the final Court of Appeal. The Revenue Appeals Tribunal has the authority over issues of the classification of goods.

The Customs and Excise Act (Chapter 322 of the Laws of Zambia), as revised in 1999, is the main legislation governing Zambia's foreign trade. In particular, the Act establishes legislations on the importation and exportation of goods, rules of origin, custom valuation, tariff concessions, the Revenue Appeals Tribunal, excise tax, and anti-dumping and countervailing duties. In 2004, safeguard measures were included. The conduct of companies and the shareholders' rights are regulated by the 1994 Companies Act. The 1993 Investment Act (as amended in 1998) sets out the conditions for investment in Zambia, and does not discriminate between local and foreign investments. Separate legislations apply in the form of Banking and Financial Services Act, Insurance Act, Mines and Minerals Act, for banking, insurance, and mining and quarrying, respectively.

Zambia's main trade-related laws are listed below.

Trade-Related Legislation in Zambia (2002)

| Area | Legislation | Most recent version |
|---|---|---|
| Trade | Control of Goods Act | 1985 |
| | Trade licensing Act | 1968 |
| Trade in scrap metals | Scrap Metal Dealers Act | 1961 |
| Trade in gold | Gold Trade Act | 1912 |
| Foreign trade: customs procedures, valuation and duties, rules of origin, emergency measures, excise tax, tariff concessions, and Revenue Appeals Tribunal | Customs and Excise Act (amended) | 1999 |
| Value-added tax (VAT) | Value-Added Tax Act | 1995 |
| Countervailing duty (investigations) | Statutory Instrument 54 | 2000 |
| Tariff suspension on manufacturing inputs | Statutory Instrument 23 | 1994 |
| Rebates, refunds, and remissions of border charges | Statutory Instrument 16 | 1996 |
| Reduction of duties on goods from COMESA countries | Statutory Instrument 13 | 1996 |

| | | |
|---|---|---|
| Government procurement | The Zambia National Tender Board Act | 1982 |
| | The Tender Regulations | 1995 |
| Technical standards and regulations | Standards Act | 1994 |
| | Food and Drugs Act | 1978 |
| | Plants, Pests and Diseases Act | 1959 |
| | Weights and Measures Act | 1994 |
| Enterprises | Registration of Business Names Act | 1995 |
| | Statutory Instrument 99 | 1998 |
| | Companies (Amendment) Act, 2000 (Act 1 of 2000) | 2000 |
| | Statutory Instrument 15 | 2000 |
| | Statutory Instrument 16 | 2000 |
| | Statutory Instrument 17 | 1995 |
| | Statutory Instrument 100 | 1998 |
| | Companies Act | 1994 |
| Public enterprises | Privatization Act | 1992 |
| Intellectual property rights | Patents Act | 1995 |
| | Statutory Instrument 54 | 1995 |
| | Trade Marks Act | 1995 |
| | Statutory Instrument 56 | 1995 |
| | Registered Designs Act | 1995 |
| | Statutory Instrument 55 | 1995 |
| | Merchandise Marks Act | 1995 |
| | Copyright and Performance Rights Act | 1995 |
| Investment | The Investment Act | 1993 |
| | Most recent amendment | 1998 |
| Investment in mining and quarrying | The Mines and Minerals Act | 1995 |
| Investment in banking and financial services | The Banking and Financial Services Act | 1994 |
| Investment in small industries | Small Enterprises Development Act | 1996 |
| Insurance | Insurance Act | 1968 |
| Competition | The Competition and Fair Trading Act | 1994 |
| Export incentives | Export Development (Amendment) Act 1993 | 1985 |
| Export promotion | The Export Processing Zones Act | 2001 |
| Tourism | Tourism Act | 1979 |
| Technical barriers to trade (TBT) | Standardisation of soap | 1957 |

Source: WTO Trade Policy Review WT/TPR/S/106

Regarding investment, Zambia is a signatory of the MIGA Agreement. Bilaterally, Zambia has signed Investment Protection Agreements with Switzerland in 1994 and with China in 1996. As of 1998, Zambia has signed double taxation treaties with Canada, Denmark, Finland, France, Germany, Holland, India, Ireland, Italy, Japan, Kenya, Norway, Romania, South Africa, Sweden, Switzerland, Tanzania, Uganda and the United Kingdom.

As a LDC, Zambia is granted the special and differential treatment (S&D) provision by the WTO Agreement. Zambia has voiced difficulties in the implementation of antidumping and countervailing measures, trade-related aspects of intellectual property rights (TRIPS), and customs valuation. There is no WTO-consistent law on safeguards, and Zambia is requesting the WTO Secretariat for technical assistance in this area.

With respect to the TRIPS Agreement, the WTO members have agreed to a seven-and-a-half year extension for LDC members to implement rules protecting patents, copyrights, and other intellectual property, but in October 2005, Zambia submitted a request for a 15 year extension on behalf of the WTO's 32 LDC members. Lack of know-how related to intellectual property rights domestically is has been thought to be preventing the implementation. Issues on TRIPS relates to several government agencies, and the inadequate coordination between these agencies has further held back bringing Zambia’s legislations and regulation into full conformity with the TRIPS Agreement.

As for customs valuations, even though most provisions of the relevant WTO Customs Valuation Agreement have been implemented, an appeal mechanism is yet to be established where importers are able to appeal valuation decisions made by the Zambia Revenue Authority (ZRA).

Implementation with respect to SPS and TBT, including legal metrology is especially problematic in Zambia. In 1997, Zambia Bureau of Standards (ZBS) has given notice to the WTO that ZBS is to become the enquiry point for TBT matters. However, no personnel has been assigned for the particular job and the notifications to the WTO when domestic legislations of TBT are formulated or amended have not been fully functional.

### (2) Organisational Structure and its Efforts

Ministry of Commerce, Trade and Industry (MCTI) is the main coordinating entity on WTO issues. Minister Patel currently heads the LDC group, and is a trusted figure from outside of the country as well.

The National Working Group on Trade, a conference body consisted of ministries, government agencies and private sector enterprises and associations, coordinates and advances cooperation of multilateral trade-related issues at a national level[18]. The current chairman of the Working Group is the head of the Export Growers Association, a figure from the private sector. Remarks and advices are consolidated at the meeting and are reported to the Deputy Secretary of the MCTI. There is a mechanism where this is then transmitted up to the Minster Patel. Subcommittees are organised by each multilateral trade agreements (WTO, EPA, SADC, and COMESA) under the National Working Group on Trade. Inefficiencies have been pointed out with this structure since the same issues (e.g. Agriculture, TRIPS, etc) are discussed at each subcommittee, and hence, subcommittee structure organised by issue is suggested and being considered. Participation of civil societies is encouraged at the subcommittee and coordination group levels[19].

Ministry of Finance is responsible for policies related to setting tariffs. The operating body is the Zambia Revenue Authority (ZRA). ZRA has a simple task of ensuring and where possible increasing financial resources, and is given annually a target fiscal figure to be raised. Therefore, there is a certain discrepancy between a Ministry of Finance-related organisation like the ZRA and MCTI, who basically advocates trade expansion and liberalisation. International trade agreement negotiations such as the WTO is under the jurisdiction of the MCTI, but the ZRA also drafts its own sensitive list which is submitted to the MCTI to be combined with the MCTI’s own list, for use at negotiations.

[18] The members consists of MCTI, Ministry of Finance, Ministry of Agriculture, Ministry of Justice, Zambia Revenue Authority (ZRA), Bank of Zambia, Export Board of Zambia (EBZ), Zambia Chamber of Commerce and Industry (ZCCI), Manufacturers Association, Farmers Union, Zambia Sugar (private enterprise), Schilaga Cement (private enterprise).

[19] Civil Society Trade Network of Zambia, established in 2004 with the assistance from Ireland, attends coordination groups. In addition to being an advocacy and advisory group to the government, it assists in capacity building activities for implementing the WTO agreements, and is thus not a counterforce to the WTO.

### 2.2.2 Current Status and Issues of Trade Policies

#### (1) Summary of the Trade Strategies

With the request of the Zambia government, the Diagnostic Trade Integration Study (DTIS) was carried out under the framework of the IF. The report published on October 2005 recommends that export promotion be placed “at the centre of Zambia’s development and poverty reduction strategy”, and that the government “make export-oriented private sector-led growth the overriding objective” of the Fifth National Development Plan (2006-2010) currently being drafted as the country’s second Poverty Reduction Strategy Paper (PRSP) and the Vision 2030, a long term (25 years) vision paper. For this to be possible, political commitment is required at the highest level. The current government has emphasised economic diversity and private sector development (PSD) as a priority, and the Zambia Business Council (ZBC) and the PSD Steering Committee which oversees the implementation of the PSD action plan was created, chaired by the President.

The MCTI has recently submitted a Commercial, Trade and Industry Policy, and is awaiting approval from the parliament. Here, agriculture, tourism, manufacturing and mining has been assigned the priority sectors for Zambia. In addition, as a strategy for diversification of export products, export away from primary goods to value-added processed (manufactured) goods of copper and agricultural products is emphasised.

#### (2) Export Incentive Programmes[20]

Zambia has four incentive programmes to promote exports.

##### 1) Duty Drawback System

This system reimburses exporters for the customs duties and other taxes paid on imported inputs. This way it allows producers to purchase inputs at world prices. In order to use this programme, an exporter registers with the ZRA beforehand, and calculates the input-output coefficient to work out the total customs and excise duties paid to produce a unit of final product, and submits a claim for the reimbursement. If the ZRA accepts the claim, it issues a reimbursement. Exporters are also eligible for

[20] Initial information is obtained from the Diagnostic Trade Integration Study: 2005. The authors have verified the statements where applicable, and have added extra information and/or altered using the findings of the field study.

this programme when it buys inputs imported by third parties. Under this scheme, the export thus pays customs duties and excise duties as usual when it purchases its inputs, but each time it exports a finished product, it submits a claim to the ZRA. Exporters can also claim refunds for a portion of their spending on domestically produced inputs. Since import tariffs affect the domestic price of all tradable goods, Zambia's duty drawback provision attempts to compensate exporters for the higher domestic prices of domestically produced inputs.

As weaknesses in implementation of this programme, 1) the requirement of the computation of detailed and complex input-output coefficients, and 2) the time length ZRA takes to give out the reimbursements. According to the DTIS, reimbursements are said to take 3 months at a minimum and delays of 6-9 months are common.

### 2) Manufacturing under Bond

Import inputs are kept under bond until used in the production of the good to be exported, and the producer only pays customs and excise duties on the inputs if the final product is sold on the domestic market instead of being exported. There are two major advantages of this scheme, notably that 1) exporters do not have to make advance payments and then wait for reimbursement, and 2) exporters do not have to devote energy in calculating the input-output coefficient. However, this scheme is not widely used in Zambia at all.

### 3) Removal in Bond (RIB)

Under this scheme producers store imported products into a bonded warehouse and pays customs duties only when removed from bond, thus allowing producers to delay payments of customs duties until the imported product is used. However, this scheme seems to be abused with bonded goods leaking into the domestic market and according to the DTIS, approximately K255 billion remained unaccounted for. This has led to the ZRA's proposal to discontinue the scheme.

### 4) Export Processing Zone (EPZ) Programme

The EPZ Act was passed in November 2001 and the Zambia Export Processing Zone Authority (ZEPRA) was established. ZEPRA has started its operations in January 2003 but remain under suspension by the Cabinet due to its concerns for the revenue impact. The technical committee has re-evaluated the programme from the viewpoints of the eligibility criteria and list of sectors that may be awarded EPZ status, the tax incentives granted to exporters, organisational structures of the EPZ, and a comparison of the incentives packages proposed under EPZ programmes within Eastern and Southern Africa. A revised EPZ Act is awaiting approval by the Cabinet, and once this is enacted, the EPZ programme is expected to resume.

Under the existing programme, stand-alone EPZs and industrial parks are allowed and are open for foreign and domestic companies as long as they export at least 80% of products. Agriculture, agro-processing and manufacturing sectors are favoured. Exemption are eligible in areas including corporate tax for 15 years from the date of first sale, withholding tax on dividends and tax on interests or loyalties, capital gains tax, duty on imported raw materials, plant and machinery, intermediate and capital goods and services, value-added tax on imports and on inputs purchased from Zambia, and excise taxes.

### (3) Export Board of Zambia (EBZ)

Government export promotion organisation affiliated to the MCTI. It receives technical assistance from EU, USAID and ITC. Of its 37 employees, only one person deals directly with WTO issues. EBZ distributes monthly newsletters, and holds seminars and briefings targeting exporters in Zambia.

### (4) Zambia Investment Centre (ZIC)

Zambia Investment Centre (ZIC) was established in 1992 to coordinate policies related to investment, as well as to promote and to facilitate investments. It is responsible for the issuance of all investment certificates in the economic sectors, except for in the areas of financial services, and mining and quarrying. With the backing of the Ministry of Local Government and Housing, it is creating an investment profile for the local governments to promote regional investments. ZIC is affiliated to the MCTI and has approximately 50 employees. The current Deputy Director is from the private sector and believes that private sector investments may be accelerated through increasing government’s response rate. MCTI has been framing the concept of a one-stop shop regarding trade and investment, Zambia Development Agency, and ZIC is expected to play a key role in this concept.

### (5) Outlooks for the future

The legislation to allow the establishment of the Zambia Development Agency, the one-stop shop that deals with all matters of trade and investment, has been submitted by the MCTI to the national parliament and is awaiting approval. The organisations to be integrated are the ZIC, EBZ, EPZ, Small Enterprise Development, and the Zambian Privatization Agency.

## 2.2.3 Trade Environment and Major Trade Items

### (1) Trade Environment

#### 1) Geographic and Natural Conditions

Blessed with favourable natural conditions, Zambia is a resource rich country, including its copper resources. Geographically, it is a landlocked country situated in the central southern part if Africa, and shares its borders with seven countries, namely, Angola, Botswana, Democratic Republic of Congo (DRC), Malawi, Mozambique, Namibia, Tanzania and Zimbabwe. It has long been thought that it is disadvantaged since it does not have a major international port, but it is important to change this way of thinking and emphasise intraregional trade with surrounding countries, taking advantage of its location. In neighbouring Zimbabwe, problems of food scarcity are emerging from political instability, and Zambia has opportunities of increasing maize exports, for example. The government is slowly waking to policies that promote intraregional exports, for example in farm animals (e.g. beef) using its rich soil and abundant underground water.

#### 2) Business Environment

Perceptions that Zambia's poor investment climates persists despite efforts to improve business environment since the early 1990s. UNCTAD's Inward FDI Potential Index ranks Zambia 134$^{th}$. MCTI, with the collaboration with the private sector, has begun a Private Sector Development Reform Programme in 2005 with the assistance from the donor community. It aims to recover investor's confidence towards Zambia's business environment, through the acceleration of production and export diversification by following the Action Plan.

### 3) Customs Tariff Rate

According to the DTIZ, Zambia has one of the most open trade regimes in the region with an IMF's restrictiveness scale rating of 2 (ranging between 0 and 10, 10 being the most restrictive). The simple average MNF tariff in Zambia is 13.4% (coefficient of variation = 0.7), but the weighted average tariffs by imports is 10.2%. Moreover, the weighted average decreases to 8% when COMESA and SADC preferential tariff rates are taken into account. Value-added tax tariffs comprise four bands, namely the 0%, 5%, 15%,25%, there are also additional exceptions.

Main Indicators for Tariffs (2003, %)

| | Tariff bands | Share of tariff lines | Share of imports | Share of customs revenue |
|---|---|---|---|---|
| Raw Materials | 0-5 | 21 | 30 | 0 |
| Capital Goods | 0-5 | 14 | 24 | 15 |
| Intermediate Goods | 15 | 33 | 26 | 36 |
| Finished Goods | 25 | 32 | 21 | 48 |

Source: Zambia Diagnostic Trade Integration Study

According to the DTIZ, the industries facing the highest duties are fishing and light manufactures such as wood products, manufactured food, beverages and tobacco, and textiles, apparel and leather. The average tariff rates on light manufactured goods of 19% to 23% may create an anti-export bias and therefore are a concern[21]. Highly protective agricultural policies may adversely negative impacts on poverty alleviation.

Zambia has bound tariffs on all agricultural products like other WTO Members in the Uruguay Round with some 97% of tariff lines for these products were bound at a ceiling rate of 125% and the others at ceiling rates ranging from 45% to 60%. Tariffs on only 3.6% of lines for non-agricultural products were bound with ceiling rates ranging from 30% to 60%, with a simple average bound rate of 42%. Other duties and charges on all these products were bound at zero (Trade Policy Review 2002).

To deal with concerns of compliance with the WTO Agreements and non-tariff barriers, Zambia has eliminated the 5% import declaration fee (IDF), the pre-shipment inspection requirement on imports, "anti-dumping duty" on imports of window and

[21] There will be a static effect that producers may have an incentive to sell products at the domestic market since producers can earn the word price plus the tariff if it sells to the domestic market but only the world price if it exports. There will also be a dynamic effect, by shielding the producer from world competition, high tariffs dampen incentives to innovate and thus domestic producers and industries become internationally uncompetitive.

door frames, all export taxes, and all quantitative restrictions. Import controls may be used only environmental, sanitary, phytosanitary, moral, health, and security reasons. However, export prohibition applies to certain logs, and to grain (to forestall shortages in the domestic market, e.g. during drought years). Furthermore, gemstones and timber are subject to special export controls (Trade Policy Review 2002).

In addition to the tariff, Zambia also collects a 17.5% value-added tax on goods and services, and excise duties on selected goods, whether imported or locally produced.

### 4) Transport Infrastructure[22]

International ports such as those in South Africa, Tanzania and Mozambique are far from the perspective of a landlocked country like Zambia. Domestic rail and road infrastructure are mainly developed to connect Lusaka and the copper belt, running north to south. Development of infrastructure in other areas is extremely poor. The poor domestic transport infrastructure (especially road) constrains smallholder farmers' participation in the production of high value cash crops, and non-traditional agricultural exports are concentrated within a 100 mile radius of Lusaka.

Railway transport from the copper belt to South Africa costs US$ 75 per ton. The freight flows from north to south as compared to flows from south to north are overwhelming, and as a result the southbound transport cost is approximately 60% of the northbound transport cost (which costs between US$100 and US$112 per ton).

Virtually all of the fresh vegetables and cut flowers are air freighted to Europe. However, the volume of air cargo handled through Lusaka airport has been stagnant at around 15,000 tons per annum since 1997. The industry cannot own its own exclusive aircraft, and Zambia Export Growers Association (ZEGA) charters air cargo so that an aircraft from South Africa stops over in Lusaka on its return journey to Europe, for the shipment of vegetables and cut flowers. Due to its small volume of freight from Zambia, this cost is on the rise as it is very difficult to negotiate low prices with the airline companies. Airfreight rate are high at US$1.55-1.60 per kg for vegetables, and US$1.70 for cut flowers during the high season and US$1.45-1.55 during low season. In addition, there have been cases of cancellations by the airline companies at the last minute, preferring instead the more profitable routes. Since vegetables have a relatively long shelf life, producers are shifting away from air freights and transporting them by road to South Africa (Johannesburg) and then shipping them to the EU by air from there. This reduces the cost greatly, since they are able to take advantage of the

[22] Initial information is obtained from the Diagnostic Trade Integration Study: 2005. The authors have verified the statements where applicable, and have added extra information and/or altered using the findings of the field study.

trucks that deliver fresh produce to Zambian supermarkets from South Africa, and have been driven back empty.

## (2) Major trade items[23]

### 1) Overview

According to the DTIS, Zambia has achieved the largest export diversification in the region. Expansion of agro-based non-traditional exports increased from US$ 30 million in the early 1990s to US$ 210 million in 2003. Floriculture and horticulture accounts for US$ 70 million and employs about 15,000. The recovery of the GDP growth is thought to be attributed to the diversification of the export basket. Specific sector measures were taken to promote this sector, in addition to the trade and foreign exchange reforms in the first half of 1990s. Additionally, the introduction of an export credit scheme financed by the donors and technical assistance provided by the EU facilitated investment in floriculture and horticulture sectors (DTIS, 2005).

On the other hand, changes in the composition of imports have been moderate. The share of manufacturing (largely intermediate and capital goods) in total imports fell from 88.3% to 81.0% through the period 1990-93 to 2000-03 while the shares of agriculture (food and feed) and fuel increased from 7.2% to 10.0% and 0.5% to 7.1%, respectively.

[23] Initial information is obtained from the Diagnostic Trade Integration Study: 2005. The authors have verified the statements where applicable, and have added extra data and information, and/or altered using the findings of the field study.

# Table: Zambia's Major Trade Items (Top 20 Items) (in US$)

Export

| | 1995 | | | | 2000 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 682 | Copper | 884,034,880 | 83.8% | 682 | Copper | 300,501,632 | 45.1% | 682 | Copper | 630,131,608 | 43.1% |
| 2 | 651 | Textile yarn | 32,186,232 | 3.1% | 689 | Miscellaneous non-ferrous base metals employed in metallurgy, and cermets | 45,149,964 | 6.8% | 699 | Manufactures of base metal, n.e.s. | 233,052,006 | 15.9% |
| 3 | 351 | Electric current | 25,665,776 | 2.4% | 699 | Manufactures of base metal, n.e.s. | 43,404,184 | 6.5% | 263 | Cotton | 119,995,746 | 8.2% |
| 4 | 061 | Sugars, molasses and honey | 18,252,200 | 1.7% | 651 | Textile yarn | 27,695,220 | 4.2% | 121 | Tobacco, unmanufactured; tobacco refuse | 55,776,056 | 3.8% |
| 5 | 689 | Miscellaneous non-ferrous base metals employed in metallurgy, and cermets | 16,669,998 | 1.6% | 061 | Sugars, molasses and honey | 23,098,180 | 3.5% | 044 | Maize (not including sweet corn), unmilled | 39,235,556 | 2.7% |
| 6 | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 6,594,636 | 0.6% | 667 | Pearls and precious or semiprecious stones, unworked or worked | 15,083,839 | 2.3% | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 36,502,681 | 2.5% |
| 7 | 773 | Equipment for distributing electricity, n.e.s. | 5,916,272 | 0.6% | 287 | Ores and concentrates of base metals, n.e.s. | 13,017,621 | 2.0% | 222 | Oil-seeds and oleaginous fruits of a kind used for the extraction of "soft" fixed vegetable oils (excluding flours and meals) | 31,813,721 | 2.2% |
| 8 | 283 | Copper ores and concentrates; copper mattes; cement copper | 5,757,558 | 0.5% | 845 | Articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s. | 12,929,570 | 1.9% | 562 | Fertilizers (other than those of group 272) | 29,323,203 | 2.0% |
| 9 | 667 | Pearls and precious or semiprecious stones, unworked or worked | 5,402,845 | 0.5% | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 11,299,545 | 1.7% | 061 | Sugars, molasses and honey | 28,776,511 | 2.0% |
| 10 | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparation | 3,454,345 | 0.3% | 292 | Crude vegetable materials, n.e.s. | 9,725,546 | 1.5% | 667 | Pearls and precious or semiprecious stones, unworked or worked | 24,474,504 | 1.7% |
| 11 | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 2,397,744 | 0.2% | 121 | Tobacco, unmanufactured; tobacco refuse | 9,532,338 | 1.4% | 651 | Textile yarn | 22,495,709 | 1.5% |
| 12 | 292 | Crude vegetable materials, n.e.s. | 2,198,809 | 0.2% | 351 | Electric current | 7,981,787 | 1.2% | 283 | Copper ores and concentrates; copper mattes; cement copper | 22,440,842 | 1.5% |
| 13 | 697 | Household equipment of base metal, n.e.s. | 2,144,464 | 0.2% | 842 | Women's or girls' coats, capes, jackets, suits, trousers, shorts, shirts, dresses and skirts, underwear, nightwear and similar articles of textile fabrics, not knitted or crocheted (other than those of subgroup 842.2) | 7,558,722 | 1.1% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 19,140,445 | 1.3% |
| 14 | 344 | Petroleum gases and other gaseous hydrocarbons, n.e.s. | 2,107,881 | 0.2% | 263 | Cotton | 7,480,601 | 1.1% | 292 | Crude vegetable materials, n.e.s. | 13,360,838 | 0.9% |
| 15 | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 2,010,807 | 0.2% | 288 | Non-ferrous base metal waste and scrap, n.e.s. | 7,464,987 | 1.1% | 248 | Wood, simply worked, and railway sleepers of wood | 12,121,645 | 0.8% |
| 16 | 277 | Natural abrasives, n.e.s. (including industrial diamonds) | 1,806,702 | 0.2% | 071 | Coffee and coffee substitutes | 7,232,421 | 1.1% | 892 | Printed matter | 11,008,393 | 0.8% |
| 17 | 288 | Non-ferrous base metal waste and scrap, n.e.s. | 1,755,508 | 0.2% | 931 | Special transactions and commodities not classified according to kind | 6,160,162 | 0.9% | 773 | Equipment for distributing electricity, n.e.s. | 9,714,761 | 0.7% |
| 18 | 121 | Tobacco, unmanufactured; tobacco refuse | 1,735,818 | 0.2% | 658 | Made-up articles, wholly or chiefly of textile materials, n.e.s. | 6,012,375 | 0.9% | 071 | Coffee and coffee substitutes | 9,676,300 | 0.7% |
| 19 | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 1,724,839 | 0.2% | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 5,974,512 | 0.9% | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 8,529,985 | 0.6% |
| 20 | 784 | Parts and accessories of the motor vehicles of groups 722, 781, 782 and 783 | 1,622,475 | 0.2% | 892 | Printed matter | 5,688,575 | 0.9% | 278 | Other crude minerals | 6,373,412 | 0.4% |
| Total | | | 1,055,005,568 | 100.0% | | | 665,585,984 | 100.0% | | | 1,461,481,486 | 100.0% |

Import

| | 1995 | | | | 2000 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 333 | Petroleum oils and oils obtained from bituminous minerals, crude | 79945360 | 11.3% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 157,924,944 | 15.9% | 892 | Printed matter | 238,547,516 | 11.8% |
| 2 | 791 | Railway vehicles (including hovertrains) and associated equipment | 23158464 | 3.3% | 892 | Printed matter | 71,866,296 | 7.2% | 333 | Petroleum oils and oils obtained from bituminous minerals, crude | 121,914,276 | 6.0% |
| 3 | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 23011396 | 3.2% | 562 | Fertilizers (other than those of group 272) | 40,978,456 | 4.1% | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 83,569,147 | 4.1% |
| 4 | 044 | Maize (not including sweet corn), unmilled | 22515280 | 3.2% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 35,693,576 | 3.6% | 562 | Fertilizers (other than those of group 272) | 81,327,575 | 4.0% |
| 5 | 783 | Road motor vehicles, n.e.s. | 19405212 | 2.7% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 31,715,896 | 3.2% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 64,691,900 | 3.2% |
| 6 | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 19379174 | 2.7% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 20,579,220 | 2.1% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 59,173,261 | 2.9% |
| 7 | 562 | Fertilizers (other than those of group 272) | 16867356 | 2.4% | 776 | Thermionic, cold cathode or photo-cathode valves and tubes (e.g., vacuum or vapour or gas-filled valves and tubes, mercury arc rectifying valves and tubes, cathode-ray tubes, television camera tubes); diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices; light-emitting diodes; mounted piezoelectric crystals; electronic integrated circuits and microassemblies; parts the | 18,858,160 | 1.9% | 728 | Other machinery and equipment specialized for particular industries; parts thereof, n.e.s. | 47,470,805 | 2.4% |
| 8 | 728 | Other machinery and equipment specialized for particular industries; parts thereof, n.e.s. | 16760141 | 2.4% | 542 | Medicaments (including veterinary medicaments) | 16,775,246 | 1.7% | 541 | Medicinal and pharmaceutical products, other than medicaments of group 542 | 44,940,040 | 2.2% |
| 9 | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 15178133 | 2.1% | 792 | Aircraft and associated equipment; spacecraft (including satellites) and spacecraft launch vehicles; parts thereof | 16,171,734 | 1.6% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 34,977,086 | 1.7% |
| 10 | 542 | Medicaments (including veterinary medicaments) | 14052521 | 2.0% | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 15,670,524 | 1.6% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 27,424,621 | 1.4% |
| 11 | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 13767314 | 1.9% | 269 | Worn clothing and other worn textile articles; rags | 15,362,823 | 1.5% | 676 | Iron and steel bars, rods, angles, shapes and sections (including sheet piling) | 26,755,824 | 1.3% |
| 12 | 744 | General industrial machinery and equipment, n.e.s., and machine parts, n.e.s. | 12231329 | 1.7% | 821 | Furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings | 13,139,532 | 1.3% | 571 | Polymers of ethylene, in primary forms | 24,800,954 | 1.2% |
| 13 | 892 | Printed matter | 11644310 | 1.6% | 641 | Paper and paperboard | 11,156,747 | 1.1% | 691 | Structures and parts of structures, n.e.s., of iron, steel or aluminium | 24,297,359 | 1.2% |
| 14 | 691 | Structures and parts of structures, n.e.s., of iron, steel or aluminium | 10644244 | 1.5% | 041 | Wheat (including spelt) and meslin, unmilled | 10,890,985 | 1.1% | 742 | Pumps for liquids, whether or not fitted with a measuring device; liquid elevators; parts for such pumps and liquid elevators | 24,266,889 | 1.2% |
| 15 | 752 | Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s. | 9879628 | 1.4% | 728 | Other machinery and equipment specialized for particular industries; parts thereof, n.e.s. | 10,542,768 | 1.1% | 772 | Electrical apparatus for switching or protecting electrical circuits or for making connections to or in electrical circuits (e.g., switches, relays, fuses, lightning arresters, voltage limiters, surge suppressors, plugs and sockets, lamp-holders and junction boxes); electrical resistors (including rheostats and potentiometers), other than heating resistors; printed circuits; boards, panels (including numerical control panels), consoles, desks, cabinets and other bases, equipped with two or more apparatus for switching, protecting or for making connections to or in electrical circuits, for electric control or the distribution of electricity (excluding switching apparatus of subgroup 764.1) | 23,866,853 | 1.2% |
| 16 | 784 | Parts and accessories of the motor vehicles of groups 722, 781, 782 and 783 | 9760373 | 1.4% | 691 | Structures and parts of structures, n.e.s., of iron, steel or aluminium | 9,834,448 | 1.0% | 783 | Road motor vehicles, n.e.s. | 23,182,840 | 1.1% |
| 17 | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 8653788 | 1.2% | 784 | Parts and accessories of the motor vehicles of groups 722, 781, 782 and 783 | 9,802,504 | 1.0% | 274 | Sulphur and unroasted iron pyrites | 23,106,877 | 1.1% |
| 18 | 742 | Pumps for liquids, whether or not fitted with a measuring device; liquid elevators; parts for such pumps and liquid elevators | 8353951 | 1.2% | 775 | Household-type electrical and non-electrical equipment, n.e.s. | 9,618,749 | 1.0% | 522 | Inorganic chemical elements, oxides and halogen salts | 22,798,833 | 1.1% |
| 19 | 676 | Iron and steel bars, rods, angles, shapes and sections (including sheet piling) | 7724148 | 1.1% | 783 | Road motor vehicles, n.e.s. | 9,445,114 | 1.0% | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 22,599,792 | 1.1% |
| 20 | 046 | Meal and flour of wheat and flour of meslin | 7638150 | 1.1% | 741 | Heating and cooling equipment, and parts thereof, n.e.s. | 9,329,031 | 0.9% | 321 | Coal, whether or not pulverized, but not agglomerated | 22,504,522 | 1.1% |
| Total | | | 708202560 | 100.0% | | | 993,382,464 | 100.0% | | | 2,017,146,737 | 100.0% |

Source: UN-COMTRADE

Table: Zambia's Major Trade Partners (Top 20 Items) (in US$)

Export

| Ranking | 1995 | | | 2000 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | Japan | 163,495,760 | 15.5% | UK | 258,912,288 | 38.9% | South Africa | 374,467,338 | 25.6% |
| 2 | Thailand | 128,858,784 | 12.2% | South Africa | 165,923,808 | 24.9% | UK | 249,141,902 | 17.0% |
| 3 | Saudi Arabia | 114,254,048 | 10.8% | Switzerland | 75,555,568 | 11.4% | Switzerland | 234,172,974 | 16.0% |
| 4 | India | 86,797,720 | 8.2% | Republic of Congo | 29,006,914 | 4.4% | Tanzania | 107,580,461 | 7.4% |
| 5 | Malaysia | 68,834,280 | 6.5% | Belgium | 21,307,046 | 3.2% | Democratic Republic of the Congo | 101,792,190 | 7.0% |
| 6 | Luxembourg | 64,793,040 | 6.1% | Germany | 17,655,102 | 2.7% | Zimbabwe | 85,261,302 | 5.8% |
| 7 | USA | 64,461,056 | 6.1% | Zimbabwe | 15,351,936 | 2.3% | Netherlands | 43,146,986 | 3.0% |
| 8 | Singapore | 60,159,644 | 5.7% | Malawi | 11,319,579 | 1.7% | Malawi | 42,935,473 | 2.9% |
| 9 | Pakistan | 45,409,772 | 4.3% | India | 8,188,034 | 1.2% | Other Asian countries | 38,762,722 | 2.7% |
| 10 | Zimbabwe | 31,900,720 | 3.0% | Italy | 7,432,323 | 1.1% | Belgium | 35,125,279 | 2.4% |
| 11 | Democratic Republic of the Congo | 26,654,720 | 2.5% | Netherlands | 6,471,425 | 1.0% | China | 29,322,750 | 2.0% |
| 12 | S A C U | 23,551,748 | 2.2% | Tanzania | 5,757,466 | 0.9% | USA | 17,729,711 | 1.2% |
| 13 | KOREA | 23,217,490 | 2.2% | Portugal | 5,691,003 | 0.9% | France | 14,563,334 | 1.0% |
| 14 | France | 22,980,172 | 2.2% | Ghana | 5,517,027 | 0.8% | India | 14,411,452 | 1.0% |
| 15 | Tanzania | 21,988,148 | 2.1% | Kenya | 4,132,883 | 0.6% | Germany | 10,258,803 | 0.7% |
| 16 | UK | 16,790,074 | 1.6% | Botswana | 2,944,116 | 0.4% | Kenya | 8,358,585 | 0.6% |
| 17 | Other Asian countries | 11,180,220 | 1.1% | Rwanda | 2,450,770 | 0.4% | Japan | 6,992,808 | 0.5% |
| 18 | Italy | 10,493,156 | 1.0% | Brundi | 2,355,896 | 0.4% | Finland | 5,786,288 | 0.4% |
| 19 | Czechoslovakia | 10,168,570 | 1.0% | France | 2,314,359 | 0.3% | Namibia | 4,235,445 | 0.3% |
| 20 | Netherlands | 8,612,880 | 0.8% | Spain | 2,190,477 | 0.3% | Mauritius | 3,513,098 | 0.2% |
| Total | | 1,055,005,568 | 100.0% | | 665,585,984 | 100.0% | | 1,461,481,486 | 100.0% |

Import

| Ranking | 1995 | | | 2000 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | S A C U | 253,813,472 | 35.8% | South Africa | 544,127,552 | 54.8% | South Africa | 932,694,873 | 46.2% |
| 2 | UK | 71,011,024 | 10.0% | UK | 139,390,032 | 14.0% | UK | 286,544,342 | 14.2% |
| 3 | Zimbabwe | 56,481,908 | 8.0% | Zimbabwe | 69,028,432 | 6.9% | UAE | 143,504,967 | 7.1% |
| 4 | Saudi Arabia | 54,978,132 | 7.8% | Japan | 34,750,512 | 3.5% | Zimbabwe | 120,544,193 | 6.0% |
| 5 | Japan | 45,149,036 | 6.4% | Tanzania | 21,073,112 | 2.1% | France | 57,495,763 | 2.9% |
| 6 | Canada | 24,141,824 | 3.4% | India | 16,329,628 | 1.6% | India | 48,559,641 | 2.4% |
| 7 | USA | 19,481,164 | 2.8% | Germany | 11,484,349 | 1.2% | China | 43,828,858 | 2.2% |
| 8 | India | 19,093,270 | 2.7% | China | 10,910,840 | 1.1% | USA | 33,805,197 | 1.7% |
| 9 | Germany | 18,428,624 | 2.6% | Denmark | 9,588,028 | 1.0% | Kenya | 32,505,816 | 1.6% |
| 10 | Kuwait | 14,254,580 | 2.0% | Mozambique | 9,105,302 | 0.9% | Japan | 27,635,235 | 1.4% |
| 11 | Netherlands | 12,453,035 | 1.8% | France | 8,393,930 | 0.8% | Tanzania | 27,100,822 | 1.3% |
| 12 | France | 12,052,387 | 1.7% | Democratic Republic of the Congo | 8,110,187 | 0.8% | Germany | 21,282,276 | 1.1% |
| 13 | Iran | 11,052,669 | 1.6% | Special Categories | 7,377,226 | 0.7% | Finland | 21,226,748 | 1.1% |
| 14 | Tanzania | 9,638,971 | 1.4% | Canada | 7,353,584 | 0.7% | Australia | 18,280,226 | 0.9% |
| 15 | Finland | 8,563,957 | 1.2% | Italy | 6,883,152 | 0.7% | Sweden | 17,988,374 | 0.9% |
| 16 | Sweden | 7,862,437 | 1.1% | Botswana | 5,930,102 | 0.6% | Switzerland | 17,260,110 | 0.9% |
| 17 | Denmark | 7,379,662 | 1.0% | Netherlands | 5,823,675 | 0.6% | Democratic Republic of the Congo | 13,045,454 | 0.6% |
| 18 | Italy | 6,736,208 | 1.0% | Saudi Arabia | 5,465,356 | 0.6% | S.Korea | 11,547,869 | 0.6% |
| 19 | Switzerland | 5,970,324 | 0.8% | Other Asian countries | 5,250,484 | 0.5% | Netherlands | 11,037,163 | 0.5% |
| 20 | Austria | 4,244,011 | 0.6% | Norway | 5,179,793 | 0.5% | Other Asian countries | 9,944,335 | 0.5% |
| Total | | 708,202,560 | 100.0% | | 993,382,464 | 100.0% | | 2,017,146,737 | 100.0% |

Source: UN-COMTRADE

There has been a shift in Zambia's trade partners from countries outside of the region (e.g. from the EU and Japan) to the African region in recent years. In particular, there is a sharp rise in trade volume with South Africa, and in terms of export, COMESA. The United States have traditionally not been a major trade partner for Zambia, but its share is decreasing in trend.

## 2) Copper

The copper industry remains to be Zambia's main source of economic growth, but has faced several production problems in 2005, and there is growing concerns over these effects on the overall production. According to the data to the government in October 2005, the total finished copper production of the second largest mining company in Zambia, Mopani Copper Mines (MCM, a joint venture between Canada's First Quantum Minerals and Swiss's Glencore International) looked to decline to 140,000 tonnes in 2005, down from the initial target of 190,000 tonnes set at the beginning of the year. A combination of flooding at the Mufulira mine, accidents at the Nkana mine and fuel shortages causing the Mufulira smelter to shut down have been blamed for the decline. The largest copper mining company, Konkola Copper Mines (KCM, owned by a London-listed company, Vedanta Resources) reported that its Nkana smelter has been forced to halve daily production to 300 tonnes of finished copper for the duration of the fuel shortages. KCM also reported that it had lost 6,000 tonnes in copper output in July, which is the equivalent of approximately US$20 million in copper revenue, following a strike by workers. Concerns remain for the future outlook (e.g. due to rising power costs), but as long as the international prices remain high by historical standards, no major blows are predicted for the mining industry in the near future.

The government of Zambia's key policy objective is to turn the copper industry from export commodities of the raw materials to value-added export product, by processing copper in Zambia before being exported

### 3) Agriculture

Despite being blessed with large and rich land, Zambia only uses 14% of cultivable land and 10% of the country's water resources. Therefore, there is great potential for growth and export diversification of the agriculture and agro-business sector. The priority agriculture products include floriculture, vegetables, cotton, tobacco, coffee, and paprika. Supply side constraints, such as the (1) lack of access to water, fertiliser, HYV seeds, extension services, financial services, and marketing, (2) customary land tenure system that does not allow secure land rights and long-term investment in land development, and (3) inadequate infrastructure (rural roads, storage facilities, marketing infrastructure, power and telecommunications services), are pointed out as the impediments to faster growth of the agriculture sector.

- Cotton: Cotton is the largest cash crops for Zambia's smallholders. By planting cotton, they gain access to credit through the distributor system for purchasing inputs and to a guaranteed market for cotton, so smallholders are attracted by the relative ease in entering the market. The main export market is South African and the EU.
- Tobacco: The majority of the tobacco produced in Zambia is sold through Zimbabwe and Malawi where there are established auction and processing facilities. The instability in Zimbabwe in recent years has led to production increases in Zambia.

- Coffee: Zambia is a low cost producer of high quality Arabica coffees. Coffee accounts for about 6% of total agricultural exports, and is grown predominantly by large commercial farmers. The industry has been modernised with financial support from the World Bank's Coffee II funds and the EU's Export Development Programme. It is thought that given Zambia's abundant land resources and favourable climatic conditions, there is considerable potential for increasing coffee production.
- Paprika: Paprika is mainly produced b commercial farms with irrigation facilities. Zambia currently supplies only 2% of world demand for paprika, but has a potential to increase production.

### 4) Floriculture / Cut Flowers

There are approximately 35 farms in an irrigated land of 5,000 hectares, developed around the Lusaka International Airport. The biggest grower is York Farm (50% Zambian owned, 50% jointly owned by Kenya and Zambia), who grows fresh vegetable and cut flowers, and owns 1,500 hectares of farms, 15 hectares of greenhouse, and 40 hectares of rose farms. The out-grower system where small-scale farmers are contracted to grow cut flowers, snap peas, butter beans, baby corns, carrots, etc are developed in Zambia. From 1990 to 2002, the value of horticulture exports increased from US$ 5.6 million to US$ 75.2 million and now accounts for 38% of total agricultural exports. EU is the largest market, with approximately 80% of the share. The industry's outlook for future growth is constrained by the factors including the rising air freight costs.

### 5) Textiles and Garments

Cotton and poly-cotton yarn account for over 90% of Zambia's textile exports. The industry is vulnerable to external factors such as the international prices. In the early 1990s the entire manufacturing sector declined with the reduction in tariff rates. By 1997, the textiles and garment sector had an explicit focus on exports and grew to become an industry with earnings of US$50 million. However, between 1997 and 2003, the value of exports from this sector declined to US$ 26 million. There has been a significant shift in export markets, and between 2001 and 2002, sales to Europe declined by 28% while sales to regional markets (mostly South Africa) increased by 70%.

### 6) Processed Foods

Processed food, dominated mainly by sugar accounts for 10% of non-traditional exports earnings in 2003. Zambia's annual production is around 230,000 million tonnes, of which approximately 50% reserved for domestic consumption, and the rest for exports. Virtually all the processed food is sold within eastern and southern Africa, with Democratic Republic of Congo dominating 50% of the export market, followed by Malawi, Swaziland, Mauritius, Tanzania and Mozambique. The strict sanitary and phytosanitary standard requirements make entry into EU and US markets difficult. Zambia Sugar Company (ZRC) produces 98% of all sugar production in Zambia.

### 7) Tourism

The tourism industry in Zambia is a US$ 145 million industry in 2002 and with an annual growth rate of 13% between 1997 and 2002 (DTIS, 2005). Through the drive to advance service sector in addition to the trade in goods, the government adopted a tourism sector strategic plan in 1997 which clarifies the action plan to be taken between 2000 and 2005, in order to promote the tourism sector.

### 8) Gemstones

Zambia is one of the world's three largest producers of emeralds, producing about 20% of the world supply. Furthermore, Zambia is believed to have the second largest deposits of high quality emeralds in the world. Zambia also has large reserves of tourmalines, aquamarines, amethysts, citrine and garnets, and it is widely thought that the export value of the gemstone sector is somewhere between US$ 50-100 million, higher (due to illegal mining and trading activity) than the official government statistics of US$ 23 million. The World Bank projects that Zambia's gemstone exporting potential may be as high as US$ 600 million[24].

At the moment, approximately 90% of gemstones mines and exported are unprocessed and uncut. To curve this trend, the government has issued about 450 ten-year gemstone mining licenses and 430 two-year "artisan" licenses, according to the DTIS. There are four large mining enterprises with Kagem Mining Ltd. being the largest. Kagem was established in 1984 as a public-private joint venture enterprise (currently owned 55% by the government and 45% by Hagura, an Israeli-Indian consortium) and employs around 350 persons. Its annual sales figure is in the US$ 10 million range. Other foreign companies, including major US companies have also bought assets in Zambia's mining industry. Private initiatives are now underway to introduce more gemstone processing facilities in Zambia.

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[24] World Bank (2004), "Zambia Country Economic Memorandum: Policies for Growth and Diversification", Volume I, quoted in the DTIS, 2005.

The biggest export market is India, accounting for approximately 50% of officially recorded export value, followed by South Africa, Hong Kong Thailand, Israel, South Korea, the United Kingdom, Switzerland, the United States and France.

DTIS points out that the legal framework surrounding the sector is hampering the growth of this sector. The 1995 Mines and Mineral Acts of 1995 sets out the provisions for encouragement of foreign investment in exploration, establishment of large and small private mining enterprises, and assurances regarding property rights, sector economic stability and environmental management. The Ministry of Mines and Minerals is responsible for the implementation of this Act, but have failed to implement it systematically. As a consequence, not only are there lax government oversight and administration, insufficient coordination between government ministries and organisations, and shortages in infrastructure, but also there are recordings of illegal mining activities. In December 2004, the government announced the establishment of the Zambia Gemstone Exchange Ltd., a formal clearinghouse for Zambia's gemstone products.

### 2.2.4 Current Status and Issues of the WTO Negotiations

#### (1) Stance toward WTO Negotiations

Zambia's basic stance is that it urges development concerns to be put at the core of the WTO deliberations with an emphasis of technical assistance provision, thus Zambia supports the Doha Development Agenda to the extent that it has done so. It also supports reduction in high tariffs, removal of trade distorting subsidies, and market access in the services sector enhanced especially through temporary movement of natural persons. As a LDC, it argues for strengthening of flexibility accorded to LDCs in the form of special and differential treatment (S&D).

Its priorities in the negotiations are duty-free and quota-free market access, and its operations. As regards operations, the assessment of how it can be conducive to LDCs and the selection of what particular items become tariff-free and quota-free are two important points to consider. Hence, Zambia views that special rules of origin, and non-tariff barriers (NTB) are important. From this regard, Zambia is undergoing a process of identifying possible NTB related to SPS and TBT.

Zambia is currently the chairman of the LDC Group, and is emphasising the importance of coordination amongst LDC members. Zambia has chosen to negotiate collectively with other LDC Group members as a group, rather on its own.

Zambia's stance on various WTO issues can be summarised as follow[25].

### 1) NAMA

Zambia interests are to push for duty-free and quota-free market access into developed country markets, and improved market access into non-LDC developing country markets, and to ensure this improved market access is not offset by increased use of NTB including SPS measures, rules of origin. Zambia has little interests toward the negotiations on the formula to reduce tariff peaks and escalations, and reduce MFN tariffs.

### 2) Agriculture

It urges the developed nations for the abolishment of market distorting schemes such as export subsidies and domestic support measures, tariff peaks, tariff escalations, seasonal restrictions and unnecessarily high SPS restrictions.

In cotton, it supports the work programme of the sub-committee to discuss issues regarding the establishment of subsidies regarding market access, domestic support. However it does not support the expansion of the agenda of the sub-committee.

### 3) Services

It demands for assistance to increase LDCs capacity and for extension of periods to be able to participate in the GATS Request and Offer processes. Zambia regards that it has a comparative advantage in the Mode IV movement of natural persons, and is requesting the establishment of a framework where it does not lead to brain drain from the developing countries.

### 4) Rules

For the LDC including Zambia, the issue regarding rules was not a major area of concern in the lead-up to the Hong Kong Ministerial Conference.

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[25] The section that follows is based on the statement by Mr. Dipak Patel, Minister of Commerce, Trade and Industry of Zambia, at the OECD Paris-Council at Minister' meeting , 3-4 May 2005.

### 5) Trade Facilitation

It basically supports the trade facilitation principles, but is against proceeding this issue in advance of the progress on core issues.

## (2) Constraints in WTO Negotiations

### 1) Structure/framework for the Negotiations

The practical businesses surrounding the negotiation are conducted by Ms. Tembo, the Director of Foreign Trade (acceded to post in June 2004), and five Trade Officers in Lusaka. In Geneva, there are further two staffs (Trade Economist and Counsellor) in addition to the Ambassador, who deals with WTO issues alongside matters surrounding other international organisations based in Geneva and bilateral relations with Switzerland. It is thus apparent that there are severe limits on the human resource aspect. Ms. Tembo travels between Geneva and Lusaka about once a month, but the travel expenses (transport costs and hotel expenses) are not insignificant. In addition, as a presidency holding country of the LDC Group, she and her group are required to attend various meeting associated to the Group, which has further constrained the human resources. Furthermore, MCTI has pursued policies of privatisation, streamlining of the government. This has meant low wages paid for trained staffs in trade policies and in turn high turnover rates.

In addition to the structural problems within the MCTI, the issue of coordination between different ministries and agencies remains. The policies regarding customs duties come under the jurisdiction of the Ministry of Finance and National Planning (MFNP), and the tax collection and implementation are the responsibility of the ZRA. There is a National Working Group on Trade in Zambia, but this is often regarded as a “MCTI’s meeting” by other ministries and organisations and there is no other means f effective cooperation between MCTI, MFNP and the ZRA.

As regards private sector, Zambia National Farmers Union and Zambia Export Growers Association act as effective lobbyists for the government. However, they do not have the capacity to evaluate the impact of trade policies. Insufficient financial resources have put constraints on its capacity, and the Zambia Association of Chambers of Commerce and Industry (ZACCI) is not actively involved with the negotiations. Therefore, private-public partnership in the area of negotiation remains very weak in Zambia.

Zambia has concluded the DTIS under the framework of the IF, and through the framework of JITAP, it has received various technical assistance. In terms of development of human resources, the government has actively encouraged participation of staff in seminars and workshops conducted by regional organisations (e.g. COMESA's rule of origin seminar, SADC's NTB workshops, WTO seminars). In addition, Zambia receives the "Dutch Fund" whereby funding is given by Holland to staff a personnel from the MCTI in Geneva mission.

## 2.3 Senegal[26]

### 2.3.1 Current Status and Issues of the Institutional Framework

#### (1) WTO Agreements: Development of domestic legislation and Implementation

##### 1) General Outline

Senegal officially became an original member of the WTO in 1995, but does not participate fully in the multilateral trading system, especially as regards notifications, the implementation of some of the WTO Agreements, and participation in negotiations under the Doha Agenda. The delay of notifications comes from poor understanding of the agreements and procedures.

In general, its market access commitments do not seem to impose any real constraint on Senegal's border policies. The bound rates have been set at levels high enough to provide some "effective protection" against import-competing products whenever necessary. Actual border policies are determined more by the domestic SAPs agreed upon in the mid-1980s and the regional trading agreements (RTAs) in which Senegal has been involved since the 1990s. Under SAPs, the bulk of non-tariff barriers existing before 1995 have been abolished, and import tariffs and duties have been considerably lowered.

##### 2) GATS

Services for which Senegal has undertaken commitments relate to tourism, distribution, business, recreation, culture and sports, and transport. With some exceptions, the supply

[26] Initial information is obtained from the Diagnostic Trade Integration Study: 2003, and the WTO Trade Policy Review (reported by the Secretariat): 2003. The authors have verified the statements where applicable, and have added extra information and/or altered using the findings of the field study.

of services by means of commercial presence (Mode 3) requires prior approval by the relevant ministries under a discretionary procedure; the limitations indicated in the Schedule are more restrictive than the regime currently applicable to foreign investors. Senegal has not made any commitment concerning the supply of services through the presence of natural persons (Mode 4).

Some of the key features with respect to Senegal's commitments in the service sectors are as follows:

- <Telecommunications> Senegal lists limitations on market access in relation to commercial presence and cross-border supply in the area of basic telecommunication services, paging services and mobile cellular services, reflecting Sonatel's monopoly in local and long-distance traffic until 2003. There are no limitations on national treatment.
- <Banking> Restrictions are listed in relation to commercial presence. For example, banks must be public limited companies, and lending operations may only be carried out by approved banks or financial establishments. All other modes of supply (cross-border supply, consumption abroad, presence of natural persons) are unbound. Senegal also lists this sector as not falling under the GATS MFN principles ("an MFN exemption" in the GATS jargon), and has concluded prudential arrangements in the context of ECOWAS, WAEMU, and the Inter-African Insurance Market Conference, with the stated intention of achieving a competitive position.
- <Tourism and travel-related services> There is a licensing requirement regarding commercial presence, but no other restrictions are inscribed in the schedule. Senegal has a bilateral open-skies agreement with the US, and is party to a regional liberal agreement
- <Maritime services> This sector is inscribed in Senegal's schedule of MFN exempted sectors, for the stated objectives of stimulating regional trade, promoting the national shipping liner, promoting exports, and protecting infant industries.

### 3) Agriculture

Despite adopting a simplified tariff structure, Senegal has maintained numerous other taxes on agricultural imports: application of the Union Solidarity Tax, the Statistical Tax, the Regressive Protection Tax, the Import Tax, the Reference Value System which determines customs value, etc.

Senegal has not notified any domestic support measures since the accession to the

WTO. Because of this and because of lack of detailed information on the level of support actually provided to agriculture, it is difficult to assess the situation regarding its compliance with the relevant Agreement on Agriculture (AoA) provisions. Regarding the trade-distorting measures, as a developing country, Senegal can grant subsidies to farmers, under the WTO de minimis provision. As for the non-trade-distorting measures, there is no limit to the support that can be accorded. Senegal has considerable flexibility to support agriculture though measures under S&D. On the whole, complying with the AoA rules on domestic support measures has not been an issue of concern in Senegal so far. The government has not yet analysed the longer-term implications of the WTO commitments and how the AoA disciplines might constrain the future implementation of agricultural development policy. This work has not yet been done because of various constraints including the lack of adequate human resources and technical support to facilitate the interactive process between Senegal's National Committee for Trade and Multilateral Negotiations (NCTMN) and the WTO Special Committee on Agriculture.

### 4) SPS

The Directorate of Foreign Trade is the main enquiry point for the implementation of the SPS Agreement. Issues relating to sanitary and phytosanitary measures are discussed in the Subcommittee on Trade in Agricultural Products, which is also the body in charge of coordinating and monitoring the implementation of SPS measures for the Directorate of Foreign Trade.

In Senegal, the Senegalese Standards Association (ASN) has been tasked as the "enquiry points", the task to provide their trading partner with information on the application of regulations regarding food safety and the protection of animal and plant health, the existence of equivalence agreements, and risk management procedures and decisions. The Directorate of Plant Protection is another important enquiry point regarding the application of phytosanitary measures.

However, ASN cannot fulfil its role of providing information for the all bodies related to the implementation of the SPS Agreement, because of the private sector's insufficient understanding of the agreement (although ASN work for the improvement of the acknowledgment of the agreement with the support of WTO).

In addition, because of the lack of technical and financial means, Senegal, like other developing countries and LDCs, cannot contribute effectively to the development of standards by taking part in meetings of international bodies such as the FAO/CODEX

Alimentarius Commission, the Office International des Epizooties (OIE) and the Secretariat of the International Plant Protection Convention (IPPC). This means that Senegal's concerns are not often taken into consideration in the process of developing international standards.

### 5) State Trading Enterprises, subsidies

Senegal has not notified the WTO of any "state trading enterprises" defined in Article XVII of the GATT that deal with imports. The monopoly given to the public sectors for imports of broken rice has been abolished in 1995, and the monopoly of imports of crude petroleum given to the African Refining Company (SAR) was abolished in 1998. But the National Supply Pharmacy, a state-owned enterprise, has a monopoly of the purchase and distribution of pharmaceuticals throughout Senegal.

In 1997, Senegal notified the WTO that no direct export subsidies were granted. The export subsidies mechanism (premium or compensation upon export) was abolished in 1994. However, in 1996 a free export enterprise regime was established and this gives approved enterprises substantial fiscal benefits provided that 80% of their turnover derives from exports. The Senegalese authorities explain that these export incentives are justified by the excess costs generated by the situation in developing countries like Senegal and the aim of integration in the global economy.

### 6) TRIPS

In 1977 the Agreement of Bangui, established the African Organization for Industrial Property (AOIP). In Senegal, monitoring of the activities of AOIP is the responsibility of the Ministry of Industry and Handicrafts, with daily management resting with Service de la Technologies et de la Propriété Industrielle (STPI). Furthermore, the Government has moved to strengthen its institutional capacity with the creation of the Senegalese Association for Normalization (SAN) in January 2002. Owing to public resource constraints, STPI and SAN have not been very effective in initiating new activities or executing their missions. The SAN emerged from the recent restructuring of the Institut Sénégalais de Normalisation (ISN). It is too early to assess the performance of the SAN.

Senegal's current legislation does not address adequately the WTO agreements with regards especially to compliance with the plant varieties protection aspect of TRIPS. Two TRIPS-related Acts have been drafted since 1999 and scheduled for parliamentary discussion in the areas of common law (droits communs), neighbour rights (droits voisins) and intellectual property rights (droits d'auteurs).

Since 1995, Senegal has taken advantage of the transitional provisions available under Article 65 of the TRIPS Agreement in order to delay full application of the Agreement until 2000; after it was recognized as an LDC in 2001, Senegal took advantage of the transitional provisions provided under Article 66 of the Agreement. Senegal has not yet notified the TRIPS Council of the revised Bangui Agreement and Annexes 1 to VIII thereto, which entered into force on 28 February 2002.

As far as intellectual property rights are concerned, according to the authorities, Senegal has received little assistance from the WTO, WIPO or other relevant organizations. It is therefore urged to enhance knowledge and expertise in the administration and other public and private sector entities by means of training courses and workshops. The Industrial Property Service is in need of legal advice in drawing up new legislations. In addition, the enactment of laws consistent with the WTO would eliminate one of the major obstacles hampering the effective implementation of the law, in particular because it would facilitate the training of customs and police officers.

### 7) Customs Valuation

Following the introduction of the WTO Agreement on Customs Valuation which was introduced in July 2001, and the Regulations on Customs Valuation in WAEMU member countries, in September 2001 Senegal indicated that it wished to make a reservation in order to apply minimum values for a certain number of products. On 5 June 2002, Senegal submitted a request for a waiver under Article IX of the WTO Agreement in order to apply minimum values for more than 29 products during a transitional period of three years as of that date. According to the authorities, the continued application of minimum values is justified by the difficulties experienced by producers in competing and unlawful trade practices affecting the domestic industry.

Infrastructure and adequate countermeasures against smuggling from Gambia, Guinea and Bissau are pointed as the constraints on implementation of the Agreement. According to the Senegalese custom authorities, the introduction and utilization of the new computer system "GAINDES" can be a step forward to overcome these constraints. The strengthening of the mechanism of risk management is thought to also be one of the important tasks.

### 8) Anti-dumping, countervailing, and safeguard measures

The Senegalese government notified its legislation related to the agreement on anti-dumping, subsidies and countervailing measures, in 1996, 1997 and 1996, respectively.

One of the taxes related to these trade remedies is the WAEMU's Taxe Conjoncturelle à l'Exportation (TCI). It can be applied to a number of commodities (such as vegetables, rice, onions, potatoes, sugar and flour) at a 10 % rate when world prices drop and threaten local producers. The trigger for the application of the TCI is defined as the weighted average of the import price (30% weight) and the production costs in the domestic market (70% weight), but its application is complicated given the difficulty in determining local costs of production. In practice, the TCI is applied in Senegal only on imports of sugar. At present, there appears to be pressure to introduce the TCI on imports of footwear (especially plastic), cosmetics, biscuits, sweets, matches, wheat flour, milk, tea etc.

### （2）Institutional Framework and Current Situation

The Minister for Trade is responsible for Senegal's trade policy as laid down by the Head of State. Together with the Ministry for the Economy and Finance, the Minister for Trade is in charge of international trade negotiations and of implementing foreign policies. The Minister for Trade represents Senegal at WTO ministerial meetings. He is also the focal point for the follow-up to the WTO Agreements and for Senegal's participation in the WTO's activities. In carrying out his functions, the Minister for Trade receives support from a National Committee for International Trade Negotiations (NCTMN) established in 2001, whose role is:

- To help in defining the objectives of trade negotiation;
- To formulate and harmonize national positions on multilateral, regional and bilateral trade negotiations;
- To facilitate the administration and implementation of trade agreements;
- To monitor and review the work of the UNCTAD and other agencies dealing with trade matters;
- To assess the application of agreements and their impact on a regular basis.

NCTMN is chaired by the Minister for Trade and includes representatives of ministries responsible for policy in various areas related to the work of the WTO, as well as representatives of government departments, the private sector and workers. The

Committee is held once every two months. And it has the 6 sub-committees (agricultural trade, trade in goods, trade in services, TRIPS, trade/investment /development, trade and environment), and these have sessions frequently and provide opinion papers to the main committee.

The Ministry of the Economy and Finance plays an important role in trade policy matters. It includes the Directorate General of Customs and Indirect Taxation, a large part of whose activities relate to Senegal's commitments on tariff and non-tariff measures under regional and bilateral agreements and the WTO.

Properly ratified treaties or agreements such as the WTO Agreement take precedence over domestic laws. These acts are immediately applicable as a law of the State of Senegal and are automatically enforceable.

Constraints in WTO implementation WTO are pointed out as follows.

- Lack of sufficient personnel and capacities (including the limited access to internet) of the Directorate of Foreign Trade which is the Senegal's main enquiry point of WTO
- Conflicts of interests among ministries and difficulties in co-ordinations
- Systematic decline in capacity within the government due to talent drain of those who have been engaged in the GATT/WTO negotiations

### 2.3.2 Current Status and Issues of Trade Policies

The Senegalese government's trade and industry policy is derived from the framework of the more broad Poverty Reduction Strategy Papers (PRSP) 2003－2005. The main foundation of the Senegal's PRSP is to make more opportunities to create wealth through the promotion of investment by the public and private sectors, and the development of agricultural sector, particularly through the diversification of products and the modernization of rural areas. In 2002, the government has formulated a private sector development strategy, which includes easing of regulations for investment promotion, improvement of judicial systems and efficiency of financial transaction.

A large number of institutions are directly or indirectly involved with the export promotion of the private sector. The main institutions are listed below.

- The direction du Commerce Extérieur (directorate of external trade), in the Ministry of Commerce. Its responsibilities include: (a) defining export strategies, (b) receiving aid from the ITC and the Canadian Government; (c) representing Senegal's position and interest at the WTO and WNEMU; (d) protecting the domestic economy against unfair competition of imports. Staffing and facilities (telephone lines, offices, etc) are inadequate for the directorate to fulfil its responsibilities.
- The Agence de Promotion des Investissements et des Grands Travaux （APIX, investment promotion agency）was created in 2000 to promote investments, to manage the Zone Franche Industrielle de Dakar (Dakar industrial zone) and the status of Enterprise Franche d'Exportation (duty-exempt export enterprises), and the management of various incentives awarded by the Investment Code, etc. APIX is placed under the direct supervision of the President of the Republic. Absence of performance criteria and poor communication with the outside agencies has caused some of the complaints towards the organisation.
- Agence Sénégalaise pour la Promotion de l'Exportation (ASPEX, export promotion agency) was established in February 2005, together with Fonds de promotion des exportations（FOPROMEX, export promotion funds. The evaluation of its performance is not yet known.
- The Centre International du Commerce Extérieur Sénégalais (CIES) is a joint public-private organization responsible for export promotion and organizing trade fairs. Its mandate is broad and covers a variety of activities intended to assist exporters: training, information gathering, preparation and follow up of fairs. However, the private sector does not attach great importance to the activities of the CICES. CICES's resources are meagre and are poorly maintained. Additionally, the level of human resources is poor. Majority shareholdings by the government and the constraints on its budget have been blamed.
- Trade Point Senegal (TPS) has two mandates: (i) to provide an electronic information services to exporters; and (ii) to stimulate the efficient use of new technologies in the administration. It operates under the umbrella of the Ministry of Trade. The TPS was originally established to set up and promote the use of an electronic system to facilitate exporters' submissions of export/import documents to the customs office. However, it has been pointed out that due to its lack of resources, it fails to provide sufficient information to the exporters.

### 2.3.3 Trade Environment and Major Trade Items

#### (1) Trade Environment

Senegal has a relatively open and transparent trade regime as a result of reforms in the latter half of the 1990s, including the adoption of the WAEMU Common External Tariff (CET). Between 1993 and 2001, Senegal reduced its average tariff from 36% to 14% and tariff dispersion from 18% to 7%, reduced tariff peaks from 70% to 42%, eliminated import quotas and licenses, and significantly reduced the clearance time for imports from an average of 3-4 weeks to an average of one week. There are no export taxes and subsidies in Senegal. The remaining trade barriers are import tariffs and surtaxes. There is tariff escalation in textiles, paper and paper products, petroleum and coal products, iron and steel and non-ferrous metals. There is significant escalation when Senegal's tariff structure is measured by function; tariffs are 9% on capital goods, 12% on intermediate goods; and 20% on consumer goods.

The performance of Senegalese exports is influenced greatly by world demand and price fluctuations. Additionally, three factors currently serve as constraints to the diversification of Senegalese exports, explained below.

1. <Domestic factors> World-wide ratings by the International Country Risk Guide (ICRG), Transparency International and the UN Human Development Index indicate that with respect to perceptions of governance and certain social and human capital indicators, Senegal performs poorly. A 2002 survey conducted jointly by the World Bank's Foreign Investment Advisory Services and APIX of some 200 Senegalese firms found that high on the list of constraints for their business were access to financing as well as the high cost of financing. Other factors included administrative barriers for the establishment and operation of firms, access to land, labour laws and customs procurers.
2. <WAEMU Trade Policy> The adoption of the WAEMU common external tariff (CET) in 1999 has streamlined Senegal's tariff structure and reduced tariffs. There are four tariff rates under the CET: 0% on capital goods, etc. not produced locally; 5% on raw materials; 10% on intermediate goods and 20% on consumer goods. While the CET is functioning as the external tariff policy for the WAEMU, a free trade area within the WAEMU is far from being achieved because of complicated and arbitrary rules of origin. WAEMU is

addressing this issue by introducing a set of new WAEMU rules of origin, but this will require administrative capacity of WAEMU member countries.

3. <Markets Access> Senegal faces barriers on its exports through standards and tariff peaks to developed countries, especially to the QUAD markets (CANADA, the EU, Japan, and the US). Despite the low average tariffs rates in the QUAD and the trade preferences that Senegal receives as a LDC, Senegal's export remains low. The abovementioned tariff and non-tariff barriers, and the fact that the goods granted trade preferences do not correspond with Senegal's exports are blamed for this.

Although Senegal has bilateral trade agreements with several countries in the African continent, the only countries that have preferential access to Senegalese markets in practice are the WAEMU members. The preferential tariffs that Senegal applies to its imports from the WAEMU are as follows; (i) zero tariff for raw materials of WAEMU origin; (ii) zero tariffs for a list of processed goods that satisfy a complicated and rater arbitrary rule of origin that is firm and product specific; (iii) 20% and 5% reduction in the CET for all other products (basically those that do not satisfy the rule of origin).

Custom procedures are cumbersome and expensive. The costs required to clear customs are said to be equivalent to additional import taxes. Also, their effects are similar to export taxes in cases where exporters have poor access to duty free imported inputs, or where customs procedures complicate exports. Import procedures are still excessively complicated and lengthy, while some key elements of the procedures need tightening up. Despite major improvements in the clearance time for imports, it still takes up to one week. The activities of customs officers in the release procedure (e.g. documentation or site visits) are not documented, so these operations go unchecked. The present practices of using both the manual and the computerized approaches to manage customs procedures allows for multiple contacts between importers and customs officials, which unnecessarily lengthens the procedures and facilitate the engrained habit of soliciting “facilitation money”. Senegal’s present customs information system was introduced in 1990, but has been inadequate from the beginning. Despite repeated attempts to rectify the situation, the information system has remained inadequate, and maintenance of the hardware has long been overdue. In 2001, the Customs Department finished developing a new IT system- GAINDES2000, an information system that was created by TPS that composes of the Electronic Data Interchange system (EDI).

Senegal’s transportation infrastructure is better developed than that of most of its neighbours. Dakar International Airports (LSS) is a major international airport in West

Africa and can handle all types of aircraft on its two runways. Air Senegal was privatized in 2000, with Royal Air Maroc the new operator. With the United States, there is an "Open Skies" Agreement, signed in January 2001. On the other hand, rail transport is unreliable, expensive and time consuming in Senegal. It effectively cuts off the Mali export market from Senegalese exports. The Canadian/French consortium Canac/Getmar took over operation of the Dakar-Bamako rail line in 2003, leading to some improvements in cargo carrying capacity. The Port of Dakar has steadily improved its relatively modern maritime infrastructure over the years. Dakar is the first major port-of-call from Europe and serves as a transhipment centre for landlocked nations in Wet Africa. Maritime transport has been fully liberalized in 1995 and although the Port Authority manages the port infrastructure, private firms undertake all port operations. Transport costs from Dakar to other areas are higher than those from Abidjan or Lagos, due to strict labour regulations[27].

## （2）Characteristics of Major Trading Items

### 1) Overview

Senegal's traditional export products were agricultural products (ground nut, cotton, etc.), but recently, its main export products became as petrochemical products, phosphate and products (fertiliser), representing more than 50% of the total exports. Main import products are crude oil, petrochemical products, rice, automobiles, chemicals, steel, etc.

The main destination for Senegal's merchandise exports continues to be Sub-Saharan Africa, where exports reached 301 million in 2004, representing 21.7% of the total. India was the largest importer of Senegalese goods, and among Sub-Saharan African countries. Mali is the largest importer followed by Cote d'Ivoire and The Gambia. However, trade statistics must be treated with caution, as there is substantial unrecorded trade with The Gambia and, to a lesser extent, with other neighbouring countries.

[27] For example, Sending goods to New York can cost up to 63% more from Dakar than from the other two destinations.

# Table: Senegal's Major Trade Items (Top 20 Items) (in US$)

Export

| | 1996 | | | | 2000 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 522 | Inorganic chemical elements, oxides and halogen salts | 98,649,896 | 24.1% | 036 | Crustaceans, molluscs and aquatic invertebrates, whether in shell or not, fresh (live or dead), chilled, frozen, dried, salted or in brine; crustaceans, in shell, cooked by steaming or boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets of crustaceans or of aquatic invertebrates, fit for human consumption | 139,042,208 | 20.1% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 215,304,718 | 16.3% |
| 2 | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 89,690,832 | 21.9% | 034 | Fish, fresh (live or dead), chilled or frozen | 96,056,432 | 13.9% | 522 | Inorganic chemical elements, oxides and halogen salts | 179,713,576 | 13.6% |
| 3 | 562 | Fertilizers (other than those of group 272) | 42,900,312 | 10.5% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 79,297,640 | 11.4% | 034 | Fish, fresh (live or dead), chilled or frozen | 166,929,845 | 12.6% |
| 4 | 272 | Fertilizers, crude, other than those of division 56 | 36,232,468 | 8.9% | 421 | Fixed vegetable fats and oils, "soft", crude, refined or fractionated | 67,761,864 | 9.8% | 036 | Crustaceans, molluscs and aquatic invertebrates, whether in shell or not, fresh (live or dead), chilled, frozen, dried, salted or in brine; crustaceans, in shell, cooked by steaming or boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets of crustaceans or of aquatic invertebrates, fit for human consumption | 118,904,363 | 9.0% |
| 5 | 263 | Cotton | 21,782,632 | 5.3% | 522 | Inorganic chemical elements, oxides and halogen salts | 66,933,312 | 9.7% | 562 | Fertilizers (other than those of group 272) | 68,976,129 | 5.2% |
| 6 | 278 | Other crude minerals | 9,052,026 | 2.2% | 037 | Fish, crustaceans, molluscs and other aquatic invertebrates, prepared or preserved, n.e.s. | 19,288,930 | 2.8% | 333 | Petroleum oils and oils obtained from bituminous minerals, crude | 37,733,343 | 2.9% |
| 7 | 034 | Fish, fresh (live or dead), chilled or frozen | 7,226,287 | 1.8% | 333 | Petroleum oils and oils obtained from bituminous minerals, crude | 16,823,812 | 2.4% | 098 | Edible products and preparations, n.e.s. | 37,212,545 | 2.8% |
| 8 | 692 | Metal containers for storage or transport | 5,770,222 | 1.4% | 081 | Feeding stuff for animals (not including unmilled cereals) | 16,748,371 | 2.4% | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 29,955,463 | 2.3% |
| 9 | 792 | Aircraft and associated equipment; spacecraft (including satellites) and spacecraft launch vehicles; parts thereof | 5,741,240 | 1.4% | 272 | Fertilizers (other than those of group 272) | 16,483,183 | 2.4% | 553 | Perfumery, cosmetic or toilet preparations (excluding soaps) | 29,851,048 | 2.3% |
| 10 | 036 | Crustaceans, molluscs and aquatic invertebrates, whether in shell or not, fresh (live or dead), chilled, frozen, dried, salted or in brine; crustaceans, in shell, cooked by steaming or boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets of crustaceans or of aquatic invertebrates, fit for human consumption | 5,442,289 | 1.3% | 562 | Fertilizers (other than those of group 272) | 14,505,738 | 2.1% | 263 | Cotton | 29,011,259 | 2.2% |
| 11 | 421 | Fixed vegetable fats and oils, "soft", crude, refined or fractionated | 4,943,669 | 1.2% | 553 | Perfumery, cosmetic or toilet preparations (excluding soaps) | 11,619,737 | 1.7% | 278 | Other crude minerals | 27,416,416 | 2.1% |
| 12 | 081 | Feeding stuff for animals (not including unmilled cereals) | 4,492,616 | 1.1% | 591 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (e.g., sulphur-treated bands, wicks and candles, and fly-papers) | 11,107,336 | 1.6% | 421 | Fixed vegetable fats and oils, "soft", crude, refined or fractionated | 26,092,079 | 2.0% |
| 13 | 222 | Oil-seeds and oleaginous fruits of a kind used for the extraction of "soft" fixed vegetable oils (excluding flours and meals) | 4,113,677 | 1.0% | 278 | Other crude minerals | 10,925,854 | 1.6% | 037 | Fish, crustaceans, molluscs and other aquatic invertebrates, prepared or preserved, n.e.s. | 23,701,594 | 1.8% |
| 14 | 292 | Crude vegetable materials, n.e.s. | 3,635,477 | 0.9% | 035 | Fish, dried, salted or in brine; smoked fish (whether or not cooked before or during the smoking process); flours, meals and pellets of fish, fit for human consumption | 8,070,405 | 1.2% | 042 | Rice | 22,932,746 | 1.7% |
| 15 | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 3,537,721 | 0.9% | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 6,705,819 | 1.0% | 893 | Articles, n.e.s., of plastics | 17,163,657 | 1.3% |
| 16 | 211 | Hides and skins (except furskins), raw | 3,467,987 | 0.8% | 893 | Articles, n.e.s., of plastics | 6,414,655 | 0.9% | 676 | Iron and steel bars, rods, angles, shapes and sections (including sheet piling) | 16,490,921 | 1.2% |
| 17 | 282 | Ferrous waste and scrap; remelting scrap ingots of iron or steel | 2,726,484 | 0.7% | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 6,321,891 | 0.9% | 554 | Edible products and preparations, n.e.s. | 15,240,819 | 1.2% |
| 18 | 899 | Miscellaneous manufactured articles, n.e.s. | 2,425,194 | 0.6% | 263 | Cotton | 6,093,288 | 0.9% | 591 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (e.g., sulphur-treated bands, wicks and candles, and fly-papers) | 14,760,517 | 1.1% |
| 19 | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 2,388,875 | 0.6% | 642 | Paper and paperboard, cut to size or shape, and articles of paper or paperboard | 4,524,115 | 0.7% | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 11,711,625 | 0.9% |
| 20 | 061 | Sugars, molasses and honey | 2,344,172 | 0.6% | 692 | Metal containers for storage or transport | 4,454,884 | 0.6% | 122 | Tobacco, manufactured (whether or not containing tobacco substitutes) | 11,372,028 | 0.9% |
| Total | | | 409,322,528 | 100.0% | | | 692,955,392 | 100.0% | | | 1,319,899,309 | 100.0% |

Import

| | 1996 | | | | 2000 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 394,768,736 | 18.5% | 333 | Petroleum oils and oils obtained from bituminous minerals, crude | 292,599,072 | 18.8% | 333 | Petroleum oils and oils obtained from bituminous minerals, crude | 333,013,264 | 11.7% |
| 2 | 333 | Petroleum oils and oils obtained from bituminous minerals, crude | 221,679,808 | 10.4% | 042 | Rice | 109,393,168 | 7.0% | 042 | Rice | 243,228,700 | 8.5% |
| 3 | 042 | Rice | 185,952,160 | 8.7% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 47,938,296 | 3.1% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 115,821,199 | 4.1% |
| 4 | 041 | Wheat (including spelt) and meslin, unmilled | 54,215,920 | 2.5% | 098 | Edible products and preparations, n.e.s. | 41,528,428 | 2.7% | 542 | Medicaments (including veterinary medicaments) | 90,495,205 | 3.2% |
| 5 | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 53,391,056 | 2.5% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 41,014,920 | 2.6% | 098 | Edible products and preparations, n.e.s. | 86,872,213 | 3.0% |
| 6 | 421 | Fixed vegetable fats and oils, "soft", crude, refined or fractionated | 45,810,568 | 2.1% | 542 | Medicaments (including veterinary medicaments) | 39,482,916 | 2.5% | 676 | Iron and steel bars, rods, angles, shapes and sections (including sheet piling) | 81,054,474 | 2.8% |
| 7 | 061 | Sugars, molasses and honey | 42,624,976 | 2.0% | 421 | Fixed vegetable fats and oils, "soft", crude, refined or fractionated | 31,972,202 | 2.1% | 041 | Wheat (including spelt) and meslin, unmilled | 78,619,748 | 2.8% |
| 8 | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 40,206,640 | 1.9% | 041 | Wheat (including spelt) and meslin, unmilled | 29,769,520 | 1.9% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 70,629,781 | 2.5% |
| 9 | 022 | Milk and cream and milk products other than butter or cheese | 35,789,000 | 1.7% | 022 | Milk and cream and milk products other than butter or cheese | 28,244,812 | 1.8% | 022 | Milk and cream and milk products other than butter or cheese | 66,350,874 | 2.3% |
| 10 | 692 | Metal containers for storage or transport | 35,516,480 | 1.7% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 24,143,224 | 1.6% | 421 | Fixed vegetable fats and oils, "soft", crude, refined or fractionated | 55,705,018 | 2.0% |
| 11 | 098 | Edible products and preparations, n.e.s. | 31,726,740 | 1.5% | 641 | Paper and paperboard | 22,372,360 | 1.4% | 342 | Liquefied propane and butane | 50,488,017 | 1.8% |
| 12 | 676 | Iron and steel bars, rods, angles, shapes and sections (including sheet piling) | 31,135,480 | 1.5% | 121 | Tobacco, unmanufactured; tobacco refuse | 21,713,594 | 1.4% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 46,713,954 | 1.6% |
| 13 | 542 | Medicaments (including veterinary medicaments) | 28,084,384 | 1.3% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 20,861,072 | 1.3% | 274 | Sulphur and unroasted iron pyrites | 45,696,486 | 1.6% |
| 14 | 522 | Inorganic chemical elements, oxides and halogen salts | 26,074,300 | 1.2% | 773 | Equipment for distributing electricity, n.e.s. | 18,684,902 | 1.2% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 39,261,243 | 1.4% |
| 15 | 641 | Paper and paperboard | 26,049,768 | 1.2% | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 18,659,262 | 1.2% | 248 | Wood, simply worked, and railway sleepers of wood | 34,953,448 | 1.2% |
| 16 | 642 | Paper and paperboard, cut to size or shape, and articles of paper or paperboard | 20,537,274 | 1.0% | 741 | Heating and cooling equipment, and parts thereof, n.e.s. | 17,172,904 | 1.1% | 641 | Paper and paperboard | 30,825,169 | 1.1% |
| 17 | 342 | Liquefied propane and butane | 20,070,940 | 0.9% | 676 | Iron and steel bars, rods, angles, shapes and sections (including sheet piling) | 15,875,833 | 1.0% | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 29,244,347 | 1.0% |
| 18 | 074 | Tea and maté | 18,481,100 | 0.9% | 728 | Other machinery and equipment specialized for particular industries; parts thereof, n.e.s. | 15,174,475 | 1.0% | 012 | Other meat and edible meat offal, fresh, chilled or frozen (except meat and meat offal unfit or unsuitable for human consumption) | 28,429,001 | 1.0% |
| 19 | 713 | Internal combustion piston engines, and parts thereof, n.e.s. | 18,408,088 | 0.9% | 679 | Tubes, pipes and hollow profiles, and tube or pipe fittings, of iron or steel | 14,444,947 | 0.9% | 562 | Fertilizers (other than those of group 272) | 28,237,863 | 1.0% |
| 20 | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 18,278,458 | 0.9% | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 14,386,709 | 0.9% | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 26,560,451 | 0.9% |
| Total | | | 2,134,253,440 | 100.0% | | | 1,552,784,768 | 100.0% | | | 2,848,812,826 | 100.0% |

Source: UN-COMTRADE

## 2) Agriculture

Over the past centuries, groundnuts were the backbone of Senegal's agriculture, representing about 80% of total exports in the 1960s. The Government provided the assistances like price-support, credit granting, technical services, etc. towards the production of groundnuts. Since the early 1970s, the processing and marketing of groundnuts has been dominated by a parastatal-SONACOS-making. But during the 1980s-90s, with inadequate price incentives, production declined sharply. The privatization of SONACOS has been completed, and it is now owned by a consortium led by a French-Lebanese company.

In June 1994, the Government published a new policy paper for agricultural development. This paper set out of the framework and goals for Senegal's agriculture in relation to the macroeconomic strategy proposed in the contest of the 1994 CFAF devaluation. This strategic paper provided the foundation of the reform package which is known as the Agricultural Adjustment Program supported by several donors including the World Bank.

For groundnuts, it is expected that there is no chances for the expansion or recovery of export, but is expected that it has prospects to be export goods as sweet stuff. And for vegetables, there is a rapid increase of exports in this area, and it is pointed out that this increase leads the increase of exports of whole agricultural products in the medium run.

Table: Senegal's Major Trade Partners (Top 20 Countries) (in US$)

Export

| Ranking | 1996 | | | 2000 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | India | 110,645,504 | 27.0% | France | 127,629,200 | 18.4% | India | 183,076,415 | 13.9% |
| 2 | Bunkers | 82,791,864 | 20.2% | India | 84,859,960 | 12.2% | Mali | 180,649,294 | 13.7% |
| 3 | Mali | 38,285,036 | 9.4% | Italy | 76,496,376 | 11.0% | Bunkers | 158,917,241 | 12.0% |
| 4 | France | 35,649,136 | 8.7% | Spain | 43,503,168 | 6.3% | France | 125,051,960 | 9.5% |
| 5 | Benin | 13,170,512 | 3.2% | Mali | 42,673,592 | 6.2% | Italy | 92,587,543 | 7.0% |
| 6 | Mauritania | 12,087,171 | 3.0% | Bunkers | 36,060,940 | 5.2% | Spain | 88,009,470 | 6.7% |
| 7 | Brazil | 9,407,989 | 2.3% | Gambia | 33,086,692 | 4.8% | Gambia | 65,882,129 | 5.0% |
| 8 | Iran | 9,013,200 | 2.2% | Mauritania | 17,679,196 | 2.6% | Guinea Bissau | 46,168,451 | 3.5% |
| 9 | Gambia | 7,472,852 | 1.8% | Greece | 17,314,402 | 2.5% | Cote D'Ivoire | 40,230,680 | 3.0% |
| 10 | Italy | 7,175,724 | 1.8% | Holland | 17,048,438 | 2.5% | Guinea | 38,705,928 | 2.9% |
| 11 | Spain | 7,010,034 | 1.7% | Cote D'Ivoire | 14,857,952 | 2.1% | Mauritania | 32,039,828 | 2.4% |
| 12 | Cameroon | 6,822,933 | 1.7% | China | 12,728,081 | 1.8% | Greece | 27,495,071 | 2.1% |
| 13 | Cote D'Ivoire | 6,136,756 | 1.5% | Portugal | 12,594,283 | 1.8% | Benin | 24,339,742 | 1.8% |
| 14 | Indonesia | 5,307,225 | 1.3% | Other Areas | 12,097,305 | 1.7% | Burkina Faso | 22,955,836 | 1.7% |
| 15 | Guinea Bissau | 5,152,164 | 1.3% | Guinea Bissau | 11,742,531 | 1.7% | Togo | 18,747,063 | 1.4% |
| 16 | Holland | 4,457,755 | 1.1% | Guinea | 10,980,513 | 1.6% | Japan | 12,565,980 | 1.0% |
| 17 | Nigeria | 3,682,453 | 0.9% | Germany | 10,616,386 | 1.5% | Holland | 11,307,321 | 0.9% |
| 18 | UAE | 3,563,434 | 0.9% | Cameroon | 9,228,912 | 1.3% | Cameroon | 11,009,345 | 0.8% |
| 19 | Guinea | 3,323,238 | 0.8% | Japan | 8,555,756 | 1.2% | Belgium | 9,265,300 | 0.7% |
| 20 | Togo | 3,246,378 | 0.8% | UK | 8,367,183 | 1.2% | Portugal | 8,861,485 | 0.7% |
| Total Amount | | 409,322,528 | 100.0% | | 692,955,392 | 100.0% | | 1,319,899,309 | 100.0% |

Import

| Ranking | 1996 | | | 2000 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | France | 484,327,008 | 22.7% | France | 425,132,064 | 27.4% | France | 691,060,352 | 24.3% |
| 2 | Special Categories | 210,433,184 | 9.9% | Nigeria | 293,349,760 | 18.9% | Nigeria | 334,336,286 | 11.7% |
| 3 | Nigeria | 166,092,400 | 7.8% | Thailand | 82,666,504 | 5.3% | Thailand | 177,153,529 | 6.2% |
| 4 | Free trade area | 111,306,992 | 5.2% | USA | 56,476,540 | 3.6% | Spain | 117,489,555 | 4.1% |
| 5 | India | 101,293,784 | 4.7% | Germany | 54,748,336 | 3.5% | Brazil | 108,071,030 | 3.8% |
| 6 | Germany | 94,332,992 | 4.4% | Spain | 52,399,440 | 3.4% | Cote D'Ivoire | 100,393,323 | 3.5% |
| 7 | Spain | 89,827,576 | 4.2% | Italy | 48,300,940 | 3.1% | China | 97,131,725 | 3.4% |
| 8 | USA | 76,957,072 | 3.6% | Holland | 46,723,432 | 3.0% | Italy | 89,918,868 | 3.2% |
| 9 | Italy | 65,101,156 | 3.1% | Belgium | 44,217,920 | 2.8% | USA | 88,684,207 | 3.1% |
| 10 | Cote D'Ivoire | 62,850,852 | 2.9% | China | 41,468,844 | 2.7% | Belgium | 81,800,250 | 2.9% |
| 11 | Holland | 56,677,652 | 2.7% | Cote D'Ivoire | 40,737,784 | 2.6% | Germany | 78,338,903 | 2.7% |
| 12 | Japan | 56,234,600 | 2.6% | Japan | 39,878,836 | 2.6% | Holland | 73,785,693 | 2.6% |
| 13 | Thailand | 52,265,772 | 2.4% | UK | 30,803,502 | 2.0% | Japan | 68,876,955 | 2.4% |
| 14 | China | 44,470,632 | 2.1% | Vietnam | 30,628,942 | 2.0% | Ukraine | 65,455,794 | 2.3% |
| 15 | Belux | 43,737,480 | 2.0% | India | 24,922,728 | 1.6% | Vietnam | 53,933,968 | 1.9% |
| 16 | Portugal | 37,997,624 | 1.8% | Ireland | 23,298,240 | 1.5% | UK | 52,371,627 | 1.8% |
| 17 | Gabon | 35,060,560 | 1.6% | Russia | 22,249,784 | 1.4% | Ireland | 45,735,644 | 1.6% |
| 18 | UK | 32,213,776 | 1.5% | Canada | 21,694,340 | 1.4% | India | 40,557,953 | 1.4% |
| 19 | Brazil | 32,075,432 | 1.5% | South Africa | 14,036,910 | 0.9% | South Africa | 40,445,953 | 1.4% |
| 20 | Israel | 31,978,344 | 1.5% | Brazil | 13,537,332 | 0.9% | Russia | 30,136,577 | 1.1% |
| Total Amount | | 2,134,253,440 | 100.0% | | 1,552,784,768 | 100.0% | | 2,848,812,826 | 100.0% |

Source：UN-COMTRADE

### 3) Fisheries

The fishing sector remains Senegal's principal foreign exchange earner. In 2004,the sector yielded approximately CFA 187 billion (US$374 million) for a catch of approximately 430,000 tons. The Government estimates that the fishing sector employs more than 200,000 people.

The Senegalese fish sector has become increasingly export-oriented. Since the early1980s, key drivers of this change have included:

- The non-reciprocal advantages offered under the Lomé Conventions which allowed Senegalese fish products duty free access to the European market. This arrangement made Senegalese fish products more competitive but also lest the country dependent on the EU market.   The Cotonou agreement (replacing Lome) also contains market-access.
- An export subsidy of 15%, later raised to 25%, was first applied to canned tuna and later extended to all piscatorial products. While the subsidies were suspended with the 50% devaluation of the CFA franc in 1994, the devaluation more than compensated for the subsidy suspension. Devaluation not only encouraged a shift in fishing effort to export-oriented species but also the export of species previously consumed locally.
- In 1980 Senegal was the first sub Saharan country to negotiate an Extended Fund Facility with the IMF and a Structural Adjustment Programme (SAP) with the World Bank. As a part of the SAP government support for the fisheries sector was first reduced and then shifted to export-stimulating mechanisms.
- The Senegalese government has concluded a number of fishing access agreements-principally with the EU.

The pressure on West African fish stocks increased six-fold between the 1960s andthe1990s, mainly as a result of fishing by EU, Russian and Asian fleets. The small-scale fishing industry of Senegal is now in direct competition with the fishing fleets of the EU to supply both the local and the EU market, and this leads to a serious risk of local market supply shortages. This has far-reaching effects as local food security and jobs being threatened by shortages in the supply of locally caught fish. And the export of fish has raised its price in the domestic market and has also affected the selection of fish available to local market.

### 4) Phosphate

In Senegal, there is 100 million tones estimated amount of deposits of phosphates rock, and its annual production is about 2 million tones. India and France are Senegal’s top trading partners. During the fiscal yr¥ear 2002-03, India imported about US$140 million worth of phosphoric acid. The Government of India, through India Farmers Fertilizer Cooperative Ltd. (IFFCO) and Southern Petrochemicals Industries Corporation Ltd. (SPIC) are equity partners in Industries Chimiquies du Senegal (ICS), which is Senegal’s phosphate mining and processing company, IFFCO and SPIC collectively held about 30% interest in the company. ISC holds the fertilizer manufacturing department, and it produced about 0.25 million tones of fertilizer a year from phosphate, ammonium and potassium carbonate, and it is exported mostly to the West Africa's agricultural markets.

On November 12, 2003, the Senegalese Parliament approved a new Mining Code. Among the provisions were incentives to attract foreign investors that included total exemption from corporate tax and other levies for companies that hold exploration permits. Prior to the new legislation, mining companies that conducted an environmental impact study and presented a program for restoration were granted mining licenses in forest areas. Under the new law, however, mining licenses are banned in these areas.

### 2.3.4 Current Status and Issues of the WTO Negotiations

#### (1) Governmental Approach to the WTO Negotiations

From Senegal's perspective, the existing Agreement on Agriculture does not fully reflect the non-trade concerns of the poor. A special committee to monitor the WTO talks is now in place in Senegal. This committee has produced a few position papers. Perhaps the most important of these is the firm call Senegal is making to allow LDCs the flexibility to give domestic support to their agricultural sectors with a view to augmenting agricultural productivity and local production capacity significantly.

Senegal has been active participants since the Uruguay Round, and has aimed to preserve existing preferences, secure special and differential treatment (S&D) for developing countries and gain compensation for the potentially adverse effects of higher world prices of food through the framework of the WTO. Some of the main concerns for Senegal in the new WTO negotiations are:

- Given the high dependency on food imports and the large fluctuations in domestic food production, safeguarding domestic food markets from fluctuations in world prices is considered crucial. From this perspective, tariff only regime, even through with relatively high bound tariffs, may not be sufficient, and this constraint becomes more onerous with the implementation of the Common External Tariff (CET) of WAEMU, under which agricultural tariffs are bound below 20%. Under the Uruguay Round, the most appropriate measure to counter measure was to resort to special safeguard (SSG), but Senegal has committed to exclude this from its options. Hence, the issue of maintaining domestic support is especially important for Senegal.

- Access to developed country agricultural markets. Senegal's exports, such as groundnut oil and tomato paste, compete both domestically and abroad with subsidised products of other countries. On the other hand, as a net food importer, Senegal is against the immediate and complete elimination of export subsidies on cereals.
- In common with a number of West African economies, Senegal faces not only the problem of a weak and unstable export base but also that of a growing import burden as consumption shifts away from traditional coarse grains (millet) towards imported commodities such as rice. Accordingly, Senegal is recognized by WTO as a net food-importing developing country (NFIDC) eligible for assistance under the Marrakesh Decision, the Decision has scarcely been implemented to date. One factor for this is the requirement for providing proof of the need for assistance and that it results from the reform process under the Uruguay Round. Thus, appropriate implementation of the Decision is a matter of great concern.
- Easing of notification obligations. There is urgent need to reach an agreement on steps to reduce the number of notifications, simplify the procedures and, adopt appropriate technical assistance measures. Technical and financial assistance on capacity building is essential if Senegal is to: i) strengthen its capacity in multilateral negotiations; and to ii) analyze the consequences of the WTO agriculture rules and their interactions with structural adjustment policies (SAP) and regional trade agreements (RTA) for domestic policy-making.

### (2) Constraints in WTO Negotiations

Senegal participates in the activities of the WTO and has a mission in Geneva, but there is a shortage of officers who are trained in WTO-related areas, especially in negotiation skills under the multilateral framework. Moreover, the Government lacks sufficient financial resources, so it cannot participate in the WTO negotiations so often. There for the Government is having to depend on the WTO Reference Centre to follow up on much of WTO's current situation.

A small number of officials – mainly from the Ministries of Trade; Foreign Affairs; and Customs – have broad knowledge of trade policy and its instruments, but other ministries – such as those of Agriculture and Livestock, Fisheries, Mining, Energy and

Water Resources, Public Works and Transport – appear to have limited knowledge of the multilateral trading system, even though in their specific fields, they have great relevance to the issues discussed at the WTO. This is because these ministries have few contacts with those dealing with such issues or do not apprehend the full relevance of multilateral trade issues for their fields of activity. Other ministries or entities directly concerned such as the customs or the APIX seem to be in a similar situation, and this situation is similar also in the private sector.

The need of assistance related to WTO/trades has already been shown in the action plan of the Integrated Framework, and included the trade policy (strengthening negotiating capacity, quality improvements, strengthening competitiveness); elimination of constraints on business activity (e.g. promotion of investments, improvement of access to finance, improvement of infrastructural services, improvement of labour markets), promotion of exports, improvement of productivity (fishery, agriculture, tourism, textile industry, traditional products). It is hoped that Japan also provides assistance according to the IF action plans, with the cooperation of other donors.

## 2.4 Malawi[28]

### 2.4.1 Current Status and Issues of the Institutional Framework

#### (1) WTO Agreements: Development of domestic legislation and Implementation

#### 1) Overview

Malawi had been a contracting party to the GATT since August 1964 and became an original member of the WTO in 1995. Domestic legislation takes precedence over international treaties, but since 1994, international agreements become part of the domestic law if ratified by an Act of Parliament. Some of Malawi's trade laws and regulations such as those on intellectual property, anti-dumping and countervailing remedies, are being reviewed and updated to reflect trends in the multilateral trading system. Malawi requires considerable work both on its compliance of national

[28] Initial information is obtained from the Diagnostic Trade Integration Study: 2004, and the WTO Trade Policy Review (reported by the Secretariat): 2002. The authors have verified the statements where applicable, and have added extra information and/or altered using the findings of the field study.

legislation with the WTO agreement and its implementation capacities, and also has some problems as regards updating its notifications to the WTO about its national legislation, but these have not been adequately addressed due to its lack of understanding of the Agreement itself and the procedure of notification.

Malawi's main trade-related laws are:

| Legislation | Most recent version |
|---|---|
| The Sale of Goods Act, Cap 48:01 | 1967 |
| The Control of Goods Act, Cap 18:08 | 1967 |
| The Control of Goods (Import and Export) Act | |
| The Malawi Bureau of Standards Act, Cap 51:02 | 1972 |
| The Weights and Measures Act, Cap 48:04 | 1960 |
| The Metrication Act, Cap 48:08 | 1981 |
| The Finance and Audit Act, Cap 37:01 | 1976 |
| The Business Licensing Act, Cap 46:01 | |
| The Companies Act, Cap 46:03 | 1978 |
| The Trustees Incorporation Act, Cap 51 | |
| The Industrial Licensing Act No. 28 | 1989 |
| The Business Names Reg. Act, Cap 46:2 | 1922 |
| The Capital Markets Development Act, Cap 46:06 | 1989 |
| The Investment Promotion Act No. 287 | 1991 |
| The Public Enterprises (Privatization) Act No. 7 | 1996 |
| The Banking Act No. 19 | 1989 |
| The Export Promotion Council Act, Cap 39:03 | 1971 |
| The Export Processing Zones Act No.11 | 1995 |
| The Export Incentives Act, Cap 39:04 | 1989 |
| The Exchange Control Act, Cap 45:01 | 1984 |
| The Taxation Act, Cap 41:01 | 1964 |
| The Customs and Excise Act, Cap 41:02 | 1964 |
| The Merchandise Act, Cap 49:04 | 1958 |
| The Registered Designs Act, Cap 49:05 | 1958 |
| The Trade Marks Act, Cap 49:01 | 1958 |
| The Patents Act, Cap 49:02 | 1958 |
| The Trade Dispute Act, Cap 54:02 | |
| The Copyright Act | |
| The Tourism and Hotels Act | |
| Competition and Fair Traders Act | 1998 |
| Cooperative Societies Act | 1998 |

### 2) TRIM

Malawi is not in compliance with WTO Trade Related Investment Measures (TRIM) notification requirements. However, Malawi does not set performance requirements for establishing, maintaining or expanding an investment. Nor does it place requirements on ownership, source of financing, or geographic location. The Government accords export promotion zone (EPZ) status only to firms ‘foreign or domestic) that produce exclusively for export.

### 3) Agriculture

During the Uruguay Round, Malawi bound customs duties on 17% if all tariff lines. In agriculture (WTO definition) all tariffs were bound, almost entirely at a ceiling rate of 125%, except for lower ceiling bindings of 50% on rye, barley, and oats; of 55% for cocoa paste, butter, and chocolates, and other foods with cocoa; and of 65% on cocoa powder. Tariffs were bound on less than 1% of tariff lines for non-agricultural products, at ceiling rates of either 65%, 50%, 45%, 40%, 35% or 30%; these bindings cover mainly fertilizers, insecticides, printed material, agricultural hand tools and machinery. Malawi bound other duties and charges on all these products at 20%.

### 4) TBT

The Malawi Bureau of Standards (MBS) was established in 1972. It is the national enquiry point that is required by the WTO under the Agreement on Technical Barriers to Trade (TBT). MBS sets and implements standards and conducts conformity tests on selected imports and exports. There are three technical divisions operating within MBS: (i) chemical and textile; (ii) engineering and materials; and (iii) food and agriculture.

For food products, MBS usually uses CODEX standards, yet in some circumstances it has used Indian or South African standards as a reference to a local standard. The bureau has set standards for some of the country’s major exports including tea, tobacco and sugar yet it does not conduct any testing of these commodities. Altogether, by the end of 2001, the MBS had established 256 standards 39% of which are related to food and agricultural products. MBS is working closely with its counterpart agencies in other SADC countries to harmonize their standards under the Standard, Quality, Accreditation and Metrology program (SQAM). Since the beginning of 2004, members have harmonized ten standards and developed a program to assist industries to comply with the harmonized standards.

In terms of equipment and personnel, the MBS's capacity is relatively limited. At the end of 2001, the Bureau had only 25 lab technicians and 6 enforcement specialists. Similarly, testing equipment is very limited allowing for only one testing line during the high export season. Rapid staff turnover and the threat of brain drain due to uncompetitive remuneration packages are recurring problems. Moreover, due to budgetary restraints, MBS officials are limited in the outreach efforts that they can undertake with a view to improving the competitiveness of Malawi business. MBS is currently seeking funding for proposals to solve to these problems; the proposed projects relate to implementation of ISO 9000, the strengthening of standards development and information services; improving petrochemicals laboratory testing facilities and establishing a national metrology laboratory.

### 5) TRIPS

WTO rules allow Malawi, as a less developed country, to delay full implementation of the Trade Related Aspects of Intellectual Property Rights (TRIPs) agreement until 2016. Malawi has laws that govern the acquisition, disposition, recording and protection of al property rights (land, buildings, etc.) as well as intellectual property rights (copyrights, patents, and trademarks, etc.). The government has sighed and adheres to bilateral and multilateral investment guarantee treaties and key agreements on intellectual property rights (WIPO, the Berne Convention, and the Universal Copyright Convention). The Copyright Society of Malawi (COSOMA), established in 1992, administers the 1989 Copyright Act, which protects copyrights and "neighbouring" rights in Malawi. The Register General administers the Patent and Trademarks Act, which protects industrial intellectual property rights in Malawi.

The Ministry of Commerce and Industry, COSOMA, and Register General work together for the national legislation related to TRIPs agreement with the support of the Africa Regional Intellectual Property Organization (ARIPO). But it is difficult to amend the existing hackneyed legislation, as there is only a small number of intellectual property specialists in Mali. Especially, there is no lawyers who have enough knowledge of intellectual property in the Register General. Furthermore, any related organizations, WTO or WIPO, do not provide assistance to solve these problems. If the legislation is finally enacted, there is still a lot of problems about the enforcement, especially the training of Customs and Police.

### 6) Customs Valuation

Malawi is an original member of WTO and consequently is obliged to conduct Customs business within all WTO multilateral agreements that are binding on Malawi.

The Agreement on Customs Valuation (ACV) sets international rules for Customs valuation that are designed to be fair. Even thought Malawi has adopted ACV and it is a requirement of the current PSI contract to value goods in this way, in practice the provisions are not always applied. In fact, the current legislation related to valuation is not complaint with ACV requirements. The administration acknowledges this situation, but cites difficulties with widespread non-compliance and a high volume of informal trade as reasons for applying arbitrary values. There is a proposed review of legislation to be undertaken in the near future which should pay particular attention to ACV issues.

### 7) Anti-dumping, countervailing, and safeguard measures

Malawi notified its anti-dumping legislation to the WTO in 1995. It has not yet provided responses to questions raised by several WTO Members in the Committee on Anti-Dumping Practices. These questions centered around the inconsistency of Malawi's provisions with WTO requirements. The Government is currently drafting replacement anti-dumping and countervailing legislation with aid of international technical assistance by UK (DFID); according to the authorities this will conform with WTO requirements. Anti-dumping legislation has not yet established, and it's also currently drafting.

Malawi's anti-dumping legislation is relatively old and is contained in the Customs and Excise Act and the Fourth Schedule of the Customs Schedule. The Minister of Finance and Economic Planning may impose anti-dumping levies when an investigation launched by him shows that "dumped" imports are to the "public interest", although this term is not defined. According to authorities, this legislation has not been used.

According to Malawi's authorities, the establishment of independent implementing agency and supports for personnel training are needed, when a set of trade remedies legislations are enacted.

## (2) Institutional Framework and Current Situation

The Ministry of Commerce and Industry has overall responsibility for trade and industry policy formulation. It negotiates and implements Malawi's multilateral, regional, and bilateral trade arrangements, although formal responsibility for international negotiations rests with the Ministry of Foreign Affairs and International

Cooperation. The National Working Group on Trade Policy (NWGTP) advises the Government, through the Principal Secretary of Commerce and Industry, on all legislative and policy issues relating to trade, including regulatory provisions and policy reforms. Membership comprises high level representatives from the public and private sectors as well as academia and the donor community. The Group is privately funded, including funding from donors, and is not the legal advisory body.

Malawi has no independent statutory body to review or advise the Government on economic and trade policies, including the provision of government assistance to industry. Most economic policy advice to the Government comes from the Reserve Bank, the Ministries of Finance and Economic Planning, and Commerce and Industry, and the publicly funded National Economic Council. The private sector (e.g. Malawi Confederation of Commerce and Industry) is involved in trade-policy formulation through consultations held by the Government as well as participation in the National Working Group on Trade policy. Although consumers' interests are represented by the Consumer Association of Malawi, it has no representation on the National Working Group. The National Association of Small and Medium Enterprises represents the interests of small-scale entrepreneurs, and the Small Enterprise Development Organization of Malawi provides micro-finance, training, and other assistance to small enterprises, such as though the Malawi Entrepreneurs Development Institute. But for such Malawi's private sectors, their knowledge of trade issues are exclusively limited, and their understanding of WTO Agreements also seems to be very poor.

Improving consultation and coordination between the public and private sector is seen by the Government to be important. Academics from University of Malawi, including the Malawi Polytechnic, are also members of the Group, and are periodically commissioned by the Government to advice on aspects of trade and other economic policies. Two institutions affiliated with the University of Malawi, - the Center for Social Research and the Agricultural Policy Research Unit- conduct economic research.

The Grass-roots activities for the policy enlightenment are also important for Mali, since the national literacy rates are relatively low (about 55%). The Malawi Economic Justice Network (MEJN), which is a unit consisted of 100 domestic NGOs, provides the information about governmental policies (including WTO) for nationals in the way that is accessible for them, and they provide their reactions and opinions with the Government. For WTO enlightenment activities, they distribute leaflets about the WTO, and they are also research activities regarding WTO.

### 2.4.2 Current Status and Issues of Trade Policies

#### (1) Summary of the Trade Strategies

Government trade-related policies have changed enormously since the mid 1980s from those of post-independence, which cantered on import substitution and other interventionist measures, including state ownership, to promote industrialization. Reinforced by subsequent structural adjustment programs, deepening reforms continued from the mid 1990s. Wide-reaching structural reforms included trade liberalization, exchange rate flexibility and privatization.

#### (2) Export Policy

Malawi took a major step in 1994 when it abolished the export surrender requirement, with the exception of tea, sugar and tobacco. In 1997, the government increased incentives to exports by cancelling corporate tax on firms in export processing zones. Additionally, new simplified processes for registration and incorporation of companies were implemented in order to boost manufactured production.

The Malawi Export Promotion Council (MEPC) was established in 1971 and its primary function is to promote exports of agriculture and manufactured goods from Malawi. MEPC organizes occasional trade shows and "Malawi Days" to promote domestic products. The mission statement for MEPC is in line with the Government's export diversification policy that is aimed at reducing the country's excessive dependence on a few traditional export products. MEPC uses an integrated approach covering five key areas which include product development, export trade facilitation, exporter extension service and trade information service, but the information which MEPC can get are limited. There is also a shortage of export and import management skills both within MEPC and more broadly in the business community. Finally, Malawi's international trade representatives are resident in only two countries of the region, significantly limiting the opportunity for further export development.

#### (3) Export Processing Zones

Legislation to establish export processing zones (EPZ) was passed in December 1995

‘Export Processing Zones Act), based on the Mauritian model. Applications for EPZ status are appraised by the Export Processing Zones Appraisal Committee, and the scheme is administered by the Ministry of Commerce and Industry. The major condition for granting EPZ status is that total production is exported. However, a small share of production can be sold on the domestic market with the approval of the Minister of Commerce and Industry, subject to the payment of the appropriate duty on al materials used to produce those goods. For the EPZ status, any factory or area of land may be declared an export-processing zone. Thus, the single enterprises can be designated as having such status. EPZ status is given for five years, then subject to two-yearly renewals. As well as receiving duty-free materials and equipment, such enterprises also benefit from corporate tax exemption. This assists exporters substantially since the standard tax rate for companies headquartered in Malawi is 30%.

### (4) Customs

The Malawi Revenue Authority (MRA), created in 1998, is a self-financing regulatory parastatal, responsible to the Ministry of Finance, and its budget is based on a rebate of 2.5% of revenues collected and paid to Treasury. The absence of non-revenue performance standards coincides with Customs falling behind in facilitation measures. Many private sectors point to inconsistency and slowness in Customs processing and decision making as an inhibiting factor in conducting competitive business. References are also made to Custom’s lack of effectiveness in protecting industries from low standard imports and those on which the correct duties and taxes have not been paid. Moreover, performance measurement and management statistical information is extremely limited. In some instances, custom values can be “negotiated” by importers or their agents. Apart from failing outside the WTO Agreement on Customs Valuation (ACV rules), this practice leads to corruption. Technical training on ACV has been provided since March 2001 under the Preshipment inspection contract with Societe Generale de Surveillance. However, the lack of accompanying organizational and procedural changes leaves the administration with little capacity to apply valuation methods that fall within the ACV rules. Customs is in the process of installing ASYCUDA system at main border crossings were still in the process of being constructed with the assistance of EU financial assistance, and this will provide an effective platform to support compliance and risk management principles. However, there is some resistance amongst technical staff to accept ASYCUDA.

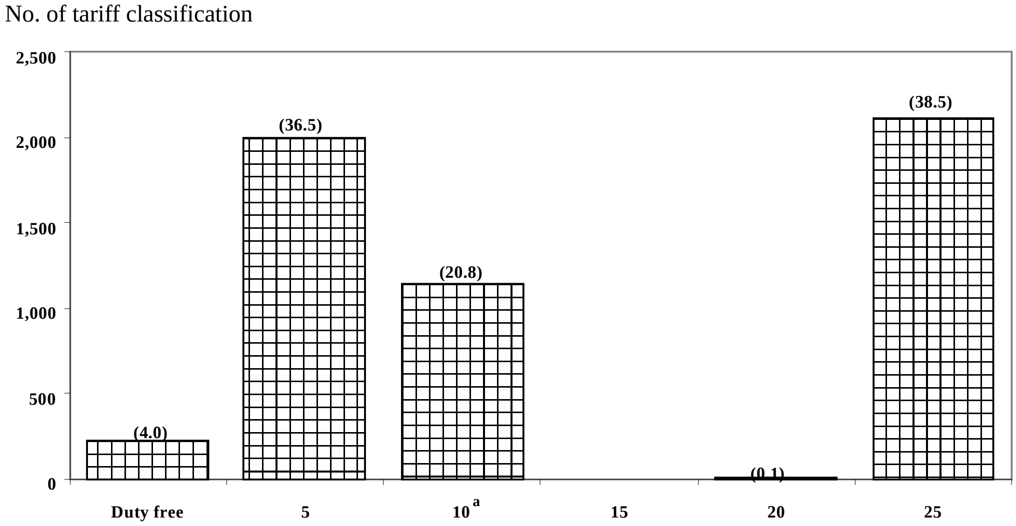
### 2.4.3 Trade Environment and Major Trade Items

#### (1) Trade Environment

As a small country wit limited domestic market and a very narrowly base economy, trade constitutes a comparatively high portion of Malawi's GDP. Malawi's trade liberalization program has produced a relatively open regime and its tariff structure is generally comparable to those of other countries in the region. Throughout the 1990s, Malawi implemented a series of reforms aimed at reducing tariffs and eliminating non-tariff barriers. The government's trade liberalization measures also included consolidation of the tariff structure ad liberalization of the export regime and exchange rates. On tariff structure, Malawi eliminated the import duties on raw materials used in manufacturing and reduced the maximum tariff rate on finished products from 40% to 25% in 1999. As part of its efforts to eliminate non-tariff barriers, in 1992-93 Malawi authorities eliminated the differential in the surtax rate levied on imports and domestically produced goods, and abolished all licensing requirements on imports and exports in 1997. In the area of exchange rate policies, after some episodes of relevant depreciation in 1994 and 2000, Malawi's Central Bank has reduced its market interventions to smooth the fluctuations in the market for foreign currencies. However, over this period real exchange rated have been extremely volatile, and this volatility has undermined the benefits of liberalization and, as a result, supply responses to depreciation was very limited.

Malawi's tariff structure is characterized by built-in escalation whereby duty rates increased with the degree of processing. Consequently, the average duty of about 16% on fully processed products substantially exceeded that on semi-processed and unprocessed products both at around 10%. Similarly, the average tariff rate was highest on consumer products at about 21% compared with around 11% on intermediate goods, and some 9% on capital goods.

Graph Malawi’s MNF Tariff Rate Structure (FY2000/01)




Note: a includes items of 7.5% tariff rates. Numbers in ( ) represents % share in all tarff classifications.
Source: WTO Secretariat

For Malawi, the inland state, the transport cost is crucial. The nearest port is Nacala in Mozambique located approximately 610km away from the country’s eastern boundary. The vast majority of Malawi’s exports and imports are transported by rail to and from Nacala or by road to and from Beira in Mozambique, Dar es Salaam in Tanzania or Durban in South Africa. For example, nearly one-third of the pump price for fuel in Malawi can be attributed to transport costs. While Malawi is an efficient producer of sugar, domestic transport t¥costs account for 15% or more of local consumer prices. For exports, regional and international transport costs add nearly 50% to ex-mill production costs for Malawian sugar. In case of tobacco, transport bottlenecks and rising farm to auction transport and handling costs have been a major problem facing large numbers of smallholder in nearly 60% of Malawi’s tobacco exports being sent overland to the more distant port of Durban. The government is planning to start work on a project to link Nsanje in southern Malawi to the coast in Mozambique along the Zambezi River, known as the Shire-Zambezi waterway project. It is estimated that after completion of the project the waterway would be able to handle around 500 thousand tones of cargo per year. This will reduce transportation costs, which are high owing to Malawi’s landlocked status. But private-sector financing, which is needed to make the project viable, has not been forthcoming, as the government does not appear to have done the necessary feasibility studies on the environment impact.

## (2) Characteristics of Major Trading Items

### 1) Overview

Malawi has a diverse range of export products mainly in the agricultural sector. Agricultural products account for more than 85% of Malawi's merchandise trade. These include beans and pulses, dhal, chillies, tobacco, tea, coffee, macadamia nuts. Malawi's foreign trade balance is, however, dominated by production levels and world market prices for tobacco, tea, sugar and cotton as the country's exports are dominated by these four commodities. For imports, automobiles, fertilizers and capital goods dominate the trade.

Over the course of the 1990s, Malawi has had some modest success in developing or re-establishing an export trade in groundnuts and macadamia nuts, rice, and paprika, while the country has largely failed to take advantage of major opportunities to provide South Africa with food and agricultural raw materials. The country has also failed to build upon a nascent cut flower industry to improve its international market position.

The bulk of agricultural value-added and land under cultivation is done by some two million smallholder farm households whose average landholding is only one hectare. These farmers cultivate maize and other food crops and approximately one-third of these also grow industrial or otter cash crops. At the other end of the spectrum lie a few hundred large estates, owned or leased by corporations or individuals. These typically have several hundred hectares or more. In between these two segments in the Malawi agrarian structure lie some 25,000 medium-scale farms (although referred to as 'estates' because of their leasehold land tenure status), the bulk of which being of a size between 10 and 20 hectares and combining commercial crop and livestock production and household food production. The proportion that these 3 kinds of farmers attribute to Malawi's agricultural products export is estimated as below: 45% for both smallholder farmers and large holder farmers; 10% for intermediate medium scale farmers.

In recent years, the direction of Malawi's foreign trade has diversified with South Africa emerging as a major trading partner. Further, through the Cotonou Convention, agricultural products and virtually all manufactured goods enjoy prudential access to all EU member states. Malawi's other major export countries are Britain, Zimbabwe, the United States, the Netherlands, Zambia and Ireland. The direction of Malawi's export trade has changed significantly with the substantial reduction of share of developed countries. The share of Malawi’s exports going to South Africa have increased, although this is primarily a result of changing trends in international demand of tobacco and the increasing importance of trade with SADC and COMESA countries.

Table: Malawi’s Major Trade Partners (Top 20 Countries) (in US$)

Export

| Ranking | 1995 | | | 2000 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | Germany | 58,896,684 | 13.6% | Germany | 45,495,264 | 12.3% | South Africa | 70,759,319 | 14.6% |
| 2 | USA | 56,981,880 | 13.1% | USA | 45,422,564 | 12.3% | USA | 54,777,453 | 11.3% |
| 3 | S A C U | 44,776,348 | 10.3% | UK | 36,190,124 | 9.8% | UK | 47,729,711 | 9.9% |
| 4 | France | 43,301,436 | 10.0% | South Africa | 30,402,350 | 8.2% | Germany | 36,496,846 | 7.6% |
| 5 | Netherlands | 39,377,380 | 9.1% | Switzerland | 24,891,280 | 6.8% | Kenya | 28,706,009 | 5.9% |
| 6 | UK | 29,961,872 | 6.9% | Japan | 24,616,236 | 6.7% | Mozambique | 27,948,420 | 5.8% |
| 7 | Japan | 21,777,728 | 5.0% | Egypt | 12,563,808 | 3.4% | Netherlands | 21,291,089 | 4.4% |
| 8 | Switzerland | 17,455,856 | 4.0% | Netherlands | 12,052,146 | 3.3% | Egypt | 20,669,684 | 4.3% |
| 9 | Spain | 12,619,026 | 2.9% | Spain | 10,736,021 | 2.9% | Switzerland | 18,845,176 | 3.9% |
| 10 | Mozambique | 9,857,094 | 2.3% | Serbia and Montenegro | 9,754,636 | 2.6% | Spain | 15,966,043 | 3.3% |
| 11 | KOREA | 7,040,534 | 1.6% | Kenya | 9,736,366 | 2.6% | Belgium | 13,632,278 | 2.8% |
| 12 | Tanzania | 6,474,157 | 1.5% | Mozambique | 8,977,280 | 2.4% | Zambia | 10,215,651 | 2.1% |
| 13 | Luxembourg | 6,471,572 | 1.5% | Zambia | 8,132,193 | 2.2% | Japan | 9,661,618 | 2.0% |
| 14 | Hungary | 6,375,069 | 1.5% | France | 6,707,177 | 1.8% | Zimbabwe | 9,187,304 | 1.9% |
| 15 | Australia | 5,648,790 | 1.3% | Zimbabwe | 6,592,961 | 1.8% | Greece | 8,008,678 | 1.7% |
| 16 | Zambia | 5,131,056 | 1.2% | Tanzania | 5,338,247 | 1.4% | Russia | 5,484,246 | 1.1% |
| 17 | Czechoslovakia | 4,719,786 | 1.1% | Portugal | 4,672,263 | 1.3% | Lethoto | 4,881,192 | 1.0% |
| 18 | India | 4,673,727 | 1.1% | Belgium | 4,341,679 | 1.2% | Australia | 4,868,238 | 1.0% |
| 19 | Croatia | 3,794,936 | 0.9% | Croatia | 3,695,400 | 1.0% | Tanzania | 4,846,150 | 1.0% |
| 20 | Austria | 3,616,125 | 0.8% | India | 3,387,502 | 0.9% | Poland | 4,113,354 | 0.9% |
| Total Amount | | 433,343,584 | 100.0% | | 368,603,680 | 100.0% | | 483,278,725 | 100.0% |

Import

| Ranking | 1995 | | | 2000 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | S A C U | 159,722,256 | 31.9% | South Africa | 216,303,264 | 39.8% | South Africa | 170,145,147 | 35.6% |
| 2 | UK | 78,900,240 | 15.8% | UK | 63,295,964 | 11.6% | UK | 32,106,108 | 6.7% |
| 3 | Germany | 46,600,600 | 9.3% | Zimbabwe | 36,717,256 | 6.8% | India | 31,678,176 | 6.6% |
| 4 | Zimbabwe | 39,881,296 | 8.0% | India | 26,336,604 | 4.8% | Zimbabwe | 27,950,573 | 5.9% |
| 5 | Japan | 24,894,690 | 5.0% | Japan | 26,089,768 | 4.8% | China | 23,732,580 | 5.0% |
| 6 | India | 15,920,553 | 3.2% | China | 13,847,662 | 2.5% | Japan | 19,867,894 | 4.2% |
| 7 | China | 15,808,139 | 3.2% | Norway | 13,576,283 | 2.5% | USA | 15,016,368 | 3.1% |
| 8 | Mozambique | 15,051,966 | 3.0% | Other Asian countries | 11,408,745 | 2.1% | Mozambique | 13,768,470 | 2.9% |
| 9 | USA | 13,107,042 | 2.6% | Germany | 10,226,805 | 1.9% | Zambia | 12,421,687 | 2.6% |
| 10 | France | 8,338,324 | 1.7% | USA | 9,666,355 | 1.8% | Other Asian countries | 11,229,471 | 2.4% |
| 11 | Austria | 8,026,320 | 1.6% | Zambia | 9,416,972 | 1.7% | Kenya | 10,748,504 | 2.3% |
| 12 | Malaysia | 6,819,605 | 1.4% | Denmark | 8,273,709 | 1.5% | UAE | 10,573,273 | 2.2% |
| 13 | Zambia | 6,091,635 | 1.2% | Switzerland | 7,869,413 | 1.4% | Germany | 10,126,440 | 2.1% |
| 14 | S.Korea | 5,593,614 | 1.1% | Netherlands | 7,825,606 | 1.4% | France | 8,748,790 | 1.8% |
| 15 | Italy | 4,986,460 | 1.0% | Tanzania | 7,682,186 | 1.4% | Tanzania | 7,574,856 | 1.6% |
| 16 | Canada | 3,874,201 | 0.8% | France | 6,935,537 | 1.3% | Denmark | 7,464,816 | 1.6% |
| 17 | Switzerland | 3,840,727 | 0.8% | Mozambique | 6,164,165 | 1.1% | S.Korea | 5,506,246 | 1.2% |
| 18 | Netherlands | 3,829,340 | 0.8% | Indonesia | 5,979,906 | 1.1% | Indonesia | 4,123,621 | 0.9% |
| 19 | Pakistan | 3,804,148 | 0.8% | Swaziland | 5,185,626 | 1.0% | Italy | 3,932,235 | 0.8% |
| 20 | China, Hong Kong | 3,496,754 | 0.7% | Portugal | 4,256,214 | 0.8% | Belgium | 3,759,528 | 0.8% |
| Total Amount | | 500,404,224 | 100.0% | | 543,956,928 | 100.0% | | 477,578,472 | 100.0% |

Source: UN-COMTRADE

## Table: Malawi's Major Trade Items (Top 20 Items) (in US$)

Export

| | 1995 | | | | 2000 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 121 | Tobacco, unmanufactured; tobacco refuse | 293,782,880 | 67.8% | 121 | Tobacco, unmanufactured; tobacco refuse | 227,435,040 | 61.7% | 121 | Tobacco, unmanufactured; tobacco refuse | 221,374,941 | 45.8% |
| 2 | 074 | Tea and maté | 26,561,748 | 6.1% | 061 | Sugars, molasses and honey | 37,512,928 | 10.2% | 061 | Sugars, molasses and honey | 75,639,061 | 15.7% |
| 3 | 061 | Sugars, molasses and honey | 19,646,194 | 4.5% | 074 | Tea and maté | 36,136,664 | 9.8% | 074 | Tea and maté | 47,180,933 | 9.8% |
| 4 | 071 | Coffee and coffee substitutes | 15,480,084 | 3.6% | 263 | Cotton | 8,474,199 | 2.3% | 263 | Cotton | 20,570,771 | 4.3% |
| 5 | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 8,238,519 | 1.9% | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 6,093,330 | 1.7% | 841 | Men's or boys' coats, capes, jackets, suits, blazers, trousers, shorts, shirts, underwear, nightwear and similar articles of textile fabrics, not knitted or crocheted (other than those of subgroup 845.2) | 15,262,483 | 3.2% |
| 6 | 652 | Cotton fabrics, woven (not including narrow or special fabrics | 6,992,539 | 1.6% | 071 | Coffee and coffee substitutes | 5,795,086 | 1.6% | 845 | Articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s. | 12,304,138 | 2.5% |
| 7 | 841 | Men's or boys' coats, capes, jackets, suits, blazers, trousers, shorts, shirts, underwear, nightwear and similar articles of textile fabrics, not knitted or crocheted (other than those of subgroup 845.2) | 4,994,003 | 1.2% | 841 | Men's or boys' coats, capes, jackets, suits, blazers, trousers, shorts, shirts, underwear, nightwear and similar articles of textile fabrics, not knitted or crocheted (other than those of subgroup 845.2) | 5,280,481 | 1.4% | 843 | Men's or boys' coats, capes, jackets, suits, blazers, trousers, shorts, shirts, underwear, nightwear and similar articles of textile fabrics, knitted or crocheted (other than those of subgroup 845.2) | 10,797,367 | 2.2% |
| 8 | 112 | Alcoholic beverages | 4,221,198 | 1.0% | 044 | Maize (not including sweet corn), unmilled | 4,821,336 | 1.3% | 892 | Printed matter | 10,368,929 | 2.1% |
| 9 | 263 | Cotton | 3,716,087 | 0.9% | 057 | Fruit and nuts (not including oil nuts), fresh or dried | 3,310,106 | 0.9% | 057 | Fruit and nuts (not including oil nuts), fresh or dried | 8,503,757 | 1.8% |
| 10 | 843 | Men's or boys' coats, capes, jackets, suits, blazers, trousers, shorts, shirts, underwear, nightwear and similar articles of textile fabrics, knitted or crocheted (other than those of subgroup 845.2) | 3,484,579 | 0.8% | 785 | Motor cycles (including mopeds) and cycles, motorized and non-motorized; invalid carriages | 2,944,547 | 0.8% | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 7,163,364 | 1.5% |
| 11 | 057 | Fruit and nuts (not including oil nuts), fresh or dried | 2,495,477 | 0.6% | 845 | Articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s. | 2,917,513 | 0.8% | 222 | Oil-seeds and oleaginous fruits of a kind used for the extraction of "soft" fixed vegetable oils (excluding flours and meals) | 6,452,361 | 1.3% |
| 12 | 844 | Women's or girls' coats, capes, jackets, suits, trousers, shorts, shirts, dresses and skirts, underwear, nightwear and similar articles of textile fabrics, knitted or crocheted (other than those of subgroup 845.2) | 2,131,522 | 0.5% | 843 | Men's or boys' coats, capes, jackets, suits, blazers, trousers, shorts, shirts, underwear, nightwear and similar articles of textile fabrics, knitted or crocheted (other than those of subgroup 845.2) | 2,669,183 | 0.7% | 231 | Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms (including latex) or in plates, sheets or strip | 3,642,894 | 0.8% |
| 13 | 075 | Spices | 2,079,226 | 0.5% | 658 | Made-up articles, wholly or chiefly of textile materials, n.e.s. | 1,934,369 | 0.5% | 844 | Women's or girls' coats, capes, jackets, suits, trousers, shorts, shirts, dresses and skirts, underwear, nightwear and similar articles of textile fabrics, knitted or crocheted (other than those of subgroup 845.2) | 3,591,401 | 0.7% |
| 14 | 658 | Made-up articles, wholly or chiefly of textile materials, n.e.s. | 2,003,867 | 0.5% | 222 | Oil-seeds and oleaginous fruits of a kind used for the extraction of "soft" fixed vegetable oils (excluding flours and meals) | 1,805,633 | 0.5% | 658 | Made-up articles, wholly or chiefly of textile materials, n.e.s. | 2,961,143 | 0.6% |
| 15 | 044 | Maize (not including sweet corn), unmilled | 1,917,812 | 0.4% | 042 | Rice | 1,562,085 | 0.4% | 842 | Women's or girls' coats, capes, jackets, suits, trousers, shorts, shirts, dresses and skirts, underwear, nightwear and similar articles of textile fabrics, not knitted or crocheted (other than those of subgroup 842.2) | 2,227,055 | 0.5% |
| 16 | 122 | Tobacco, manufactured (whether or not containing tobacco substitutes) | 1,871,878 | 0.4% | 112 | Alcoholic beverages | 1,431,150 | 0.4% | 071 | Coffee and coffee substitutes | 2,182,272 | 0.5% |
| 17 | 634 | Veneers, plywood, particle board, and other wood, worked, n.e.s. | 1,861,711 | 0.4% | 075 | Spices | 1,372,928 | 0.4% | 562 | Fertilizers (other than those of group 272) | 2,001,911 | 0.4% |
| 18 | 653 | Fabrics, woven, of man-made textile materials (not including narrow or special fabrics) | 1,811,139 | 0.4% | 642 | Paper and paperboard, cut to size or shape, and articles of paper or paperboard | 1,345,979 | 0.4% | 634 | Veneers, plywood, particle board, and other wood, worked, n.e.s. | 1,864,139 | 0.4% |
| 19 | 222 | Oil-seeds and oleaginous fruits of a kind used for the extraction of "soft" fixed vegetable oils (excluding flours and meals) | 1,710,240 | 0.4% | 844 | Women's or girls' coats, capes, jackets, suits, trousers, shorts, shirts, dresses and skirts, underwear, nightwear and similar articles of textile fabrics, knitted or crocheted (other than those of subgroup 845.2) | 1,255,155 | 0.3% | 223 | Oil-seeds and oleaginous fruits, whole or broken, of a kind used for the extraction of other fixed vegetable oils (including flours and meals of oil-seeds or oleaginous fruit, n.e.s.) | 1,795,210 | 0.4% |
| 20 | 292 | Crude vegetable materials, n.e.s. | 1,668,088 | 0.4% | 231 | Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms (including latex) or in plates, sheets or strip | 1,182,109 | 0.3% | 075 | Spices | 1,519,248 | 0.3% |
| Total | | | 433,343,584 | 100.0% | | | 368,603,680 | 100.0% | | | 483,278,725 | 100.0% |

Import

| | 1995 | | | | 2000 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 51,025,184 | 10.2% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 80,794,560 | 14.9% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 16,907,056 | 3.5% |
| 2 | 562 | Fertilizers (other than those of group 272) | 37,606,952 | 7.5% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 33,471,796 | 6.2% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 14,600,176 | 3.1% |
| 3 | 542 | Medicaments (including veterinary medicaments) | 36,665,044 | 7.3% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 21,778,186 | 4.0% | 562 | Fertilizers (other than those of group 272) | 13,759,935 | 2.9% |
| 4 | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 30,028,368 | 6.0% | 562 | Fertilizers (other than those of group 272) | 17,095,748 | 3.1% | 542 | Medicaments (including veterinary medicaments) | 13,512,338 | 2.8% |
| 5 | 044 | Maize (not including sweet corn), unmilled | 25,783,480 | 5.2% | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 14,921,068 | 2.7% | 892 | Printed matter | 10,879,155 | 2.3% |
| 6 | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 14,629,464 | 2.9% | 881 | Photographic apparatus and equipment, n.e.s. | 13,677,181 | 2.5% | 752 | Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s. | 10,451,026 | 2.2% |
| 7 | 641 | Paper and paperboard | 12,393,114 | 2.5% | 785 | Motor cycles (including mopeds) and cycles, motorized and non-motorized; invalid carriages | 12,704,738 | 2.3% | 653 | Fabrics, woven, of man-made textile materials (not including narrow or special fabrics) | 10,168,622 | 2.1% |
| 8 | 892 | Printed matter | 9,710,899 | 1.9% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76, | 10,507,609 | 1.9% | 641 | Paper and paperboard | 10,040,008 | 2.1% |
| 9 | 653 | Fabrics, woven, of man-made textile materials (not including narrow or special fabrics) | 9,652,528 | 1.9% | 641 | Paper and paperboard | 10,232,796 | 1.9% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 9,664,104 | 2.0% |
| 10 | 783 | Road motor vehicles, n.e.s. | 9,543,565 | 1.9% | 542 | Medicaments (including veterinary medicaments) | 10,019,602 | 1.8% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 9,080,587 | 1.9% |
| 11 | 652 | Cotton fabrics, woven (not including narrow or special fabrics) | 9,375,823 | 1.9% | 892 | Printed matter | 9,267,159 | 1.7% | 541 | Medicinal and pharmaceutical products, other than medicaments of group 542 | 9,079,387 | 1.9% |
| 12 | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 8,068,576 | 1.6% | 046 | Meal and flour of wheat and flour of meslin | 9,233,753 | 1.7% | 121 | Tobacco, unmanufactured; tobacco refuse | 8,877,098 | 1.9% |
| 13 | 046 | Meal and flour of wheat and flour of meslin | 7,757,549 | 1.6% | 121 | Tobacco, unmanufactured; tobacco refuse | 9,099,720 | 1.7% | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 8,134,444 | 1.7% |
| 14 | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 7,123,380 | 1.4% | 642 | Paper and paperboard, cut to size or shape, and articles of paper or paperboard | 8,473,256 | 1.6% | 554 | Edible products and preparations, n.e.s. | 7,170,505 | 1.5% |
| 15 | 691 | Structures and parts of structures, n.e.s., of iron, steel or aluminium | 6,901,704 | 1.4% | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 8,090,204 | 1.5% | 783 | Road motor vehicles, n.e.s. | 6,375,200 | 1.3% |
| 16 | 724 | Textile and leather machinery, and parts thereof, n.e.s. | 6,705,023 | 1.3% | 674 | Flat-rolled products of iron or non-alloy steel, clad, plated or coated | 7,821,957 | 1.4% | 658 | Made-up articles, wholly or chiefly of textile materials, n.e.s. | 6,297,626 | 1.3% |
| 17 | 421 | Fixed vegetable fats and oils, "soft", crude, refined or fractionated | 6,551,347 | 1.3% | 269 | Worn clothing and other worn textile articles; rags | 6,982,213 | 1.3% | 728 | Other machinery and equipment specialized for particular industries; parts thereof, n.e.s. | 6,153,591 | 1.3% |
| 18 | 591 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (e.g., sulphur-treated bands, wicks and candles, and fly-papers) | 5,696,710 | 1.1% | 591 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (e.g., sulphur-treated bands, wicks and candles, and fly-papers) | 6,888,808 | 1.3% | 699 | Manufactures of base metal, n.e.s. | 6,090,160 | 1.3% |
| 19 | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 5,342,350 | 1.1% | 783 | Road motor vehicles, n.e.s. | 6,549,907 | 1.2% | 652 | Cotton fabrics, woven (not including narrow or special fabrics) | 6,067,108 | 1.3% |
| 20 | 785 | Motor cycles (including mopeds) and cycles, motorized and non-motorized; invalid carriages | 5,205,179 | 1.0% | 421 | Fixed vegetable fats and oils, "soft", crude, refined or fractionated | 6,429,025 | 1.2% | 642 | Paper and paperboard, cut to size or shape, and articles of paper or paperboard | 5,779,397 | 1.2% |
| Total | | | 500,404,224 | 100.0% | | | 543,956,928 | 100.0% | | | 477,578,472 | 100.0% |

Source: UN-COMTRADE

### 2) Tobacco

Tobacco accounts for about 60% of Malawi's merchandise exports and about 13% of its GDP. Tobacco production grew rapidly in the early 1990s but has since leveled off with large year-to-year fluctuations. The level ling off of production has been accompanied by major structural changes in the tobacco industry during the 1990s, with a sharp decline in production by medium and large-scale farms and a concomitant increase in the production by smallholder farmers. In 2001, smallholders accounted for an estimated 70% of national burley tobacco production, approximately double their share in 1996. Another trend has been the growing due to the large and steady decline in production in Virginia Flue-cured tobacco (by estates) and a range of sun-dried tobacco varieties (by smallholders). However, the production and quality of burley tobacco have fallen steadily, because of declining soil fertility and low and declining use of fertilizers. The decline in yields has been accompanied by a decline in prices at the auction floors, and the decline in prices at the auction floors mirrors the general trend in world prices exacerbated by some decline in quality of Malawi's burley crop. The decline in profitability is also due to inefficiencies in the current marketing system for tobacco.

### 3) Tea and Sugar

In recent years, sugar has surpassed tea as Malawi's second largest merchandise export in value system and one of the factors of this success is the diversification of export sales beyond international preferential quota markets to also include regional markets. Malawi's sugar market is dominated by the Sugar Corporation of Malawi (SUCOMA). SUCOMA was primarily state-owned until 1998 when the Illovo Corporation of South Africa acquired a 60% share. SUCOMA has just over 8500 permanent employees in its agricultural and industrial operations, plus it employs an additional 5,400 persons on a seasonal basis. Thousands of other people are involved in the transport and domestic distribution of sugar. Each of the outgrower operations involves some 270 households. SUCOMA's operations are a prominent feature of sub-regional economies.

Malawi's sugar industry is among the world's leading performance in terms of cost efficiency, production yields, factory output and product quality. Despite the difficult macroeconomic environment and changes in climate, the performance of SUCOMA has been remarkably consistent since the mid-90s, the company completed a cane expansion and factory rehabilitation program. Nevertheless, the company has not pursued the level of expansion-i.e. a doubling of capacity-which had been considered at the time of Illvo's initial entry. The continued high cost of capital, Malawi's unstable and seemingly unpredictable exchange rate, logistical bottlenecks on export expansion, and the recent influx of cross-border imports from Zimbabwe have resulted in a scaling back of the original investment plans.

Tea has been grown commercially in Malawi since 1880s. The country is the twelfth largest tea producer in the world and the second largest producer in Africa, and is the seventh largest exporter of tea in the world. Commercial farmers account for 93% of Malawi's tea production, while some 6,500 small growers are responsible for the balance of 7%. The biggest commercial player is British firm Linton Park. For many years, small holders have been registered with and variably supported by a Smallholder Tea Authority and have sold their tea through a state-owned tea processing company called MATECO. Both of these organizations have experienced managerial and financial problems in recent years, resulting in intermittent factory operations and extended delays in payments to farmers. Little new investment is occurring in the tea sector despite the needs for further varietal re-planting, the rehabilitation of tea factories, and adding facilities for supplemental irrigation. The lack of investment is not only because of the profitability squeeze in the industry, but also due to wider uncertainty, associated with macroeconomic instability and the new land policy.

### 2.4.4 Current Status and Issues of the WTO Negotiations

#### (1) Governmental Approach to the WTO Negotiations

Malawi believes that any new round would need to have a developmental agenda with five priorities (currently covered under the WTO framework): assistance to develop trade infrastructure, especially for landlocked least developed countries; further debt relief; examination of commodity markets and resulting low prices; establishment of permanent institutions to facilitate technology transfer; and creation of a trust fund to ensure that developing countries have sufficient finance to implement their multilateral obligations.

Malawi's position paper on the sixth WTO ministerial conference (Hong Kong, from13to 18 December, 2005) was prepared by the Ministry of Trade and Private Sector Development. Highlights from the position paper are as follows:

- The objective of Malawi's negotiations in the Doha Round of negotiations is to strategically position herself in the global economy with a view to securing a share in the growth of world trade commensurate with the needs of her economic development. In undertaking the negotiations in all key areas of agriculture, Non-Agriculture Market access, Services, Trade facilitation and Development Issues, WTO members must take into account the negotiating capabilities, structural weaknesses (including financial, human and institutional weakness), weak productivity/supply capacities and resource endowment of least developed countries. Therefore, members must be committed to providing Malawi and other LDCs with meaningful market access, support for the diversification of production and the export base, infrastructural development and trade related technical assistance.

- In preparation for the Hong Kong Ministerial Conference, Malawi endorses the common position adopted by the Au in Cairo, Egypt in June 2005, the LDC Trade Ministers in Livingstone, Zambia, June, 2005 and the SADC Trade Ministers in South Africa in September, 2005.
- The preservation of existing preferences and compensation for any loss of market access resulting from multilateral trade liberalization;
- The ability of financial and technical assistance to increase agricultural productivity and diversify exports in order to take full advantage of market access opportunities;
- The creation of mechanisms to resolve the issues of access to essential medicines for all illnesses and conditions of public health on affordable terms for those developing countries and LDCs, especially those resulting from HIV/AIDS, Malaria, tuberculosis and other epidemics;
- Operationalisation of special and differential treatment for LDCs, and injection of new and effective special and differential provisions for LDCs in market access.
- The creation of sustainable expanded and demand-driven technical and capacity building assistance to develop infrastructure for trade, address costs of implementation of agreements, and improve supply capacities. In this regard, Malawi is calling for increased provision of financial resources and facilities to address the development dimension of economies of least developed countries such as the Joint Integrated Technical Assistance Programme (JITAP) and Integrated Framework (IF); and
- The assistance for the development of local capacities to deal with Sanitary and Phytosanitary (SPS) measures which often act ac barriers to trade.

### (2) Constraints in WTO Negotiations

Malawi does not have diplomatic representation in Geneva; technical assistance is one of the important activities that link Malawi and the WTO. But the training of government officials on WTO matters, including negotiating skills in the multilateral context, which has been further hampered by the absence of diplomatic representation in Geneva (i.e. the absence of “lobbies”). WTO affairs have been covered by its embassy located in Brussels. Nonetheless, Malawi can rarely attend WTO meetings due to financial limitations. It has replied heavily on the Reference Centre and the WTO Non-Resident initiatives for information on day-today activities of the WTO.

There is also a lack of in-depth knowledge of the legal and policy issues surrounding the trade agreements and their application to Malawi. The knowledge level in all ministries regarding the constraints ad requirements of various trade agreements is also limited. Moreover, the private sector is inadequately involved in the development of trade policy. Although the National Working Group on Trade Policy (NWGTP) is in principle a very useful private-public sector forum, it is constrained in its capacity to analyze issues, disseminate information and help in policy formulation. Furthermore, until recently it has only handled the SADC Trade Protocol. As such, it has inadequate knowledge of and experience with other trade policy issues including the WTO.

The problem of dual membership of overlapping agreements poses a significant problem according to the Malawian government. Currently most countries that are members of both COMESA and SADC have decided to negotiate within the COMESA fold. COMESA (minus Egypt) has established the ESA (eastern and Southern Africa) trade negotiating unit that launched talks with the EU in 2004. Although Malawi is a member of SADC, it has decided to negotiate with its COMESA partners in the ESA. Now when Malawi wants to form alliances under negotiations, it has to make sure that its alliances under the other trade agreements concur with the stance they will take in the WTO. The high level of country overlap between SADC and COMESA puts pressure on SADC to co-operate with COMESA in prep raring for WTO and EPA negotiations- this cooperation/coordination is however poor at best.

## 2.5 Mali[29]

### 2.5.1 Current Status and Issues of the Institutional Framework

#### (1) WTO Agreements: Development of domestic legislation and Implementation

#### 1) Overview

Mali was a GATT Member, and became a WTO Member on 31 May 1995. Mali gave MFN treatment to all member countries other than Israel with which Mali has no diplomatic relations, and it was given "Special and Differential(S&D)" treatment as a LDC. Mali is not party to any plurilateral agreement and does not intend to become an observer to the WTO Plurilateral Agreement on Government Procurement.

Mali does not posses enough human and financial resources for the full implementation of the WTO Agreements. Mali appears to have encountered some problems as regards updating its notifications to the WTO. According to the authorities, these are due, on the one hand, to lacunae in compiling and processing information and, on the other, to the inadequate training of the officials responsible for drawing up the notifications. In fact, Mali has particularly some problems as regards updating its notifications to the WTO. According to the authorities, poor information-handling abilities or inadequate trainings for officers who draw up the notifications trigger these problems.

Mali has undertaken a far-reaching privatization programme since the first review by the WTO. The State nevertheless continues its policy of intervening directly in some sectors of the economy. The Malian authorities have not yet made any notification to the WTO on State trading enterprises within the meaning of Article VII of the GATT.

#### 2) SPS

Despite the amendments made to the regulations on the foreign trade regime in 2000 and notified to the WTO by Mali in 2001, two regimes still exist: liberalized trade; and prohibitions, either absolute or restrictive. The liberalized trade regime remains unchanged. A notice of intent to import (DPI) is still issued, although Mali's latest

[29] Initial information is obtained from the Diagnostic Trade Integration Study: 2004, and the WTO Trade Policy Review (reported by the Secretariat): 2004. The authors have verified the statements where applicable, and have added extra information and/or altered using the findings of the field study.

notification to the WTO (2001) states that this document is issued without any limit as to value or volume.

As regards the prohibition regime, the main change since 1998 has been the extension of the scope of the absolute prohibition regime, particularly to bovine meat as well as to alcoholic beverages in sachets. The scope of application of the restrictive regime has also been extended, even though some restrictions have not changed. This is the case for imports of cigarettes and tobacco, for which Ministry of Trade authorization is still required. The Malian authorities explain this requirement by the highly sensitive nature of the cigarettes and tobacco sector, on the one hand because of its contribution to the national budget (particularly in terms of customs duty and ISCP) and, on the other, because of the risk of tobacco consumption for the population.

### 3) TBT

Mali is not a full member of International Organization for Standardization(ISO).It is still one of the “subscribers” that can adopt the ISO standards arbitrary.

As regards the Mali’s domestic systems, Directorate for National Industry (DNI) within the Ministry of Industry and Commerce controls the state committee of standardization and quality management and seven technical committees. These committees were established in 1994 and defined 93 national standards, but now, the effective standards are international standard only like CODEX.

The certification of standards is implemented with financial and technical assistance of EU and UNIDO, and also with the support of WAEMU’s sub-regional programs. These programs were implemented during 2001-2004, and it aimed for the establishment and reinforcement of regional certification offices and standardized documents centers , and harmonization of procedures.

### 4) Anti-dumping, Subsidies and Countervailing Measures, Safeguard

Mali does not possess the domestic legislation for trade remedies, but it applies WAEMU’s regulations (Common regulation for safeguard (1998), Regulation for anti-dumping (2004)) which is consistent with 1WTO Agreements. None of those measures were invoked.

### 5) Customs Evaluation

The WAEMU’s regulations on customs valuation were adopted in 1999 and come into effect in Mali on 1 January 2004.One of the two relevant WAEMU instruments fully incorporates the provisions of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994(Customs Valuation Agreement). Mali requested deferral of the Agreement's application for five years pursuant to the principle of special and differential treatment in favour of developing countries, and this period ended on 1 June 2000. The second instrument adopted by the WAEMU establishes a common system of reference values.

The common system of reference values is applied nationally. The member States of the WAEMU propose to the WAEMU Commission goods to appear on a list of goods subject to reference values, which is updated every six months. The list provided to the WTO Secretariat by the Malian authorities dates from 19 September 2003 and compromises at least 76 tariff lines. The scheme applies only to goods not originating in the WAEMU.

Mali's tariff bindings affect 42% of Mali's tariff lines. These bindings are the result of two processes: the tariff concessions made by France on behalf of French West Africa (AOF) at a time when Mali Faso was a French colony; and Schedule XCIV- Mali resulting from the Uruguay Round. Mali bound duties applicable to agricultural products at a ceiling of 60 %, with exception to those included in Schedule XCIV.

The rate if customs duty actually applied is below the levels included in Schedule XCIV. It should be noted, however, that if the tariff bindings prior to the Uruguay Round are taken into account, for 54.3% of the lines the duties actually applied by Mali are up to 20% points higher than the bound level. This is the case for many Chapters in the Harmonized System, in particular Chapters 3(fish and fish products), 4(milk and dairy produce), 34(soap), 39(plastics) and 52(cotton), 54(man-made fibres), 61 and 62(clothing), 64(footwear), and 85(electrical machinery and equipment).

### 6) Pre-shipment Verification Inspection (PVI)

Mali's import inspection programme (PVI) was introduced in 1989 and notified to the WTO in 1998. It applies to imports whose f.o.b. value is CFAF 3 million or more and which are not exempt from inspection as a result of an order. These must be subject of a prior import declaration (DPA) issued by the company COTECNA (which replaced the *Societe Generale* de Surveillance), responsible for the PVI since 1 October 2003 following an invitation to tender, After it has inspected the goods, the COTECNA issues an inspection certificate (or "a notice of refusal to issue a certificate"), which importers attach to their customs declaration dossiers. All import transactions, whether or not subject to the PVI, must pay the contribution for the PVI, which is around 0.65% of the f.o.b value of the goods imported and is payable by the importer; until 2000, it was paid by the Government. The aim of the PVI is to ensure better control over fiscal revenue colleted by the customs.

### 7) Subsidy

In 2001, Mali notified the WTO that it had no subsidy programmes. The State grants tax concessions to enterprises approved under the export free enterprise regime provided in the Investment Code. The Malian authorities explain that the purpose of this regime is to attract foreign investment, modernize the industrial infrastructure, create jobs and value added, train the workforce, promote exports and transfer technology.

### 8) GATS

Mali's Schedule of Specific Commitments under WTO－GATS concerns only tourism-related services. Mali did not tale part in the negotiations on basic telecommunications services or in those on financial services. The final list of Article II (MFN) exemptions under the GATS concerns maritime transport.

### 9) TRIPS

Since 1995, Mali has applied the transitional provisions allowed under Article 66 of the TRIPS Agreement (which apply to LDCs) in order to defer full implementation of the Agreement. It has not yet notified the revised Bangui Agreement and Annexes I to VIII thereto, which entered into force on 28 February 2002.

Mali is a member of the African Intellectual Property Organization (OAPI), established by the Bangui Agreement (1977), which was revised in 1999 to bring it into line with the TRIPS Agreement. Mali ratified the Bangui Agreement (1999) on 19 June 2000. This agreement is implemented under the control of CEMAPI, within the Ministry of Industry and Commercial, and this centre works for the protection of industrial properties (trademark and patent), the advancement of creativeness with the industrial property, promotion of technical transfer, etc.

Mali's regime on copyright and related rights dates from 1984 and is currently being revised. The draft revision is the subject of consultation among various partners (producers, performers, publishers) of the Malian Copyright Office (BUMDA), which is responsible for collective administration in Mali. The Malian authorities have indicated that the delay in revising the text is caused by the time taken to implement the WIPO's technical assistance programme.

### 10) Government Procurement

Mali is neither a member nor an observer of the WTO Plurilateral Agreement on Government Procurement and does not have the intention of becoming one. The rules on government procurement are contained in the Government Procurement Code, which was revised in 1999. The main objective of the revision was to boost the anti-corruption campaign, which is the subject of a World Bank report. The report paints an unflattering picture of government procurement under the 1995 Code, underlining the extent of corruption, abuse of the private agreement procedure, non-observance of procedures for submitting bids, ineffective control of State enterprises and the fact that award of contracts is not made public. It further notes the scale of corruption in the award of government procurement contracts, and proposes to the Government a strategic approach to combat corruption. In 2003, Mali reinforced its anti-corruption mechanism by creating the post of "Inspector General", one of whose tasks is to monitor the propriety and accuracy of the revenue and expenditure transactions by institutions of the Republic, State departments, local authorities, public institutions or any other body receiving financial assistance from State.

## (2) Institutional Framework and Current Status

The National Directorate for Trade and Competition (DNCC) within the Ministry of Trade includes the secretariat of the National Commission on Follow-up to the WTO Agreements and Relations with the UNCTAD. This Commission was established in 1998 with task of making notifications, taking action to harmonize national regulations with WTO commitments, following up the implementation of commitments by WTO Member vis-à-vis Mali, examining the impact of WTO provisions on Mali's economy, and ascertaining what assistance the WTO can provide to Mali. The ministries involved, the Chamber of Commerce and Industry of Mali and joint-made groups or associations take part in the work of the National Commission. According to DNCC officials, concerned parties mostly have some problems with understanding of Agreements, human and financial resources, whole institutions, and most profound problems among these are lack of human recourses. DNCC have a guiding committee for Integration Framework (IF) and concerned members of this committee are representatives of agriculture, construction, fishery, transportation, culture and tourism. For IF, there is a ministerial committee, Prime Minister is a chair man of it, and the Directorate for national industrial competitiveness act as a focal point.

International agreements and treaties are ratified or approved by the President after the National Assembly has adopted a law authorizing ratification or approval. Treaties or agreements that have been properly ratified (for example, the WTO Agreement) take precedence over laws once they have been published in the Journal Officiel, provided that the agreement or treaty is applied by the other party. These acts take effect immediately as a law of the State in Mali and are automatically enforceable. For example, the WTO Agreement's provisions may be directly cited in legal proceedings, but this has not yet been the case.

### 2.5.2 Current Status and Issues of Trade Policies

Mali' policy of trade investment is based on the General Policy Declaration which was presented at the Parliament in December 2002. This policy declaration is based on the guideline by the president which is fully taken into account the Poverty Reduction Strategy（PRSP）. This guideline focuses on the development of rural sector that lead to economic development, investments in human resources, and the innovation of political institutions and governance. Moreover, about trade, this guideline clearly states that the reinforcement of regional integration is the effective reaction to the globalization and it commits the reinforcement of WAEMU and ECOWAS, and implementation of NEPAD.

Mali's institutional capacity for trade policy formulation and implementation is weak. The scope, complexity and variety of trade-related policies, which often involve various ministries or entities, are particularly demanding and require well functioning coordination mechanism, which appear particularly weak in Mali. The institutions linked to trade and industrial policies are:

- The Ministry of Industry and Trade bears the main responsibility for formulating and implementing Mali's industrial and trade policies. The National Directorate for Trade and Competition (DNCC) hosts the Secretariat of a National Commission on Follow-up to the WTO Agreements.
- The Ministry of Economy and Finance plays as an important role in trade policy, notably through its customs directorate and its participation in the WAEMU ministerial meetings.
- The Ministry of Foreign Affairs and International Cooperation represents Mali in international organizations, and hosts the Secretariat of the National Commission on African Integration.
- The Division for Normalization and Promotion of the Quality within the DNI is the main entity responsible for coordinating the formulation and implementation of norms and standards and promoting quality.

- The General Directorate for Regulations and Control (DGRC), under the Ministry for Rural Development, is responsible for the development and oversight of sanitary and phytosanitary standards.
- The Mali Chamber of Commerce and Industry（CCIM） may propose to the Government any measure intended to promote the development for commercial. Industrial or services activities. It expresses its opinion on relevant issues. The CCIM has had as Arbitration and Conciliation Centre, whose task is to settle disputes between Malian nationals and foreigners regarding trade, industry or the supply of services.

### 2.5.3 Trade Environment and Major Trade Items

#### (1) Trade Environment

Mali, like Senegal, has a relatively open and transparent trade regime that result from reforms in the latter half of the 1990s, which included the implementation of the WAEMU Common External Tariff (CET) in January 2000. Between 1998 and 2003, the average tariff rate fell from about 22 to 12 %, with tariff rates ranging from 0 to 20 %(3 to 35 % in 1998).

The devaluation of the CFA franc in 1994 by 50% in foreign currency terms, helped to strengthen Mali's external position and attract foreign direct investment, especially in the gold sector. The external adjustment was reinforced by domestic adjustment efforts aimed at consolidating the fiscal situation, and by keeping a firm control over wage and labour policies, while strengthening revenue collection and improving public resources.

Mali's outward orientation has become substantial over the last decade, with exports reaching nearly one third of GDP, and total trade reaching over three fifths of GDP. The surge in exports, which grew by 14% per annum between 1995 and 2002 (compared to 5% for imports) has narrowed the trade deficit from 10% of GDP in 1995 to 2% in 2002.

Despite improvements made in aggregates, Mali's trade profile has highlighted a tendency to be dependent on commodities and raw materials for exports and manufactured goods for imports. An example of this has been the downward trend in cotton prices since 1980s. Cotton exports, which represent around half of Mali's exports, have been affected by the fall in world cotton prices, which in turn has exacerbated the decline in terms of trade. This tendency is exacerbated by Mali's situation that the domestic processing rate of cotton is only 2% of the whole production.

The use of non-tariff barriers appears largely circumscribed. There are no licensing requirements, though importation and exportation of goods must be carried out on the basis of a document known as the “certificate of intention to import”, issued automatically by the DNCC without any restrictions on quantity and value. The primary purpose of this requirement is to collect information on the intentions of the economic agents for trade flows forecast and analysis. However, the authorities noted that this mechanism suffers from difficulties to corroborate *ex-ante* data with actual trade date collected at the customs, as well as from the fact that some significant export products are not being handled through the DNCC. The main justification of maintaining this system appears to be the collection of fees for the pre-shipment inspection of imports. Mali has adopted a new Customs Code, which came into effect on 1 January 2002, and according to this new Code, single detailed declaration (DDU) is used for imports and exports and this requirement has applied since 1 January 2004. Only approved customs agents may carry out customs clearance operations. Customs procedures have been automated since 1985 using the automated customs system（ASYCUDA）, which covers 95% of current traffic, but it have problems with acquisition ,analysis and prevalence of in formations, and it also finishes the introduction of new system （ASYCUDA++）.

Imports and export restrictions are maintained mainly on health, security or national security grounds. However, imports of live cattle as well as bovine meat are prohibited. Similarly, exports of young male and non-sterilized female cattle are prohibited, to protect domestic production.

Like Senegal, Mali’s tariff structure is provided by WAEMU－CET and this allows for a certain degree of tariff escalation. And, at the same time, Mali still imposes a special tax (on certain products ISCP, on petroleum products TIPP). Moreover, Tariff exemptions remain large in Mali, and constitute a course of confusion between operators and the state. Mali grants exemption from import duties for imports of goods eligible for the transitional preferential tariff regime of the WAEMU. This regime allows for full exemption from MFN customs duties for local products and traditional handcrafts contained in an exhaustive list. Industrial products from producing enterprises approved by the WAEMU Commission have also been eligible for full exemption since 1 January 2000, and the number of industrial products concerned increased from 948 from 2,359 between May 1998 and the end of 2002.

Mali grants exemption from customs duty to enterprises approved under the Mining

Code, free enterprises approved under the Investment Code, tourism enterprises and hotels, and, under the special Code on real estate investment, enterprises building social housing. In 2003, exemptions (of all types) amounted to CFAF 35.8 billion (US $ 59.7 million), while in 2001 the figure was CFAF 48.2 billion (US $ 80.3 million).

When it comes to imports, gold and cotton are the only products subjects to export duty (CPS) of 3 % and all exports are exempt from VAT. According to these regulations, prohibitions are either absolute or restrictive. As a part of the harmonization of VAT legislation in the WAEMU member States, Mali has considerably simplified and unified its VAT regime since 2000. The WAEMU regulations provide for a single rate of VAT on a common basis and at a convergent rate, with exception of common exemptions; in Mali, the general rate of VAT is 18 %. VAT on imports is calculated on the c.i.f. price plus import duties, with the exception of the PCS and ISCP, where applicable.

One of big factors, which affect the Mali's trade environment, is the political crisis in Côte d'lvoire, Mali's main trade partner. The crisis began in December 1999, has not only triggered security and humanitarian problems but has also affected the supply routes to Mali, particularly for petrol and hydraulic cement products, and thereby raised the cost of trade. In addition to the overpricing linked to transport, transit and guarantee funds, the market in the Côte d'lvoire has been troubled by the crisis, revealing an estimated loss of 3.6 billion CFAF per month (around US $ 5 million) for Malian livestock to this market. Furthermore, since the condition of transportation vehicles is poor, only a quarter of Malian trucks are capable of circulating on the Bamko – Tema route, leading to a provisional loss of CFAF 1.1 billion per month (US $ 1.5 million).

At present, Mali is twice landlocked, outside its borders and also within its own borders. Considering all existing primary roads, only 1,922 km are considered to be in good condition, 1,371 km in fair condition and 5,493 km in poor condition. As a result, many regions are not readily connected to national or sub-regional markets, particularly during the rainy seasons. The rehabilitation and maintenance of roads is costly owing largely to deferred maintenance, but also to the impact of excessive axle loadings by trucking companies. Beyond road infrastructure, the condition of the vehicle fleet in Mali is particularly poor. As of February 2003, Mali's vehicle fleet (all vehicles) reached 100.500, and nearly two thirds of these exceeded fifteen years of age, contributing to lower operating efficiencies and thereby increasing costs of transportation. A cited constraint to renewing the vehicle stock is the high tariff level, notwithstanding the effect of WAEMU－CET in lowering the tariff on imported vehicles from over 100% to between 30 and 40 %. Relative to the cost of imported goods, Mali's transportation costs are over twice the level of Senegal's and just under double the level of WAEMU average. Delays, derailments and increased informal costs led to a contradiction in cargo shipments by rail, of around 40 % over five years (1997-2001). This occurred despite the fact that rail transportation was and remains one of the most efficient modes of transportation for Mali's bulk cargo. Mali and Senegal reached an agreement in March 2003 to transfer the management of the railway line to private company (a Franco-Canadian group, Canac-Getma) effective from October 2003 for an initial duration of 25 years.

## (2) Major Trade Items

### 1) Overview

Mali's exports are mainly consisted of three items, gold, cotton and livestock, and these constitute 90% of whole exports. Mali's major export markets are Côte d'lvoire, South Africa, Switzerland, France and Senegal. On the other hand, Côte d'lvoire and France are main trade partners as regards the import, and 40-50% of whole imports are from these countries.

Table: Mali's Major Trade Partners (Top 20 Countries) (in US$)

Export

| Ranking | 1996 | | | 2000 | | | 2001 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | Cote d'Ivoire | 195,217,488 | 47.7% | South Africa | 179,824,160 | 38.0% | Switzerland | 197,487,680 | 38.0% |
| 2 | Senegal | 93,062,176 | 22.7% | Cote d'Ivoire | 133,162,576 | 28.2% | South Africa | 168,513,520 | 32.4% |
| 3 | Switzerland | 33,975,768 | 8.3% | Switzerland | 62,189,288 | 13.2% | France | 53,981,088 | 10.4% |
| 4 | UK | 24,000,580 | 5.9% | Senegal | 50,044,456 | 10.6% | Cote d'Ivoire | 42,815,628 | 8.2% |
| 5 | France | 18,198,604 | 4.4% | UK | 22,283,432 | 4.7% | Senegal | 26,713,228 | 5.1% |
| 6 | Mauritania | 10,545,668 | 2.6% | Belgium | 9,016,050 | 1.9% | Belgium | 8,491,731 | 1.6% |
| 7 | Burkina Faso | 6,086,514 | 1.5% | Burkina Faso | 3,696,201 | 0.8% | Netherlands | 6,065,417 | 1.2% |
| 8 | Thailand | 4,326,656 | 1.1% | France | 3,552,885 | 0.8% | Burkina Faso | 3,490,957 | 0.7% |
| 9 | Spain | 3,607,324 | 0.9% | USA | 1,905,456 | 0.4% | USA | 2,390,898 | 0.5% |
| 10 | Luxembourg | 3,384,830 | 0.8% | Niger | 1,527,241 | 0.3% | Guinea | 2,174,469 | 0.4% |
| 11 | Italy | 2,945,026 | 0.7% | Guinea | 1,327,067 | 0.3% | Mauritania | 2,009,088 | 0.4% |
| 12 | Ghana | 1,858,885 | 0.5% | Mauritania | 1,305,693 | 0.3% | Serbia and Montenegro | 1,460,144 | 0.3% |
| 13 | KOREA | 1,492,467 | 0.4% | Ghana | 728,257 | 0.2% | Niger | 1,299,649 | 0.3% |
| 14 | Guinea | 1,370,522 | 0.3% | Angola | 324,444 | 0.1% | Spain | 461,201 | 0.1% |
| 15 | Other Asian countries | 1,269,635 | 0.3% | Togo | 261,277 | 0.1% | Algeria | 435,694 | 0.1% |
| 16 | China | 1,089,527 | 0.3% | Italy | 191,562 | 0.0% | Morocco | 274,785 | 0.1% |
| 17 | S A C U | 1,051,369 | 0.3% | Algeria | 172,912 | 0.0% | UK | 219,958 | 0.0% |
| 18 | Niger | 774,415 | 0.2% | Saudi Arabia | 157,970 | 0.0% | Germany | 180,425 | 0.0% |
| 19 | Czechoslovakia | 586,579 | 0.1% | Gabon | 121,025 | 0.0% | Libya | 121,994 | 0.0% |
| 20 | Germany | 501,556 | 0.1% | Benin | 97,894 | 0.0% | Canada | 112,384 | 0.0% |
| Total | | 409,521,792 | 100.0% | | 472,688,704 | 100.0% | | 519,310,528 | 100.0% |

Import

| Ranking | Country | | | 2000 | | | 2001 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | Cote d'Ivoire | 207,700,112 | 26.3% | Cote d'Ivoire | 214,600,768 | 26.6% | Cote d'Ivoire | 245,616,800 | 24.2% |
| 2 | France | 190,805,184 | 24.1% | France | 145,697,776 | 18.1% | France | 188,268,864 | 18.6% |
| 3 | Senegal | 46,360,464 | 5.9% | Senegal | 54,776,428 | 6.8% | Senegal | 53,653,352 | 5.3% |
| 4 | USA | 36,251,980 | 4.6% | USA | 39,071,788 | 4.8% | South Africa | 44,043,640 | 4.3% |
| 5 | Luxembourg | 31,620,840 | 4.0% | China | 36,531,376 | 4.5% | Belgium | 38,810,696 | 3.8% |
| 6 | China | 31,187,396 | 3.9% | Germany | 29,454,900 | 3.7% | Germany | 37,668,892 | 3.7% |
| 7 | Japan | 29,681,830 | 3.8% | Japan | 28,350,268 | 3.5% | Japan | 36,814,716 | 3.6% |
| 8 | S A C U | 29,575,464 | 3.7% | Belgium | 26,300,166 | 3.3% | USA | 36,314,268 | 3.6% |
| 9 | Germany | 24,030,944 | 3.0% | South Africa | 24,551,844 | 3.0% | Togo | 35,811,528 | 3.5% |
| 10 | Brazil | 22,714,568 | 2.9% | Togo | 24,385,728 | 3.0% | UK | 27,936,562 | 2.8% |
| 11 | UK | 20,931,644 | 2.6% | Spain | 18,124,024 | 2.2% | China | 27,600,832 | 2.7% |
| 12 | Netherlands | 15,764,752 | 2.0% | Russia | 16,083,590 | 2.0% | Other Areas | 21,576,064 | 2.1% |
| 13 | Italy | 12,420,371 | 1.6% | Italy | 15,802,975 | 2.0% | Spain | 21,255,572 | 2.1% |
| 14 | Spain | 12,416,685 | 1.6% | Other Areas | 14,427,952 | 1.8% | Italy | 21,077,356 | 2.1% |
| 15 | VietNam | 8,586,838 | 1.1% | UK | 13,681,068 | 1.7% | Brazil | 16,267,647 | 1.6% |
| 16 | China, Hong Kong | 6,880,429 | 0.9% | Brazil | 12,310,251 | 1.5% | Netherlands | 13,997,211 | 1.4% |
| 17 | Canada | 6,692,874 | 0.8% | Netherlands | 9,192,831 | 1.1% | Ireland | 12,502,639 | 1.2% |
| 18 | Turkey | 6,261,185 | 0.8% | China, Hong Kong | 8,674,919 | 1.1% | Canada | 11,997,053 | 1.2% |
| 19 | India | 6,079,189 | 0.8% | UAE | 7,108,684 | 0.9% | Benin | 10,959,990 | 1.1% |
| 20 | Nigeria | 5,222,782 | 0.7% | Thailand | 5,582,901 | 0.7% | Russia | 10,557,139 | 1.0% |
| Total | | 790,290,880 | 100.0% | | 806,367,872 | 100.0% | | 1,013,390,272 | 100.0% |

Source: UN－COMTRADE

# Table: Mali's Major Trade Items (Top 20 Items) (in US$)

Export

| | 1996 | | | | 2000 | | | | 2001 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 263 | Cotton | 232,690,128 | 56.8% | 971 | Gold, non-monetary (excluding gold ores and concentrates) | 271,934,464 | 57.5% | 971 | Gold, non-monetary (excluding gold ores and concentrates) | 432,146,912 | 83.2% |
| 2 | 971 | Gold, non-monetary (excluding gold ores and concentrates) | 70,052,592 | 17.1% | 263 | Cotton | 162,481,792 | 34.4% | 263 | Cotton | 18,584,708 | 3.6% |
| 3 | 001 | Live animals other than animals of division 03 | 58,389,800 | 14.3% | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 4,959,738 | 1.0% | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 15,278,618 | 2.9% |
| 4 | 896 | Works of art, collectors' pieces and antiques | 9,093,079 | 2.2% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 4,795,691 | 1.0% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 9,838,272 | 1.9% |
| 5 | 292 | Crude vegetable materials, n.e.s. | 4,675,526 | 1.1% | 611 | Leather | 2,387,458 | 0.5% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 6,336,702 | 1.2% |
| 6 | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 4,095,438 | 1.0% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 2,000,323 | 0.4% | 778 | Electrical machinery and apparatus, n.e.s. | 3,426,624 | 0.7% |
| 7 | 611 | Leather | 3,762,965 | 0.9% | 045 | Cereals, unmilled (other than wheat, rice, barley and maize) | 1,813,193 | 0.4% | 611 | Leather | 3,178,704 | 0.6% |
| 8 | 035 | Fish, dried, salted or in brine; smoked fish (whether or not cooked before or during the smoking process); flours, meals and pellets of fish, fit for human consumption | 3,713,714 | 0.9% | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 1,543,006 | 0.3% | 045 | Cereals, unmilled (other than wheat, rice, barley and maize) | 2,847,862 | 0.5% |
| 9 | 223 | Oil-seeds and oleaginous fruits, whole or broken, of a kind used for the extraction of other fixed vegetable oils (including flours and meals of oil-seeds or oleaginous fruit, n.e.s.) | 2,925,867 | 0.7% | 931 | Special transactions and commodities not classified according to kind | 1,474,585 | 0.3% | 783 | Road motor vehicles, n.e.s. | 2,493,439 | 0.5% |
| 10 | 045 | Cereals, unmilled (other than wheat, rice, barley and maize) | 2,464,526 | 0.6% | 744 | Mechanical handling equipment, and parts thereof, n.e.s. | 1,317,729 | 0.3% | 892 | Printed matter | 1,853,512 | 0.4% |
| 11 | 042 | Rice | 2,066,432 | 0.5% | 651 | Textile yarn | 1,042,192 | 0.2% | 931 | Special transactions and commodities not classified according to kind | 1,580,989 | 0.3% |
| 12 | 222 | Oil-seeds and oleaginous fruits of a kind used for the extraction of "soft" fixed vegetable oils (excluding flours and meals) | 1,477,824 | 0.4% | 892 | Printed matter | 1,036,138 | 0.2% | 591 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (e.g., sulphur-treated bands, wicks and candles, and fly-papers) | 1,443,861 | 0.3% |
| 13 | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 1,295,859 | 0.3% | 778 | Electrical machinery and apparatus, n.e.s. | 857,676 | 0.2% | 651 | Textile yarn | 1,389,605 | 0.3% |
| 14 | 885 | Watches and clocks | 1,224,369 | 0.3% | 591 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (e.g., sulphur-treated bands, wicks and candles, and fly-papers) | 856,880 | 0.2% | 744 | Mechanical handling equipment, and parts thereof, n.e.s. | 1,296,121 | 0.2% |
| 15 | 057 | Fruit and nuts (not including oil nuts), fresh or dried | 1,171,085 | 0.3% | 716 | Rotating electric plant, and parts thereof, n.e.s. | 841,619 | 0.2% | 786 | Trailers and semi-trailers; other vehicles, not mechanically-propelled; specially designed and equipped transport containers | 1,192,726 | 0.2% |
| 16 | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 1,120,455 | 0.3% | 057 | Fruit and nuts (not including oil nuts), fresh or dried | 792,180 | 0.2% | 223 | Oil-seeds and oleaginous fruits, whole or broken, of a kind used for the extraction of other fixed vegetable oils (including flours and meals of oil-seeds or oleaginous fruit, n.e.s.) | 1,187,336 | 0.2% |
| 17 | 931 | Special transactions and commodities not classified according to kind | 1,077,159 | 0.3% | 044 | Maize (not including sweet corn), unmilled | 716,193 | 0.2% | 792 | Aircraft and associated equipment; spacecraft (including satellites) and spacecraft launch vehicles; parts thereof | 1,122,127 | 0.2% |
| 18 | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 680,514 | 0.2% | 081 | Feeding stuff for animals (not including unmilled cereals) | 643,009 | 0.1% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 936,695 | 0.2% |
| 19 | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 579,762 | 0.1% | 074 | Tea and maté | 619,570 | 0.1% | 057 | Fruit and nuts (not including oil nuts), fresh or dried | 836,799 | 0.2% |
| 20 | 652 | Cotton fabrics, woven (not including narrow or special fabrics) | 437,094 | 0.1% | 223 | Oil-seeds and oleaginous fruits, whole or broken, of a kind used for the extraction of other fixed vegetable oils (including flours and meals of oil-seeds or oleaginous fruit, n.e.s.) | 561,538 | 0.1% | 211 | Hides and skins (except furskins), raw | 704,872 | 0.1% |
| Total | | | 409,521,792 | 100.0% | | | 472,688,704 | 100.0% | | | 519,310,528 | 100.0% |

Import

| | 1996 | | | | 2000 | | | | 2001 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 120,789,344 | 15.3% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 187,484,112 | 23.3% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 217,826,656 | 21.5% |
| 2 | 562 | Fertilizers (other than those of group 272) | 46,662,044 | 5.9% | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 33,568,924 | 4.2% | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 51,071,024 | 5.0% |
| 3 | 061 | Sugars, molasses and honey | 42,484,608 | 5.4% | 562 | Fertilizers (other than those of group 272) | 29,439,792 | 3.7% | 098 | Edible products and preparations, n.e.s. | 34,283,868 | 3.4% |
| 4 | 676 | Iron and steel bars, rods, angles, shapes and sections (including sheet piling) | 34,008,652 | 4.3% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 24,287,324 | 3.0% | 061 | Sugars, molasses and honey | 31,913,604 | 3.1% |
| 5 | 661 | Lime, cement, and fabricated construction materials (except glass and clay materials) | 27,242,160 | 3.4% | 098 | Edible products and preparations, n.e.s. | 22,587,566 | 2.8% | 542 | Medicaments (including veterinary medicaments) | 30,201,914 | 3.0% |
| 6 | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 23,551,920 | 3.0% | 542 | Medicaments (including veterinary medicaments) | 21,810,844 | 2.7% | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 28,459,988 | 2.8% |
| 7 | 022 | Milk and cream and milk products other than butter or cheese | 21,246,278 | 2.7% | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 19,849,928 | 2.5% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 24,428,232 | 2.4% |
| 8 | 542 | Medicaments (including veterinary medicaments) | 19,401,116 | 2.5% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 18,599,630 | 2.3% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 23,266,564 | 2.3% |
| 9 | 074 | Tea and maté | 19,076,680 | 2.4% | 022 | Milk and cream and milk products other than butter or cheese | 17,457,736 | 2.2% | 562 | Fertilizers (other than those of group 272) | 20,941,336 | 2.1% |
| 10 | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 18,979,454 | 2.4% | 061 | Sugars, molasses and honey | 17,284,756 | 2.1% | 716 | Rotating electric plant, and parts thereof, n.e.s. | 18,658,280 | 1.8% |
| 11 | 098 | Edible products and preparations, n.e.s. | 17,107,908 | 2.2% | 676 | Iron and steel bars, rods, angles, shapes and sections (including sheet piling) | 17,068,550 | 2.1% | 022 | Milk and cream and milk products other than butter or cheese | 16,937,848 | 1.7% |
| 12 | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 16,195,996 | 2.0% | 716 | Rotating electric plant, and parts thereof, n.e.s. | 15,113,448 | 1.9% | 699 | Manufactures of base metal, n.e.s. | 16,811,296 | 1.7% |
| 13 | 724 | Textile and leather machinery, and parts thereof, n.e.s. | 15,593,214 | 2.0% | 074 | Tea and maté | 13,299,149 | 1.6% | 691 | Structures and parts of structures, n.e.s., of iron, steel or aluminium | 16,655,190 | 1.6% |
| 14 | 723 | Civil engineering and contractors' plant and equipment; parts thereof | 15,352,643 | 1.9% | 591 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (e.g., sulphur-treated bands, wicks and candles, and fly-papers) | 13,196,861 | 1.6% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 16,174,036 | 1.6% |
| 15 | 042 | Rice | 14,160,930 | 1.8% | 699 | Manufactures of base metal, n.e.s. | 13,194,967 | 1.6% | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 14,866,432 | 1.5% |
| 16 | 591 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (e.g., sulphur-treated bands, wicks and candles, and fly-papers) | 13,579,397 | 1.7% | 792 | Aircraft and associated equipment; spacecraft (including satellites) and spacecraft launch vehicles; parts thereof | 11,896,536 | 1.5% | 042 | Rice | 14,641,065 | 1.4% |
| 17 | 699 | Manufactures of base metal, n.e.s. | 12,586,945 | 1.6% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 10,992,893 | 1.4% | 676 | Iron and steel bars, rods, angles, shapes and sections (including sheet piling) | 14,162,769 | 1.4% |
| 18 | 871 | Optical instruments and apparatus, n.e.s. | 11,195,612 | 1.4% | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 10,549,819 | 1.3% | 718 | Power-generating machinery, and parts thereof, n.e.s. | 13,718,636 | 1.4% |
| 19 | 658 | Made-up articles, wholly or chiefly of textile materials, n.e.s. | 10,573,670 | 1.3% | 691 | Structures and parts of structures, n.e.s., of iron, steel or aluminium | 10,270,705 | 1.3% | 728 | Other machinery and equipment specialized for particular industries; parts thereof, n.e.s. | 13,624,256 | 1.3% |
| 20 | 674 | Flat-rolled products of iron or non-alloy steel, clad, plated or coated | 10,045,262 | 1.3% | 713 | Internal combustion piston engines, and parts thereof, n.e.s. | 9,423,516 | 1.2% | 713 | Internal combustion piston engines, and parts thereof, n.e.s. | 13,557,921 | 1.3% |
| Total | | | 790,290,880 | 100.0% | | | 806,367,872 | 100.0% | | | 1,013,390,272 | 100.0% |

Source: UN-COMTRADE

## 2) Gold

Mali is the third largest gold producer in Africa and thirteen in the world. Gold production represents 95% of the country's mineral production, Its capital, Bamko, has been a centre for collecting alluvial gold from West Africa for dispatch to Europe. Production sometimes suffers from technical difficulties, however, prospecting remains dynamic in Mali, where more than 100 exploration permits are currently used and prospects for investment are good. The exploitation of three other sites should start in 2005 and the authorities' production forecasts for 2005 and 2006 are 47.7 and 58.8 tonnes respectively.

The Ministry of Mines, Energy, and Water is the supervising department responsible for the management of Mali's mining sector. The office carries out its mission though the National Department of Geology and Mines(DNGM), which is the technical department that handles the implementation and monitoring of mining legislation. It is additionally charged with developing elements of national policy in the field of research, development, exploitation, and processing of subsoil resources. In 2002 DNGM was re-organised as a one-stop shop for mini in Mali, and this had effect of making it simpler for investor to synchronise their activities.

The mining code also introduced major fiscal reforms. Under the code, minig companies are free of corporate tax for the first five years of production. Thereafter, the tax rate is reduced 35% ore less when profit is reinvested in Mali. All equipment for the mining projects can now be imported duty-free during the exploration period and for the first three years of the exploitation period. Service tax to revenue and royalty on the value of production is both fixed at 3%. A founding agreement must be signed between the foreign company and the Malian government. The agreement comprehensively fixes all the conditions that will ally to the exploration, and those conditions include work obligations, reporting, taxes, duties, duty-free arrangements, state equip participation, etc.

## 3) Cotton

Mali is the fourth largest cotton exporter in the world. Mali has a strong comparative advantage in the production and export of cotton, even though cotton prices have fallen significantly since 1997/98.

The Malian authorities project cotton production to rise over 600,000 tonnes, in marketing year 20005/06(October-September).Given that the government has pledged to return to a pricing mechanism based on world market prices, in line with the World Bank's recommendations, cotton farmers will receive fore the 2005/06 season a fixed price of CFAfr 160/kg(31 US cents/kg) for raw cotton, which is CFAfr 40 less than in 2004/05.

Although Mali is one of the leading cotton producers in Africa together with Egypt and Burkina Faso, and is known for its cotton quality premium, the sector faces several difficulties. Among these is the worsening financial situation of the cotton parastatal, Compagnie Maliennde de Developpement des Textiles (CMDT), which is to be privatised in 2008. From 1999 to 2001, Mali's cotton experienced a severe financial crisis, due in part to the fall in world cotton prices but also to weak management and high structure of CMDT. The crisis took a dramatic turn with the decision of a large number of farmers to boycott. The following year, CMDT agreed to a higher producer price, which led to a strong increase in production, but this accentuated the company's financial problems

With the support of the World Bank, the Mali Government prepared and adopted a comprehensive reform program for the cotton sector. The program called for the State to progressively disengage from the sector. The first phase of reforms included the implementation of a financial recovery plan for the CMDT, privatization of cotton growing operations. The next phase of reforms is to include the full privatization of CMDT by 2008, the progressive transfer of several key functions.

Mali together with Benin, Burkina Faso and Chad, co-authored the Cotton Initiative (submitted to the WTO) which high lightened the deleterious impact of subsidies on their trade and economic prospect, and requested compensatory measures and phase out of the subsidies. WTO proceedings against the subsidies were subsequently initiated by Brazil.

### 4) Livestock

Mali has a comparative advantage in exporting live animals to West Africa. However, based on forecasts of domestic consumption, domestic demand could outstrip supply by 2010, so enhancement of supplying capacity is needed. While there have been several attempts over the years to export chilled beef by air, rail, and road, both within West Africa and to other African markets(Gabon, North Africa), these efforts have generally proved unprofitable. Major constraints to meat exports are the higher value placed on by-products in coastal markets, and the high-cost and unreliability of refrigerated transport.

A major problem in Mali is the lack of animal health standards that are adequately enforced. This leaves Mali very vulnerable to animal diseases and prevents Malian exporters from shipping livestock to markets such as Algeria, where higher animal health standards are in force.

#### 5) Agriculture

The share of agriculture in GDP is around 45%, of which 15% is attributed to food crops, 10% to livestock, 9% to industrial crops (i.e. cotton and peanuts). Mali enjoys surplus in cotton and livestock, whereas it holds the largest deficits in other agricultural products. Within sub-region, Mali shows a high potential for increasing exports of rice, particularly in Côte d'lvoire and Ghana where the middle class is favoring rice as a staple food. Close proximity to Burkina Faso and Guinea also make these high potential markets for Malian rice. Moreover, Mali is the world's biggest habitat of shea trees and high-quality shea nuts for chlorates and cosmetics, which have a big market. Half-processed goods of it, shea butter, have high added value. Mali also has advantage for the canola oil and related products of it and these have some big chance for exports. But for imports, Mali deeply demands on imports for sugar, and it has a chance to import replacement. And it also have the big productivity of fruits and vegetables like mangos, tiger buts, potatoes, Welsh onions, and these are potentially valuable to be exported goods.

### 2.5.4 Current Status and Issues of the WTO Negotiations

#### (1) Governmental Approach to the WTO Negotiations

The member States of the WAEMU, including Mali, are gradually adopting a common trade policy (CTP), which they also intend to apply within the WTO. Mali supports the request made by the WAEMU Commission to become an observer to WTO. Senegal has notified the Treaty and subsequent instruments on behalf of the WAEMU States. As far as the multilateral negotiations under the Doha Development Agenda are concerned, the member States of the WAEMU have adopted common positions on many issues, particularly with regards to the subsidies given by some WTO Members for cotton. The WAEMU Commission is considering the possibility of drawing up a common list of WAEMU tariff bindings to replace the member's national lists.

Mali's views to WTO negotiations are also reflected in the Joint Proposal by Benin, Burkina Faso, Chad and Mali Proposal on Implementation Modalities in the cotton sector submitted to the WTO Committee on Agriculture in August 2003. It reads as follows:

- The establishment of a mechanism to phase out support for cotton production with a view to its total elimination "early harvest";
- Transitional measures in the form of financial compensation for cotton-producing LDCs to offset their loss of revenue, until support for cotton production has been completely phased out.
- The complete elimination of support for cotton production and exportation is unquestionably the only measure that would enable cotton to fully develop its potential and, in particular, to enhance its essential contribution to poverty reduction. It could take the form of a gradual decrease, in equal annual portions, i.e. a reduction by one third per year of all the cotton support measures.
- The proposed compensation mechanism reflects the need to act immediately in what is an emergency situation for the co-sponsors of the initiative. Transitional compensation will be linked and limited to the subsidy reduction period – in other words, the longer the period, the greater the overall amount of compensation to be paid. The beneficiary LDCs will undertake to ensure that the compensation received is effectively handed over to the local cotton producers' associations which will themselves be responsible for monitoring the utilization of funds and ensuring transparency.
- Simple principles are proposed both for the "paying country"(the countries that subsidize cotton) and the beneficiary countries (cotton-producing LDCs suffering losses in export revenue as a result of the cotton subsidies granted by other countries).

### (2) Constraints in the WTO Negotiations

Mali currently suffers from the poor capacity of its human resources and of its means of production. This is a handicap when it comes to understanding the WTO Agreements and preparing to face regional and international trade negotiations. At the same time, it limits the country's exportable supply possibilities. Especially, stated above, Mali continues to encounter difficulties in meeting its notification obligations. For example, in accordance with WTO provisions on TRIPS, Mali has been submitting the required notifications. However, it has faced serious problems in meeting this obligation, owing partly to the constraints it faces in collecting and processing the information, and partly to the insufficient training of human resources responsible for preparing notifications. According to the authorities, the delay is mainly due to poor coordination between other relevant ministries and limited understanding of their obligations and the way in which notifications have to be prepared and communicated to the WTO. The DNCC also hosts a trade reference center, installed by the WTO and intended to provide information on the MTS. However, the center does not appear to have been used extensively.

At Geneva representative office, only 3 officers (advisors) must commit to all issues. Moreover, these 3 are from the Ministry of Foreign Affairs, and all in formations are primarily seeded to the Ministry and then come down to DNCC.

Between January 1998 and December 2003, officials from Mali tool part in 18 seminars and 12 regional training courses, as well as 30 other activities organized by the WTO on various aspects of the multilateral trading system. Over the same period, in addition to five WTO technical missions to BAMAKO, three seminars and two national workshops were organized on the spot to cover subjects such as the Doha Development Agenda, the GATS, and trade related investment measures. The organization of a national information workshop on multilateral trade negotiations immediately prior to the ministerial meeting in Cancún facilitated Mali's participation in the latter. Seven officials from Mali took part in the trade policy course organized by the WTO's Training Institute.

## 2.6. Rwanda

### 2.6.1 Current Status and Issues of the Institutional Framework

#### (1) Development and Implementation of Domestic Legal System Related to WTO Agreement

##### 1) Tariff

Rwandan import tariffs are stipulated in the Law No. 25/2002 of 18 July 2002, and the negative list is stipulated in the Law No. 42/2002 of 31 December 2002. Likewise, the tariff structure is in the Law No. 04/2000 of 19 April 2000 (revised Law of 17 July

1968), tariff operations are in the Ministerial Order No. 08.09/FIN 4 of 27 July 1968 and its partially revised law. All trading partners are guaranteed the most favoured nation status. Rwanda's tariff of 2003 is comprised of 5,583 items under a classification of 8-digits numbers, using the HS code, 1996 version. Ad tariffs are adopted, but a seasonal tariff is not applied.

The tariff rate for finished goods is 30 percent, 15 percent for half-finished goods, 5 percent for raw materials, and zero for capital goods. The simple average of tax rate under the most favoured nation status in 2003 is 18 percent, the fixed-amount tax rate is 30 percent, and almost 40 percent of all tariff lines fall under this category, and about 56 percent of tariff lines fall under between 5 to 15 percent. During the 8 years after the massacre, Rwanda has made great progress in the tax collection system, particularly reductions in tariffs, introduction of value added tax, and establishment of the Rwanda Revenue Authority (RRA). It is at a stage of introducing an indirect tax. At the same time, it has a plan to revise the consumer tax law, tariff law, to improve the value added tax structure, and to review the double taxation agreement.

The tariff rates applied to 241 items are higher than the Bound Rates based on the most favoured nation treatment. These items in question are the only products for which the rates were set before the Uruguay Round.

The Rwandan government introduced the "transaction value method for customs valuation" for customs valuation in January 2004. Due to this method, in case of doubt on prices declared by importers, a 25-percent additional tariff is imposed on the tariff amount applicable to declared prices.

### 2) TBT

Rwanda agreed on the Code of Good Practice for the Preparation, Adoption, Application of Standards (CGP) that is for the formulation, establishment, and application of voluntary standards, but it has few cases of formulating such standards. This is clear from the fact of establishment of the Rwanda Bureau of Standards (RBS) in 2002. Therefore, the management has just started, but there are many problems of personnel, equipment, tools, and information and others.

Currently there are about 40 standards concerning foods, welfare, and environment in Rwanda. Also, it is developing the QMS and EMS standards. Rwanda is a member of the African Regional Standards Office (ARSO), and RBS has established a coordinating relationship with the related institutions of Kenya, Uganda, and South Africa, but the mutual evaluation agreement is not concluded yet with these institutions.

Initiatives for SPS are desirable for the diversification of trade items that Rwanda aims, but no initiatives at this point.

### 3) Government Procurement

Rwanda is neither a signatory of the agreement concerning government procurement nor a participant as an observer. The government procurement had been conducted based on the Decree of 25 February 1959, and the Royal Order of 26 June 1959, until the establishment of the National Tender Board (NTB) in 1997. However, the NTB has not affected a new legal system.

### 4) TRIPS

Since Rwanda is a member of COMESA, it automatically becomes a member of the African Regional Intellectual Property Organization (ARIPO) as well as the World Intellectual Property Organization (WIPO). It is in the development process of a necessary legal system for TRIPS, and the Ministry of Commerce (MINICOM), RRA, and RBS are primarily working on it.

## (2) Organisational Structure and its Efforts

In Rwanda, MITALI K. Protais is responsible for trade and investment promotion, and the WTO as the minister in charge of industry and investment promotion. Rwanda relies on agriculture for about 90 percent of its GDP, and therefore it considers the WTO very important from the viewpoint of economic development, particularly for promoting exports. At the same time, as mentioned below, a diversification of exports is urgently needed, and as the domestic market is small, with a less than 10 million population, it is a core of its policies and system to strengthen the involvement with EAC and COMESA.

Currently, 6 people from the Ministry of Finance, the Ministry of Commerce, and the Representative Office in Geneva are working on the WTO. In particular, 2 people from the Ministry of Commerce are working on trade and investment issues, whose main assignment is to deal with the WTO and COMESA. But they also are responsible for COMESA and NEPAD, and are not prepared well for each negotiation on the staff level, and it is recognized that at least one more person is necessary. So capacity building is essential and improvement in negotiation technique is necessary. Also, an involvement by private companies for these multilateral cooperation is not sufficient, and it is understood to be necessary to promote it but not sure how to do it. In addition, 2 people assigned to the Representative Office in Geneva are dispatched from the Ministry of Foreign Affairs, and are not good at economic and industrial matters.

Since 1994, development of the legal system has been going on, but international matters, particularly development of laws to cope with the WTO are not yet initiated, and this fact is an obstructing factor for negotiations. The development of a legal system, including a response to COMESA, is essential. Rwanda doesn't have an anti-dumping law, so it is clear that a road map for the development of a legal system is necessary. It is said that the development of a legal system is necessary to participate in the EAC. Concerning the standards, it is well understood that from now on it is important to realize strength in organic cultivation of garden products, as mentioned below, but the inspections, such as quarantine for exports to the EU countries that are assumed to be the major market, conducted by the Rwanda Bureau of Standard (RBS), are not satisfactory in its current system. To shift from simple farming to production of cash crops, markets and standards are a set of wheels, so it is important that RBS will be strengthened together with the Ministry of Agriculture. Also, the Statistical Office was established in 2005, from the viewpoint of matching the international framework. Furthermore, in finance, it has become a problem that the response to COMESA will reduce tax revenues, so a comprehensive approach is necessary at this stage. At the same time, for private companies that are primary traders and investors, the "Vocational Training for Building Capacity" is necessary for every stage. Judging from historical aspects, capacity building is essential for any organization.

### 2.6.2 Current Status and Issues of Trade Policies

#### (1) Position of Trade Policies in Development Strategy

Rwanda formulated and implemented the following four policies based on the understanding that the diversification of trade items is one of the key issues. (i) Vision 2020 that is a long-term strategy, (ii) PRSP that is a medium-term (5-year) plan, (iii) DTIS (Development of Trade-integrated Studies) that is a core of export promotion policies and system, (iv) PRSP II that formulated and implemented the Economic Development for Poverty Reduction (EDPR). To be more specific, (ii), above, plans to promote a market economy and an expansion of investment, (iii), above, plans infrastructure development, improvement in management ability and transportation capability, and fostering human resources, for export promotion. (iv), above, placed trade promotion for poverty reduction in its core of ideas. And it has just finished the research to set up FTZ in Kigali, the capital. The government plans to use FTZ to achieve diversification of trade, and the main pillars of the plan are garden products, leather products, and processing of mineral resources. This plan is the first FTZ plan in the region including neighbouring countries.

It is the general view of the public and private sectors that the relationship between the government and the private sector is good in Rwanda. In particular, regular meetings are held under the title of the Public–Private Partnership Forum (PPPF). Also, from the viewpoint of regional economic development, the centres that provide the Business Development Service (BDS) are established at four provinces, to promote the cooperation between the public and the private sectors. A long-term economic development strategy is being formulated, and the government has formulated the Business Plan 2006 – 2008, so it has a plan, policies, and a strategy. The matters discussed as core in those are such as promotion of trade, investment, tea, coffee, mining, tourism, cooperation between the public and the private sectors, and improvement and development of quality and standards. Also, the organization is changed from a union organization to an agency organization, placing importance on performance.

An important issue of policies and systems is the establishment of a development bank. This is because financial capacity is the major issue, as a bottleneck of investment promotion. Particularly, it is a big issue that there is no bank available for the agriculture workers that comprise more than 80 percent of working population.

### (2) Major Export and Import Policies and System

As mentioned earlier, trade promotion is a core part of economics, industrial policies, and systems in Rwanda. The government picked up the following four points in its Vision 2020, that is the basis of long-term policies and systems, with the implementation of strengthened continuous development of industrial and trade sectors through formulation and implementation of proper policies and strategy in mind, (i) promotion of industrialization of the economy, (ii) promotion of trade that matches the global trend, (iii) strengthened competitiveness of manufacturing through a creation of a maximum possible environment that induces domestic and foreign capital, and (iv) promotion of competition and fair trade. And to attain these goals, there are measures to be implemented, as follows, (i) promotion of processing industries that enhance substitution of natural resources and imports, (ii) small and medium-sized service industries (transportation, finance, information and communications, maintenance, and repair) and diversification of the manufacturing sector, and (iii) strengthened large companies that are the major source of government revenues and employment creation. Rwanda has been having many inhibition factors of trade. It is located inland and incurs transportation costs, but more than that the underdeveloped transportation infrastructure is a major trade-inhibition factor. It is one of the most densely populated counties in Africa, with limited tillable land, and a lack of experienced workers and managerial staff caused by the massacre of 1994 has become evident. Furthermore, the relatively high-priced resources necessary for production, such as electricity, water, and communications, are inhibition factors. These factors make trade diversification difficult.

Under the circumstances, the Rwandan government calls for free trade, and stipulates the principle of free determination of prices and elimination of market failures (Law No. 15/2001 of 28 January 2001: This law was amended from the Law No. 35/91 of 5 August 1991). The government stipulated the establishment and management of the Foreign Trade Board to provide research and vision for the promotion of trade, draft regulation stipulating necessary trade documents, formulation of an import liberalization list, designation of import-prohibited items, penalties for violations, and others (Law No. 34/91 of 5 August 1991: This law was amended from the Law No. 22/1989 of 23 December 1989).

Rwanda has finished a reduction of import tariffs for imports from the member countries of COMESA, which it joined in January 2004, and is applying for accession to SADC to promote agriculture exports. This is part of the government strategy. Its first priority is the access to regional markets, to have successful exports to international markets. In this point, it is in the process of joining EAC. Also, RBS and the Rwanda Investment and Export Promotion Agency (RIEPA) were established in 2001 to promote trade. At the same time, it identified the strategic promotion sector, and formulated the detailed strategy concerning trade promotion through establishment of the Export Promotion Commission (EPC) that is supported by the Ministry of Commerce, the Ministry of Agriculture, and RIEPA. To be more specific, it calls for (i) re-strengthening of existing sectors (coffee, tea, and tourism) through expansion of production and maximization of quality, (ii) boosting entrepreneurship, providing incentives, and development of a new export sector through implementation of policies revisions, and (iii) focus on high-value-added and creative products and services through the “Export Potential Assessment”.

Regional economic integration is essential for Rwanda, strategically and to develop its economy. For this reason, trade liberalization is structured in a way the evaluation of the Rwanda Revenue Authority’s (RRA) business will not be lowered even if the tariff revenues are down. This shows that the government is cooperating with the government institutions to secure the authority to formulate and implement proper policies and systems, and the government institutions are in a position to provide data and policy proposals to the government. This is clear from the policy tariff measures taken, in which a five-percent flat rate is applied for any finished goods, half-finished goods, raw materials, or capital goods, so long as the import of raw materials for production of products for investors is concerned.

### 2.6.3 Trade Environment and Major Trade Items

#### (1) Trade Environment

The trade environment for Rwanda is not necessarily good. The history of massacres cannot be erased easily. So a major issue for the promotion of trade and investment is “image”. The government put priority on erasing such a bad image through the distribution of brochures, holding seminars and conferences, broadcasting TV programs (Africa Channel), setting up a representative office in China, and other measures.

Regional instability is a big negative factor for economic expansion of Rwanda. The markets of neighbouring countries are very important for Rwanda, as it is a small country, and the instability of these countries is undermining the predictability of markets. Also, the inability to maintain a stable supply of energy and a water shortage is a critical business environment. Disrupted education is now a big problem in human resources. At the same time, transportation costs are very high, and transportation routes from Mombasa and Dar-es-Salaam are not satisfactory. There are very big issues in the availability of the supply-side of Rwanda, to cope with exports to European countries and South Africa, while enjoying benefits from AGOA and others. Producing a small amount of good products is not enough, and the absence of large production capacity will prevent Rwanda from big business opportunities, which is quite difficult to solve.

In Rwanda, all importers are required to adhere to two obligations of the registration (Trade Register) that costs RF60,000 (about 120 US dollars), and the obtainment of a tax payer’s number. For customs clearance of an import of more than RF200,000 (about 400 US dollars), a COMESA Custom Declaration or a 126 Bis is supposed to be used.

Also, an additional tax of 25 percent will be imposed in sugar imports as from December 2002. In addition, at the time of import, 4 percent of CIF value is supposed to be paid to the Rwanda Bonded Warehouse (MAGERWA), the governmental monopoly of warehouse operators. If an importer stored cargo in a warehouse for more than 15 days without permission, the cargo will be disposed of. And if the tariffs and expenses required are not paid for more than 3 months, cargo will be sold at auction.

Pursuant to Law No. 34/91 of 5 August 1991 (revision of Law No. 22/1989 of 23 December 1989), all imports are prohibited for products without government permission, or products that may cause any risk of security or health. Also, for imports of medicine, poisonous chemical materials, and others, the permission of the Ministry of Health is required.

On the other hand, there is no quantitative restriction imposed for importable items to Rwanda.

It usually takes about 3 days to clear customs in Rwanda. It is a relatively short time compared with the neighbouring countries, but international institutions pointed out that it may be shortened to 2 days if computerized. Rwanda plans to establish a service that can avoid corruption through the development of computers and the introduction of an internationally admitted method of customs valuation.

The Rwandan government plans to implement following measures, (i) introduction of the principle of the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures, (ii) adoption of the WTO Customs Valuation Agreement, (iii) acceptance of computerized customs clearance procedures, and (iv) introduction of policies and systems to prepare for imposing sanctions on customs staff who are involved in corruption.

### (2) Major Trade Items

The first priority measure to improve the current Rwandan economy is trade promotion, particularly export promotion. The point is how to diversify the traditional export products of coffee, tea, and leather. Especially, coffee is high in quality, and the Rwanda 1$^{st}$ and the Marara are the beans evaluated highly globally, and are used for Starbucks. Also, tea is exported to Pakistan, Egypt, and the UK through Monbasa port. Rwandan coffee is produced by such private companies as Caferwa, Agro Coffee, and Rwadex, while tea is produced by tenant farmers and purchased by the Tea Board.

Diversification of trade items is one of the top issues for Rwanda, and the candidate trade items are mining, leather, garden, and handicraft products. Also, the potential of insect flowers is high. It has become necessary to shift from agriculture-based export items to knowledge-based export items with more value added, and increasing the level of techniques necessary is the pillar of specific policies and systems. To this end, removing the obstructing factors, in particular, fostering human resources, boosting entrepreneurship, and development of the private sector, are sought to be treated as core. It is also recognized that pursuing the possibility of the tourism sector is worthwhile. Considering that the small size of the market is a bottleneck, a regional economic integration is important with the economy of scale in mind. However, a bottleneck for promoting trade and investment is the transportation and energy sectors. Especially, the construction of railways to Kigali is a major issue.

Table: Rwanda's Major Trade Partners (Top 20 Countries) (in US$)

Export

| Ranking | 1996 | | | 2001 | | | 2003 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | Kenya | 2,860,576 | 29.3% | Kenya | 24,035,326 | 43.3% | Kenya | 20,638,572 | 41.0% |
| 2 | Tanzania | 2,344,647 | 24.0% | South Africa | 6,201,214 | 11.2% | Uganda | 13,400,758 | 26.6% |
| 3 | Luxembourg | 1,825,003 | 18.7% | Tanzania | 4,837,594 | 8.7% | Tanzania | 4,048,078 | 8.0% |
| 4 | Uganda | 1,057,025 | 10.8% | Switzerland | 4,187,466 | 7.5% | UK | 3,081,624 | 6.1% |
| 5 | SACU | 444,363 | 4.6% | USA | 2,993,631 | 5.4% | Democratic Republic of the Congo | 2,066,270 | 4.1% |
| 6 | Netherlands | 366,675 | 3.8% | Uganda | 2,523,287 | 4.5% | Brundi | 1,228,711 | 2.4% |
| 7 | UK | 275,901 | 2.8% | Germany | 2,390,852 | 4.3% | Switzerland | 847,583 | 1.7% |
| 8 | Democratic Republic of the Congo | 134,406 | 1.4% | Belgium | 2,063,123 | 3.7% | Belgium | 815,244 | 1.6% |
| 9 | Brundi | 113,516 | 1.2% | Russia | 1,441,802 | 2.6% | China | 642,645 | 1.3% |
| 10 | Germany | 108,785 | 1.1% | China, Hong Kong | 1,298,122 | 2.3% | Pakistan | 601,302 | 1.2% |
| 11 | Italy | 68,592 | 0.7% | Netherlands | 1,196,645 | 2.2% | South Africa | 521,953 | 1.0% |
| 12 | Ghana | 41,214 | 0.4% | Serbia and Montenegro | 693,927 | 1.2% | Saudi Arabia | 426,355 | 0.8% |
| 13 | KOREA | 37,529 | 0.4% | Democratic Republic of the Congo | 276,218 | 0.5% | China, Hong Kong | 326,050 | 0.6% |
| 14 | Ireland | 15,508 | 0.2% | UK | 258,678 | 0.5% | Myanmar | 262,161 | 0.5% |
| 15 | Lebanon | 15,030 | 0.2% | Pakistan | 205,709 | 0.4% | Ethiopia | 210,719 | 0.4% |
| 16 | USA | 14,022 | 0.1% | China | 202,809 | 0.4% | Djibouti | 206,260 | 0.4% |
| 17 | Other Areas | 12,506 | 0.1% | Italy | 187,324 | 0.3% | Germany | 181,866 | 0.4% |
| 18 | France | 10,685 | 0.1% | Spain | 168,049 | 0.3% | Swaziland | 171,121 | 0.3% |
| 19 | Czechoslovakia | 4,474 | 0.0% | Brundi | 123,220 | 0.2% | France | 115,367 | 0.2% |
| 20 | Spain | 2,542 | 0.0% | India | 58,432 | 0.1% | Cameroon | 73,070 | 0.1% |
| Total | | 9,757,476 | 100.0% | | 55,548,644 | 100.0% | | 50,390,828 | 100.0% |

Import

| | 1996 | | | 2001 | | | 2003 | | |
|---|---|---|---|---|---|---|---|---|---|
| Ranking | Country | Amount | % | Country | Amount | % | Country | Amount | % |
| 1 | Kenya | 42,169,560 | 18.0% | Kenya | 61,908,572 | 22.4% | Kenya | 74,071,624 | 28.4% |
| 2 | Luxembourg | 40,462,696 | 17.3% | Belgium | 55,184,896 | 20.0% | Belgium | 31,834,636 | 12.2% |
| 3 | UAE | 14,359,543 | 6.1% | UAE | 19,376,776 | 7.0% | Uganda | 19,957,136 | 7.6% |
| 4 | Tanzania | 13,157,626 | 5.6% | South Africa | 12,489,829 | 4.5% | UAE | 19,766,476 | 7.6% |
| 5 | Germany | 12,905,049 | 5.5% | USA | 10,419,342 | 3.8% | Tanzania | 14,606,641 | 5.6% |
| 6 | Uganda | 12,407,151 | 5.3% | Tanzania | 9,624,706 | 3.5% | South Africa | 12,857,929 | 4.9% |
| 7 | Italy | 9,111,982 | 3.9% | Uganda | 8,086,776 | 2.9% | Germany | 11,200,734 | 4.3% |
| 8 | France | 8,859,209 | 3.8% | UK | 7,935,945 | 2.9% | India | 9,019,401 | 3.5% |
| 9 | Denmark | 8,245,967 | 3.5% | Italy | 7,505,076 | 2.7% | Japan | 8,426,943 | 3.2% |
| 10 | Brundi | 7,957,156 | 3.4% | Netherlands | 7,381,870 | 2.7% | France | 7,373,086 | 2.8% |
| 11 | Netherlands | 7,699,005 | 3.3% | Japan | 7,241,501 | 2.6% | China | 4,981,441 | 1.9% |
| 12 | Japan | 7,585,704 | 3.2% | Germany | 6,599,734 | 2.4% | Netherlands | 4,433,813 | 1.7% |
| 13 | UK | 6,335,217 | 2.7% | India | 6,422,385 | 2.3% | UK | 4,295,980 | 1.6% |
| 14 | Switzerland | 5,112,853 | 2.2% | China | 6,266,571 | 2.3% | Canada | 4,094,096 | 1.6% |
| 15 | Malaysia | 4,455,885 | 1.9% | France | 6,068,518 | 2.2% | Italy | 3,289,718 | 1.3% |
| 16 | USA | 4,444,979 | 1.9% | VietNam | 4,838,327 | 1.8% | Denmark | 2,813,614 | 1.1% |
| 17 | India | 3,480,124 | 1.5% | Israel | 4,774,750 | 1.7% | Pakistan | 2,099,244 | 0.8% |
| 18 | SACU | 2,805,802 | 1.2% | Zambia | 3,416,874 | 1.2% | Israel | 1,972,322 | 0.8% |
| 19 | Ireland | 2,366,067 | 1.0% | Canada | 2,372,387 | 0.9% | USA | 1,936,370 | 0.7% |
| 20 | Democratic Republic of the Congo | 2,099,987 | 0.9% | Swaziland | 2,056,014 | 0.7% | Egypt | 1,922,434 | 0.7% |
| Total | | 234,100,080 | 100.0% | | 276,101,376 | 100.0% | | 261,180,240 | 100.0% |

Source: UN－COMTRADE

## Table: Rwanda's Major Trade Items (Top 20 Items) (in US$)

Export

| | 1996 | | | | 2001 | | | | 2003 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 071 | Coffee and coffee substitutes | 4,369,761 | 44.8% | 287 | Ores and concentrates of base metals, n.e.s. | 20,892,640 | 37.6% | 071 | Coffee and coffee substitutes | 13,871,885 | 27.5% |
| 2 | 287 | Ores and concentrates of base metals, n.e.s. | 1,208,123 | 12.4% | 074 | Tea and maté | 16,572,637 | 29.8% | 074 | Tea and maté | 11,859,638 | 23.5% |
| 3 | 074 | Tea and maté | 1,118,976 | 11.5% | 071 | Coffee and coffee substitutes | 15,007,292 | 27.0% | 287 | Ores and concentrates of base metals, n.e.s. | 11,094,954 | 22.0% |
| 4 | 211 | Hides and skins (except furskins), raw | 930,961 | 9.5% | 292 | Crude vegetable materials, n.e.s. | 989,056 | 1.8% | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 3,418,166 | 6.8% |
| 5 | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 633,435 | 6.5% | 211 | Hides and skins (except furskins), raw | 718,318 | 1.3% | 211 | Hides and skins (except furskins), raw | 2,810,442 | 5.6% |
| 6 | 292 | Crude vegetable materials, n.e.s. | 570,855 | 5.9% | 653 | Fabrics, woven, of man-made textile materials (not including narrow or special fabrics) | 591,446 | 1.1% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 1,207,732 | 2.4% |
| 7 | 872 | Instruments and appliances, n.e.s., for medical, surgical, dental or veterinary purposes | 367,488 | 3.8% | 524 | Other inorganic chemicals; organic and inorganic compounds of precious metals | 113,136 | 0.2% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 750,834 | 1.5% |
| 8 | 653 | Fabrics, woven, of man-made textile materials (not including narrow or special fabrics) | 128,990 | 1.3% | 553 | Perfumery, cosmetic or toilet preparations (excluding soaps) | 93,050 | 0.2% | 269 | Worn clothing and other worn textile articles; rags | 591,813 | 1.2% |
| 9 | 971 | Gold, non-monetary (excluding gold ores and concentrates) | 47,321 | 0.5% | 674 | Flat-rolled products of iron or non-alloy steel, clad, plated or coated | 73,173 | 0.1% | 289 | Ores and concentrates of precious metals; waste, scrap and sweepings of precious metals (other than of gold) | 562,942 | 1.1% |
| 10 | 269 | Worn clothing and other worn textile articles; rags | 44,926 | 0.5% | 896 | Works of art, collectors' pieces and antiques | 73,093 | 0.1% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 501,937 | 1.0% |
| 11 | 891 | Arms and ammunition | 42,927 | 0.4% | 611 | Leather | 63,243 | 0.1% | 611 | Leather | 439,028 | 0.9% |
| 12 | 893 | Articles, n.e.s., of plastics | 37,910 | 0.4% | 231 | Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms (including latex) or in plates, sheets or strip | 58,537 | 0.1% | 653 | Fabrics, woven, of man-made textile materials (not including narrow or special fabrics) | 339,651 | 0.7% |
| 13 | 896 | Works of art, collectors' pieces and antiques | 33,425 | 0.3% | 057 | Fruit and nuts (not including oil nuts), fresh or dried | 51,134 | 0.1% | 778 | Electrical machinery and apparatus, n.e.s. | 318,353 | 0.6% |
| 14 | 553 | Perfumery, cosmetic or toilet preparations (excluding soaps) | 24,584 | 0.3% | 581 | Tubes, pipes and hoses, and fittings therefor, of plastics | 42,524 | 0.1% | 044 | Maize (not including sweet corn), unmilled | 292,289 | 0.6% |
| 15 | 061 | Sugars, molasses and honey | 23,054 | 0.2% | 281 | Iron ore and concentrates | 42,041 | 0.1% | 292 | Crude vegetable materials, n.e.s. | 288,126 | 0.6% |
| 16 | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 22,673 | 0.2% | 651 | Textile yarn | 32,532 | 0.1% | 658 | Made-up articles, wholly or chiefly of textile materials, n.e.s. | 192,939 | 0.4% |
| 17 | 511 | Hydrocarbons, n.e.s., and their halogenated, sulphonated, nitrated or nitrosated derivatives | 16,562 | 0.2% | 112 | Alcoholic beverages | 27,847 | 0.1% | 697 | Household equipment of base metal, n.e.s. | 151,195 | 0.3% |
| 18 | 581 | Tubes, pipes and hoses, and fittings therefor, of plastics | 9,653 | 0.1% | 778 | Electrical machinery and apparatus, n.e.s. | 16,699 | 0.0% | 022 | Milk and cream and milk products other than butter or cheese | 136,161 | 0.3% |
| 19 | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 9,430 | 0.1% | 899 | Miscellaneous manufactured articles, n.e.s. | 14,708 | 0.0% | 122 | Tobacco, manufactured (whether or not containing tobacco substitutes) | 126,389 | 0.3% |
| 20 | 784 | Parts and accessories of the motor vehicles of groups 722, 781, 782 and 783 | 9,171 | 0.1% | 652 | Cotton fabrics, woven (not including narrow or special fabrics) | 14,259 | 0.0% | 771 | Electric power machinery (other than rotating electric plant of group 716), and parts thereof | 99,743 | 0.2% |
| Total | | | 9,757,476 | 100.0% | | | 55,548,644 | 100.0% | | | 50,390,828 | 100.0% |

Import

| | 1996 | | | | 2001 | | | | 2003 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | SITC | Item | Amount | % | SITC | Item | Amount | % | SITC | Item | Amount | % |
| 1 | 334 | Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations | 26,546,212 | 11.3% | 334 | Gas, natural and manufactured | 39,025,636 | 14.1% | 334 | Gas, natural and manufactured | 40,097,700 | 15.4% |
| 2 | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 17,311,624 | 7.4% | 892 | Printed matter | 32,111,216 | 11.6% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 12,896,435 | 4.9% |
| 3 | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 15,333,381 | 6.5% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 18,102,970 | 6.6% | 764 | Telecommunications equipment, n.e.s., and parts, n.e.s., and accessories of apparatus falling within division 76 | 9,520,802 | 3.6% |
| 4 | 892 | Printed matter | 7,075,760 | 3.0% | 042 | Rice | 12,200,844 | 4.4% | 269 | Worn clothing and other worn textile articles; rags | 9,450,691 | 3.6% |
| 5 | 542 | Medicaments (including veterinary medicaments) | 5,989,312 | 2.6% | 061 | Sugars, molasses and honey | 7,966,271 | 2.9% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 8,569,273 | 3.3% |
| 6 | 048 | Cereal preparations and preparations of flour or starch of fruits or vegetables | 5,774,162 | 2.5% | 781 | Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station-wagons and racing cars | 7,519,023 | 2.7% | 542 | Medicaments (including veterinary medicaments) | 7,304,346 | 2.8% |
| 7 | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 5,405,763 | 2.3% | 542 | Medicaments (including veterinary medicaments) | 7,112,750 | 2.6% | 752 | Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s. | 6,181,817 | 2.4% |
| 8 | 269 | Worn clothing and other worn textile articles; rags | 4,944,455 | 2.1% | 269 | Worn clothing and other worn textile articles; rags | 6,858,569 | 2.5% | 541 | Medicinal and pharmaceutical products, other than medicaments of group 542 | 5,522,454 | 2.1% |
| 9 | 112 | Alcoholic beverages | 4,594,909 | 2.0% | 782 | Motor vehicles for the transport of goods and special-purpose motor vehicles | 5,565,418 | 2.0% | 674 | Flat-rolled products of iron or non-alloy steel, clad, plated or coated | 5,503,929 | 2.1% |
| 10 | 278 | Other crude minerals | 4,460,224 | 1.9% | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 5,422,135 | 2.0% | 892 | Printed matter | 4,822,396 | 1.8% |
| 11 | 056 | Vegetables, roots and tubers, prepared or preserved, n.e.s. | 4,380,478 | 1.9% | 674 | Flat-rolled products of iron or non-alloy steel, clad, plated or coated | 5,133,494 | 1.9% | 783 | Road motor vehicles, n.e.s. | 4,267,189 | 1.6% |
| 12 | 783 | Road motor vehicles, n.e.s. | 4,134,429 | 1.8% | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 4,870,573 | 1.8% | 046 | Meal and flour of wheat and flour of meslin | 4,149,064 | 1.6% |
| 13 | 893 | Articles, n.e.s., of plastics | 3,837,116 | 1.6% | 098 | Edible products and preparations, n.e.s. | 4,133,598 | 1.5% | 061 | Sugars, molasses and honey | 4,030,247 | 1.5% |
| 14 | 042 | Rice | 3,721,871 | 1.6% | 752 | Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s. | 4,017,228 | 1.5% | 893 | Articles, n.e.s., of plastics | 3,938,615 | 1.5% |
| 15 | 022 | Milk and cream and milk products other than butter or cheese | 3,668,293 | 1.6% | 278 | Other crude minerals | 3,921,158 | 1.4% | 422 | Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" | 3,877,237 | 1.5% |
| 16 | 061 | Sugars, molasses and honey | 3,561,367 | 1.5% | 046 | Meal and flour of wheat and flour of meslin | 3,892,876 | 1.4% | 278 | Other crude minerals | 3,826,806 | 1.5% |
| 17 | 098 | Edible products and preparations, n.e.s. | 3,370,107 | 1.4% | 048 | Cereal preparations and preparations of flour or starch of fruits or vegetables | 3,854,338 | 1.4% | 691 | Structures and parts of structures, n.e.s., of iron, steel or aluminium | 3,603,788 | 1.4% |
| 18 | 778 | Electrical machinery and apparatus, n.e.s. | 3,310,750 | 1.4% | 778 | Electrical machinery and apparatus, n.e.s. | 3,587,319 | 1.3% | 785 | Motor cycles (including mopeds) and cycles, motorized and non-motorized; invalid carriages | 3,567,672 | 1.4% |
| 19 | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 3,120,415 | 1.3% | 022 | Milk and cream and milk products other than butter or cheese | 3,544,869 | 1.3% | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 3,455,628 | 1.3% |
| 20 | 784 | Parts and accessories of the motor vehicles of groups 722, 781, 782 and 783 | 3,079,430 | 1.3% | 625 | Rubber tyres, interchangeable tyre treads, tyre flaps and inner tubes for wheels of all kinds | 3,486,529 | 1.3% | 054 | Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | 3,449,918 | 1.3% |
| Total | | | 234,100,080 | 100.0% | | | 276,101,376 | 100.0% | | | 261,180,240 | 100.0% |

Source : UN－COMTRADE

### 2.6.4 Current Status and Issues of the WTO Negotiations

#### (1) Stance toward WTO Negotiations

Rwanda is recognized as one of the most active African countries working on trade liberalization. The issues considered to be most important are trade and development. There is an aspect of adherence to the conditionality of the IMF and the World Bank, but more importantly Rwanda recognizes that trade can be a means to reduce poverty when the size of the market of the small country with less than 10 million population is considered, and it derives from the premise that "a small country must be more open". This is clear, for example, from the fact that RRA is actively implementing a reduction of tariffs in cooperation with the Ministry of Finance and the Ministry of Trade. Access without taxes and quotas, and infrastructure, are the most important issues in trade and development.

Rwanda is particularly interested in the service sector in the negotiations. And in particular, ICT, tourism, and education are the pillars of economic and industrial promotion of Rwanda hereafter, which are sectors incorporated in the primary medium and long-term policies and system. Concerning trade, it will be more necessary for Rwanda to identify the sectors in which it has a comparative advantage, rather than to discuss WTO negotiations. In this context, assistance in formulating a specific strategy, such as action plan, will be desired, rather than policies and systems.

#### (2) Constraints in WTO Negotiations

The most important issue facing Rwanda in the WTO negotiations is a lack of personnel who can negotiate in the process of the negotiations. As mentioned earlier, insufficient staffing at the home country and Geneva can be confirmed through the remarks made by the personnel at both locations. It is very regrettable that Rwanda is not in a position to enjoy benefits from the multilateral trade system, due to insufficient human resources, considering it is one of a few African countries that are promoting a free trade system. This is arising from the loss of chances to receive technology assistance concerning the multilateral trade system during the national confusion caused by the massacre of 1994. It was only after 1998, when the trade promotion seminars by the WTO and the establishment of the Reference Centre were implemented. Also, the operations were not initiated until June 2003, although the above centre was established. This is not limited to the WTO, technical assistance concerning IF was not conducted.

Therefore, much technical assistance is requested in the basic areas even now. A main part of such assistance is (i) implementation method of trade agreements, (ii) participation method of trade negotiations, (iii) formulation method of trade policies, (iv) settlement method of issues and problems, and (v) method concerning integration of trade and development policies, but these are already provided to other African countries. At the same time, very poor coordination among the government agencies needs to be improved, and it is important to have an understanding that the cooperation system with Geneva is to be established based on the improvement above.

The WTO says that the areas where capacity building is particularly needed are, (i) customs valuation, (ii) SPS, (iii) TRT, (iv) competition law, and (v) TRIPS. Also, it says that the specific technical cooperation is needed in such areas as (i) harmonization between domestic laws and WTO-related laws, (ii) notification method, (iii) staff training, (iv) establishment of a necessary system, and (v) method of establishment of policies and systems to minimize costs while gaining benefits from the Agreement.

Rwanda regards trade promotion, particularly diversification of export items, as one of the pillars of economic and industrial policies and systems. Similar to other African countries, it plans to export garden products and organically-grown vegetables to the EU market and South Africa, but quarantine and testing will be important to do so. However, in Rwanda, the Rwanda Bureau of Standards (RBS) that was established in 2001, is not working well, and there are still many such issues and problems as the provision of information that the Rwandan products can be exported to regional and international markets, establishment of a quality control system, and ensuring consistency with current domestic standards. At the same time, efforts should be made concerning the national certification and its application, and the standard quality guarantee. It is essential to implement capacity building in human resources at RBS, and development of testing equipment is necessary. Furthermore, improvements in functions of the trade and investment promotion organization that was established in this century are desired. This situation is arising from the question asked as to how to use and implement the trade and investment promotion policies and system after their establishment, or in other words, a significant vulnerability in strategy.

# 3. Direction of Japan’s Capacity-Building Assistance

## 3.1 Assistance Approach

As seen in Section 1, African countries’ approaches to WTO agreements and negotiations have many challenges and limitations in common, but it should not be overlooked that differences still exist between them and between regions of Africa. As part of their efforts to provide capacity-building supports, international organizations (including the World Bank) have begun to address the different needs of individual countries, and so it is important for Japan to be fully aware of such differences. In terms of support-efficiency improvement, however, it is necessary to promote the effective use of human and financial resources in support activities, by gaining an accurate understanding of problems common to all African countries and regions, and by modularizing or packaging support engagements in response to such problems.

This project study is basically intended to present the direction of capacity-building supports for all of Africa, rather than to specify support methods and measures for individual countries there. To research the direction of capacity-building supports, African countries are roughly categorized into A, B, and C groups according to their phased approaches to WTO agreements and negotiations, as follows.

Conceptual Diagram of Support Priorities according to African Countries’ Phased Approaches to WTO Agreements and Negotiations:

| | | Development Issues | | | |
|---|---|---|---|---|---|
| | | Enhancement of Supply Capacity | Trade Promotion | Implementation of Agreements | Enhancement of Negotiation Ability and Setup |
| Phased approaches to WTO agreements and negotiations: | **Group A** | *** | * | ** | *** |
| | **Group B** | *** | ** | *** | ** |
| | **Group C** | *** | *** | ** | * |

Note: ***, **, and * symbols used to indicate relatively high, medium, and low priorities, respectively.

Specific development issues are based on the following:

| | |
|---|---|
| Enhancement of Negotiation Ability and Setup | Improvement of skills and techniques for WTO negotiations, enhancement of systems to collect, store, and share information necessary for WTO negotiations, and arrangement and coordination of opinions between relevant institutions (including foreign and private organizations). |
| Implementation of Agreements | Maintenance of local legal systems to be adaptable to WTO agreements, and capacity increase of organizations and human resources to enforce such legal systems. |
| Trade Promotion | Maintenance of basic industrial, trade and relevant policies (including tariff and non-tariff policies, and measures for industrial and export processing zones and for incentives), and capacity increase of policy-enforcement agencies (including trade-promotion organizations). |
| Enhancement of Supply Capacity | Development of infrastructures sales capacities, market cultivation, and product development. |

This grouping according to phased approaches to WTO agreements and negotiations is simply a conceptual classification, and assumes three types of countries:

| Classification | Phased Approaches to WTO Agreements and Negotiations: |
|---|---|
| Group A: Countries leading WTO negotiations | Domestic legislation in compliance with WTO rules has been established for the most part. They have submitted some types of initiatives during WTO negotiations or can express opinions on behalf of multiple countries but not to the extent of obtaining meaningful outcome. |
| Group B: Countries in process of WTO compliance | Domestic legislation (new and amended) in compliance with WTO has yet to be established and needs to be implemented more adequately. Although they have stated their views during WTO negotiations, they are not in the position to take initiative. |
| Group C: Countries at initial stages of WTO compliance | They have difficulty in formulating/implementing such trade policies and institutions as general trade negotiations, formulation/implementation of trade policies and/or consistency between trade and development policies that are necessary prior to signing WTO agreements. Tariff concessions and other international commitments during the GATT era have not been fulfilled at moment. |

Group C includes countries (beginning with Rwanda) which have just initiated adaptable approaches to the WTO trade system, and have an urgent need to develop, establish, and maintain basic trade strategies, policies, and systems; Group A involves countries—such as Kenya and Zambia—which have already created and revised their domestic legal systems related to WTO agreements to some extent (although there are problems in their implementation), and have established positions as leaders of African countries and LDCs in WTO negotiations; Group B categorizes countries in between Group A and Group C, which have constraints in their implementation and negotiations of WTO agreements. It may be difficult to find substantial differences between Group A and Group B in the ability to implement local legal systems related to WTO agreements, because it is considered that both Group A and Group B countries have difficulties in their local implementation.

It is assumed that priority areas of capacity-building supports vary from group to group. For example, top priority should be placed on reinforcing industrial and trade polices in countries in Group C, with relatively low priority on enhancing negotiation ability. Meanwhile, countries in Group A need to acquire negotiation ability sufficient to benefit from WTO negotiations, and to participate in the operations of WTO agreements and formulation of WTO rules, whenever necessary, in addition to the ability to comply with WTO agreements. Even Group A countries which exercise leadership in WTO negotiations may have domestic problems in the implementation of WTO agreements, due to difficulties in collaboration and coordination with relevant organizations (even private institutions). Besides skills and techniques in negotiations, these countries need enhancement of organizational setup for negotiation. Many countries lie between Group A and Group C, and so fall into Group B. They need a wide range of supports to increase the capacities of their systems, organizations, and human resources, in finding ways to maintain and enforce domestic legal systems related to individual WTO agreements. It is to be noted that implementation of agreements and negotiation abilities or setups correlate with each other, because both elements depend heavily on the capacities of organizations and human resources.

All groups cite enhancement of supply capacity as the most important support area. As seen in the growing number of IF discussions in recent years, the elimination of the supply-side constraints is the central issue in trade-related technical assistance. All African countries recognize this issue as an urgent task which they should address to receive benefits from the multilateral trade system. In some aspects, Japan has put forward development initiatives with a strong awareness of policy responses to that concern. The enhancement of supply capacity is a support area to be studied in the context of WTO-related supports, but in this study it is important to avoid overlapping support plans already made known by IFs. Otherwise, it is necessary to study support plans which help their promotion. Based on the concept described above, the following table shows the direction of capacity-building supports for individual groups, with plans of priority support measures.

Supports for Group A (Countries leading WTO negotiations):

| | |
|---|---|
| 1) Enhancement of Negotiation Ability and Setup | ・Improvement of skills and techniques in negotiations (GATS requests, and offers, etc.).<br>・Increase of collaborations with relevant organizations (both foreign and local institutions).<br>・Involvement of private businesses in negotiation processes. |
| 2) Implementation of Agreements | ・Study of benefits from individual agreements and establishment of approaches to their achievement (trade remedy measures, TRIPS, GATS, dispute settlement, new issues policies, competition policies, government procurement, etc.: new support areas).<br>・Revision of domestic laws to make them consistent with WTO agreements.<br>・Establishment of organizational frameworks involving relevant institutions based on superior and applicable plans and strategies (SPS, TRIPS, TBT, etc.).<br>・Establishment of a network of professionals to enable individual responses. |
| 3) Trade Promotion | ・Continued promotion of strategic approaches adaptable to market needs. |

Supports for Group C (Countries at initial stages of WTO compliance):

| | |
|---|---|
| 1) Enhancement of Negotiation Ability and Setup | ・Establishment of methods to collect and store essential information.<br>・Identification of relevant organizations (including foreign and private sectors), and establishment of methods for communications with them and for hearing of their opinions. |
| 2) Implementation of Agreements | ・Education of WTO agreements and free trade systems in general<br>・Confirmation of the correlation between domestic laws and WTO agreements, and study of consistency between them.<br>・Establishment of organizational frameworks to enforce domestic laws and WTO agreements (establishment of enforcement agencies including customs, quarantine office and standard bureau, specification of authorities, governmental linkages, cooperation between the public and private sectors).<br>・Study and implementation of human resources development policies.<br>・Study of measures for the collection and storage of WTO-related information. |

| | |
|---|---|
| 3) Trade Promotion | ・Enhancing understanding of significance of trade and investment liberalization<br>・Formulation of trade promotion polices and systems.<br>・Formulation and implementation of action plans for trade promotion polices and systems.<br>・Establishment of trade promotion organizations, and study and implementation of specific projects.<br>・Study and implementation of necessary development policies for human resources.<br>・Understanding of needs of private businesses, and establishment and implementation of methods for collaboration with them.<br>・Establishment of systems for information provision. |

Supports for Group B (Countries in process of WTO compliance):

| | |
|---|---|
| 1) Enhancement of Negotiation Ability and Setup | ・Upgrading of systems to collect, accumulate and transmit information necessary for WTO negotiations (enhancement of functions of reference centres and inquiry points, and promotion of their use). |
| 2) Implementation of Agreements | ・Enhancement of understanding of WTO agreements and free trade systems in general.<br>・Enhancement of general understanding of individual agreements (notification procedure, customs valuation, trade remedy measures, TRIPS, GATS, dispute settlement, new issues including environmental policies, competition policies, government procurement).<br>・Detailed study of the adaptability of domestic laws to WTO agreements.<br>・Study of organizational frameworks to enforce domestic laws and WTO agreements (enhancement of functions of enforcement agencies, governmental linkages, corporation between the public and private sectors; particularly SPS, TRIPS, TBT, etc.).<br>・Research of effects of individual agreements on domestic economy and industry (particularly GATS, etc.).<br>・Accumulation and use of WTO-related information (enhancement of the functions of reference centers and inquiry points, and promotion of their use). |
| 3) Trade Promotion | ・Enhancing function of trade promotion organizations.<br>・Enhancing understanding of effects of WTO adaptation on domestic economy and industry |

Supports for All Groups:

| | |
|---|---|
| 4) Enhancement of Supply Capacity | ・Designing, establishing framework for implementing policies/institutions/strategies regarding infrastructural development<br>・Establishment of industrial promotion vision/policies/institutions and evaluation mechanism.<br>・Establishment and implementation of policies/institutions for SME or supporting industries promotion, and human resource development.<br>・Business/technical training of public support organizations for private sector, improvement of product/services and processing technology, promotion of enterprise diagnostic services. |

The assistance measures described above can be classified into two plans, as follows:

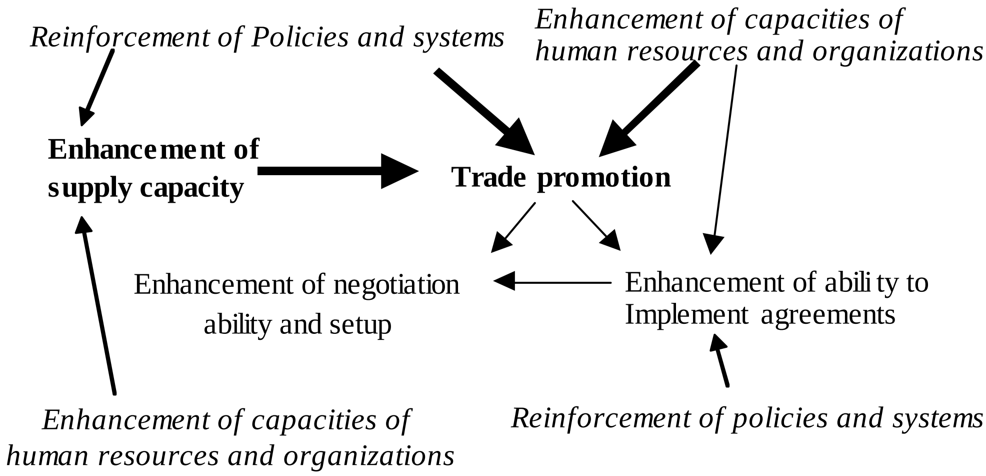
(a) Reinforcement of policies and systems (maintenance and reinforcement of policies, including action plans and legal systems, and establishment of enforcement agencies, etc.)

(b) Enhancement of the capacities of human resources and organizations (enhancement of organizational frameworks, including enhancement of inter-organization linkages and networks, enhancement of knowledge, skills, and techniques, and collection, accumulation, and use of WTO-related information)

The following summarizes what effects the assistance measures, broken into (a) and (b), plans, above, will have individually on the three groups of countries through their implementation in four development issues of enhancement of negotiation ability and setup, implementation of agreements, trade promotion and enhancement of supply capacity.

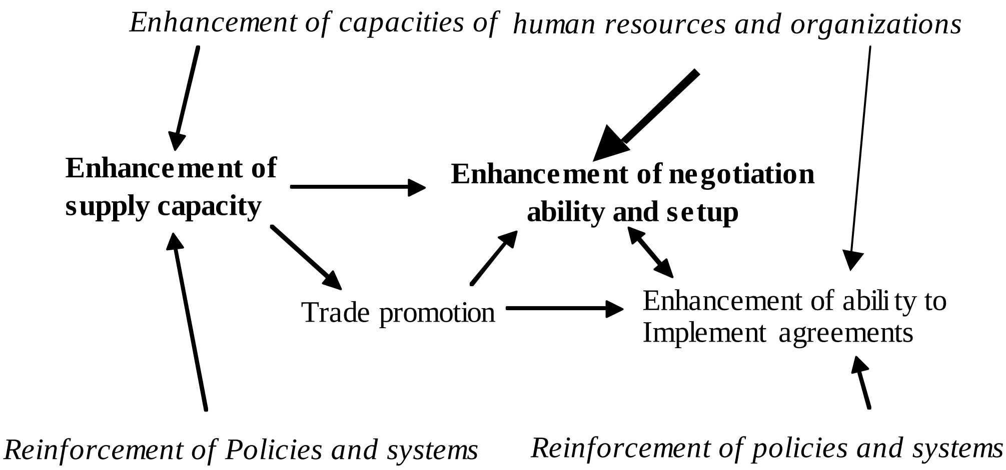
<Supports for Group C and Effects>

When supports for the reinforcement of policies and systems, and for enhancement of the capacities of human resources and organizations are preferentially given to the trade promotion, they will strengthen trade policy systems of Group C countries, and are expected to indirectly enhance the ability to implement and negotiate WTO agreements. When supports for the reinforcement of policies and systems, and for the enhancement of the capacities of human resources and organizations are oriented to the implementation of agreements, they will supplement the effects of negotiation ability and setup. Supports for the enhancement of supply capacity are expected to substantially reinforce the trade promotion systems of Group C countries.



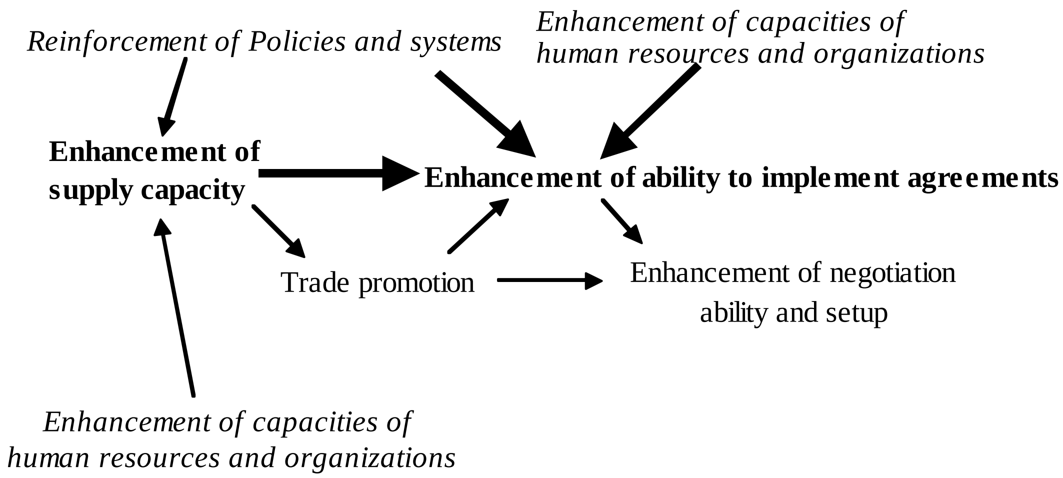

<Supports for Group A and Effects>

The negotiation ability and setup of Group A countries will be improved mainly through supports for the enhancement of the capacities of human resources and organizations. It is expected that the ability to implement agreements will also be enhanced by supports for the enhancement of polices and systems. Enhanced abilities in the two areas will have synergy effects. Although supports for the enhancement of supply capacity will reinforce the trade promotion policies of Group A countries in the same manner as for Group C countries, they will make more contributions to the enhancement of the negotiation ability/setup and to a stronger position of Group A countries.



<Supports for Group B and Effects>

Supports for the reinforcement of policies and systems, and for the enhancement of the capacities of human resources and organizations, will be given to the enhancement of the ability to implement agreements as a priority issue. Supports for the enhancement of the capacities of human resources and organizations will also be oriented to the enhancement of negotiation ability and setup, but it is rather expected that negotiation ability will be improved through the enhanced ability to implement agreements. Supports for the enhancement of supply capacity will substantially reinforce the trade promotion policies of Group B countries in the same manner as for Group C countries, and they will increase the incentives and necessities for enhancement of the ability to implement agreements by receiving benefits from multilateral trade systems.




<Supports approaches by groups>

Apart from the support approaches by the groups described above, it is possible to investigate approaches by region. JITAP has already adopted this approach, by which African countries are grouped into the following combinations, in consideration of the regional effects of such supports on their surrounding countries: 1) Kenya, Tanzania, and Uganda; 2) Ghana, Cote d'Ivoire (Ivory Coast), Burkina Faso and Benin; 3) Malawi, Mozambique, Zambia, and Botswana, 4) Senegal, Mali, and Mauritania. The approaches are aimed at trade promotion and regional economic integration between bordering countries, and so in terms of WTO support approaches they suggest support for the reinforcement of trade promotion policies, the enhancement of supply capacity, and the implementation of agreements (particularly for regional development and enforcement of legal systems) from a cross-border viewpoint. It is quite likely, however, that these regional groups combine countries that are in different phases of approaches to WTO agreements and negotiations. It is therefore reasonable that these approaches cover the above support areas exhaustively. Nevertheless, in the expectation of spillover effects on Group C countries' capacity increases, it is believed that these approaches will support the enhancement of Group A countries' systems. In regions with advanced regional integration, including WAEMU, ECOWAS, EAC, and COMESA, it is important to take into account the institutional development, policy coordination, and infrastructure development promoted by regional frameworks and to offer supports with the view of their encouragements.

### 3.2 Technical Assistances Recommended (Possibilities of JICA Assistance)

As previously noted, the assistance measures which JICA needs to develop in the context of WTO-related assistance in the African region can be classified into two plans:

(a) Reinforcement of policies and systems (maintenance and reinforcement of policies, including action plans and legal systems, and establishment of enforcement agencies, etc.)

(b) Enhancement of the capacities of human resources and organizations (enhancement of organizational frameworks, including enhancement of inter-organization linkages and networks, enhancement of knowledge, skills, and techniques, and collection, accumulation, and use of WTO-related information)

On the other hand, Japanese government as a whole has several assistance measures which are supposed to be effective for Africa development, including yen loan, grant, and on-lending measures through international and regional financial institutions. These measures are expected to be utilized for infrastructure development directly contribute to enhance supply capacity, furnishing and upgrading equipments and instruments in implementing agencies and laboratories, and financial support for SME and supporting industries promotion.

It is obvious, however, that physical and financial assistance by themselves cannot give sustainable effects on the lack of appropriate organization/institution, human resource, and knowledge/skill which are critical obstacles for WTO adaptation. Moreover, it is indispensable for African countries to have the abilities and measures to tackle with the above issues from the “ownership” point of view. For these reasons, the assistance measures which JICA needs to develop in the context of WTO-related assistance in the African region are the technical and intellectual assistance as classified above into (a) and (b).

Apart from the ‘grouping approach’ described so far, more attention needs to be paid to the ‘regional approach’ by JICA, whose traditional approach is more bilateral. As already noted, the reinforcement of trade promotion policies, the enhancement of supply capacity, and the implementation of agreements (particularly for regional development and enforcement of legal systems) from a cross-border viewpoint are supposed to be the main issues. Among those, assistance in the areas of rationalization of custom operation, capacity building in examinations and testing, metrology and standards, and quarantines, as well as operating and implementing intellectual property right systems are expected to contribute to promote and facilitate regional trade and investment. As JICA has not a few experiences of these types of assistances, it is recommended for JICA to positively consider implementing such assistances in the regional context.

<WTO Capacity Building Programs in Asia>

The Japanese government (JICA) implemented WTO capacity-building programs in four Asian countries (Thailand, Indonesia, Malaysia, and the Philippines) from 2001 to 2003. These countries achieved rapid economic growth through trade and investment during the 1980s and 1990s, but each of them had difficulties in adapting to WTO trade systems. In the context of this research, Thailand, Indonesia, and the Philippines fall into Group B with Malaysia in Group A, and some notable efforts made in JICA’s WTO capacity-building programs, as well as the results of such efforts, among others, are described below.

(1) Support for enhancement of ability to implement the TRIPS agreement (Thailand)

To address frequent infringements of intellectual property rights caused by distributed counterfeit and pirated products, the Department of Intellectual Property of the Thai Ministry of Commerce carried out dissemination and education programs for intellectual property rights, to strengthen the enforcement of the TRIPS agreement. Training quality was not constant, due to a lack of standardized curricula and textbooks, and so JICA’s program focused on developing training texts in English and their translation into Thai by the joint working group of Japanese and Thai experts, and on training of trainers. As a result of these efforts, the awareness of intellectual property ownership increased in interested Thai parties, and a common consciousness of human resources development for protection of intellectual property rights was broadly created among the relevant bodies which took part in the program, including the Department of Intellectual Property, customs offices, courts, prosecutors office, universities, lawyers, and private enterprises.

### (2) Support for the enhancement of ability to implement the GATS (Indonesia)

JICA's program pursued capacity-building activities through workshops to support the implementation of the GATS agreement by Indonesia in service areas centering on telecommunication and financial services (which are key areas), and involving the travel industry, the building industry, and professional service. It conducted a study of domestic laws and regulations, and surveillance by comparison of major countries' commitments, obligations, and regulations. As a result of these efforts, the service arrangement team with the Finance Ministry of Indonesia playing the central role strengthened its capacity and gave some suggestions to ongoing GATS negotiations. The Finance Ministry and other service-related ministries became fully aware of the necessity to formulate and implement national strategies for the overall service industry, and to foster polices for individual industries.

### (3) Support for the enhancement of the ability to implement the TBT agreement (Malaysia)

Understanding of the TBT agreement by the Malaysian government was already high. The government was at the point of disseminating and instilling the agreement to other governmental agencies and the private sector in Malaysia. Particularly the private sector significantly promoted its participation in international standardization activities for ISO areas, including rubber, while cross-relationships between the public and private sectors made little progress in standardization activities for electric appliances falling into the IEC category. For this reason, JICA's program hosted seminars intended for governmental officials with emphasis placed on sharing the experience of Japan's efforts toward ISO and IEC international standardization activities. It also conducted participatory workshops for specific themes. As a result of these efforts, knowledge of the TBT agreement was transferred and instilled into the private sector. An awareness of practical activities targeted at strategic partnerships with foreign governments was successfully fostered in interested parties.

### (4) Support for the enhancement of the ability to implement the Agricultural/SPS agreement (Philippines)

Although the Philippine agriculture sector, which contributes 20 % to GDP and accounts for 40% of the labour force, plays a significant role for enhancing economic growth and employment, agricultural exports have lagged behind imports since the early 1990s and Farmers and producers have shown negative concern about government decisions on the WTO, since WTO commitments have led to an import surge of cheap food products, and to dismantling of advantageous special trade arrangements. To exploit expanding international markets and opportunities, ensuring the safety of export commodities was one of the major problems to be tackled, and the Philippine government recognized a strong need for capacity building on SPS service, especially in technical capacity on Risk Analysis. Responding the need, JICA's program organized the seminar intending: a) to provide participants, from both public, including quarantine officers of major regional air/seaports and private sectors, a deeper understanding on the agreements on Agriculture and SPS measures; b) to give the participants a better understanding on quarantine procedure, and the distribution system of plant and animal products in Japan; and c) to assist government officials in carrying out risk analysis under SPS measures. The program was appreciated that the comprehensive explanation of Japanese quarantine and distribution system were excellent references for further integrating in the Philippine setting, and it arouse the significance of continuous human resource development in this area.

The above experiences in Asia shows the programs have succeeded in enhancement of problem-solving ability and the cultivation of autonomous human resource development mechanism (in other word, “trainers' training”) through the transfer of knowledge, skill and technique, sharing the knowledge and awareness of the issues among related organizations (government and private sectors), and the enhancement of organizational abilities through it.

Based on these experiences as well as theoretical approach, some examples of the JICA's WTO assistance in African region in accordance with the four development issues are presented as follows:

### 1）Enhancement of Negotiation Ability and Setup

GATS/TRIPS Training Seminar (regional seminar for both public and private)

Training seminar to enhance understanding of the agreements, analysis abilities, and negotiation technique on GATS/TRIPS, which need specific knowledge and know-how for WTO negotiation (seminars are held separately on each agreement) will be held. Each seminar will be held targeting groups of countries consisting regional integration bodies including COMESA, EAC, SAEC, WAEMU and others, as GATS/TRIPS issues require trade facilitation, regulation and/or enhancement of supply capacity within regions for their smooth implementation. The seminars will also include training sessions for sub-groups divided on the phased approaches to WTO agreements and negotiations, roll-playing by the participants, and analytical research sessions. It could be considered to invite officials from WTO and WIPO as resource persons to implant the knowledge into the participants while they have discussions, or to invite counterpart officials from Asian countries to share their experiences and knowledge.

### 2) Implementation of Agreements

Trade Remedies Training Seminar (national or regional seminar for both public and private)

Training seminar for enhancing implementation capacity of trade remedies, namely anti dumping, safeguard and countervailing measures, which require exceedingly professional knowledge and skills will be held. The seminar will invite lawyers and business persons, as well as government officials as the participants, to increase knowledge and awareness of the issues among public and private sectors. It could be considered to hold the regional seminar targeting the Southern or South-Eastern African countries, inviting lectures from the South Africa (government and private sector), who have relatively rich experiences of anti dumping measures among African countries.

SPS/TBT Training Seminar (regional seminar for both public and private)

Training seminars to improve understanding of SPS/TBT agreements and practical knowledge of quarantine (including risk analysis), standard and certification, testing and inspection, which are regarded as indispensable not only for implementing the SPS/TBT agreements, but also trade promotion (seminars are held separately on each agreement). As these practices are strongly expected to contribute to facilitate and promote regional trade, the seminars need to be held for regional groups of countries, as in the case of GATS/TRIPS courses. Both training seminars should invite public and private sectors. Moreover, the seminars will introduce discussions and co-work sessions so that the seminar would function as a framework for activity mainly led by the ‘countries leading WTO negotiations’ to harmonize related procedures, standards and measurements among the regions.

### 3) Trade Promotion

Trade Promotion Capacity Building (national or regional project for both public and private)

Technical cooperation to trade promotion agencies, trade related government sections and private sector organizations including chambers of commerce and industry, mainly in the ‘countries initiated WTO adaptation’ for strengthening their functions of export market information analysis (US, EU, Asia and Japan), marketing, product development and export training, etc. The capacity building activities will be implemented by the Japanese government and agencies or the ‘Export Training Centres’ established in Asian countries with JCIA assistance, utilizing their accumulated know how in the form of the ‘Asia-Africa Cooperation’.

### 4) Enhancement of Supply Capacity

Assistance for the Strategic Products Development based on the “One Village, One Product” Campaign (national project for both public and private)

Technical cooperation for developing “One Village, One Product” Campaign, which has started as part of the “Development Initiative for Trade” to assist in areas of product development and export promotion project in the middle-long term will be conducted. Adding to the dispatch of experts as already planned, the project will be considered to involve development of action plans for merchandising and implementation of a pilot project in collaboration with the procurement and/or product development section of private companies (Japanese or South African, which are aggressively expanding business throughout Africa).

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