

**EMBARGO: NOT FOR PUBLICATION
BEFORE 13:00 HOURS GMT
16 SEPTEMBER 1997**

PRESS/TPRB/59
5 September 1997

BENIN - ROLE AS TRADE HUB WOULD BE STRENGTHENED
BY GREATER PREDICTABILITY OF IMPORT DUTIES
AND LIBERALIZATION OF SERVICES

Benin is a trade centre and thus committed to the principle of free trade. After discarding the Marxist-Leninist model in 1990, Benin has progressively liberalized its economy in recent years, according to a new report by the WTO Secretariat on Benin's trade policies and practices.

The Secretariat's report, together with a report prepared by the Government of Benin, will serve as the basis for the review of the country's trade policies to be held on 15 and 16 September 1997.

The Secretariat's report notes that while Benin's trade legislation is liberal, it is not applied transparently. Import duties, at an average of 13 per cent, are among the lowest in Africa, but administrative procedures at the border are complex, slow and prone to irregularities. Benin grants MFN treatment to imports from all sources. Nevertheless, the report highlights that while import duties on agricultural goods have been bound, this is not true for most industrial products.

New legislation has been tabled to make access to Benin's market more reliable and attractive, in particular laws on investment, government procurement and competition. The report also notes that outside the legislative framework the informal sector accounts for much of economic activity in Benin, which is therefore not reflected in the statistics.

Cotton, Benin's main export, is exported to a number of countries (chiefly Brazil, Morocco and Portugal) and accounts for more than 3 per cent of world exports. The cotton sector provides 20 per cent of Benin's GDP and more than 90 per cent of its export earnings. The Government has a monopoly for the purchase of all cotton production, and its goal is to double output by the year 2000.

Agriculture as a whole represents more than one third of Benin's GDP. In general, the agricultural product processing sectors (oils, beverages, foods and textiles), exposed to competition from imports, are recording profits. Benin's main imports are also agricultural products (rice, cereals) which are to a large extent re-exported to neighbouring countries.

The report notes that services continue to be protected by public monopolies, exclusive trading rights and import prohibitions. Most service sectors (telecommunications, energy, non-life insurance and air transport) are run by the State, which has a limited capacity for investment and adaptation to new technologies.

Benin's main economic partner is Nigeria. France is its principal supplier. Classed among the least advanced countries, Benin receives non-reciprocal trade preferences from the developed countries (Generalized System of Preferences and Lomé Convention). Benin is a member of the West African Economic and Monetary Union (WAEMU), whose Treaty provides for the creation, as from January 1998, of a customs union with a common external tariff. The Union includes several countries whose tariff and non-tariff protection is considerably higher than that of Benin. Benin is also a member of the Economic Community of West African States (ECOWAS), which aims at the free movement of goods.

In conclusion, the report suggests that Benin should bind all its import duties, which would confirm the openness of its market and provide greater certainty for traders and investors, and that it should further open its service sectors to private investment. Exhaustive application of the Uruguay Round Agreements would favour these changes.

Note to Editors

The WTO Secretariat's report, together with a report prepared by Benin will be discussed by the WTO Trade Policy Review Body (TPRB) on 15 and 16 September 1997. The WTO's TPRB conducts a collective evaluation of the full range of trade policies practices of each WTO Member at regular periodic intervals and monitors significant trends and developments which may have an impact on the global trading system. The two reports, together with a report of the TPRB's discussion and of the Chairman's summing-up, will be published in due course as the complete Trade Policy Review of Benin and will be available from the WTO Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

The reports cover the development of all aspects of Benin's trade policies, including domestic laws and regulations, the institutional framework, trade policies by measure and by sector. Since the WTO came into force, the "new areas" of services trade and trade-related aspects of intellectual property rights are also covered. Attached are the summary observations from the Secretariat and Government reports. Full reports will be available for journalists from the WTO Secretariat on request.

Since December 1989, the following reports have been completed: Argentina (1992), Australia (1989 and 1994), Austria (1992), Bangladesh (1992), Bolivia (1993), Brazil (1992 and 1996), Cameroon (1995), Canada (1990, 1992, 1994 and 1996), Chile (1991), Colombia (1990 and 1996), Costa Rica (1995), Côte d'Ivoire (1995), Cyprus (1997), the Czech Republic (1996), the Dominican Republic (1996), Egypt (1992), El Salvador (1996), the European Communities (1991, 1993 and 1995), Fiji (1997), Finland (1992), Ghana (1992), Hong Kong (1990 and 1994), Hungary (1991), Iceland (1994), India (1993), Indonesia (1991 and 1994), Israel (1994), Japan (1990, 1992 and 1995), Kenya (1993), Korea, Republic of (1992 and 1996), Macau (1994), Malaysia (1993), Mauritius (1995), Mexico (1993), Morocco (1989 and 1996), New Zealand (1990 and 1996), Nigeria (1991), Norway (1991 and 1996), Pakistan (1995), Paraguay (1997), Peru (1994), the Philippines (1993), Poland (1993), Romania (1992), Senegal (1994), Singapore (1992 and 1996), Slovak Republic (1995), South Africa (1993), Sri Lanka (1995), Sweden (1990 and 1994), Switzerland (1991 and 1996), Thailand (1991 and 1995), Tunisia (1994), Turkey (1994), the United States (1989, 1992, 1994 and 1996), Uganda (1995), Uruguay (1992), Venezuela (1996), Zambia (1996) and Zimbabwe (1994).

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TRADE POLICY REVIEW BODYBENINReport by the Secretariat

1. In the course of the last 10 years, Benin has broken decisively away from the centralized planned-economy system which had placed serious obstacles in the way of trade and has established a largely open market economy. The transition has been gradual and the economy continues to be plagued by problems in the health and education sectors which must be solved before economic growth can take off. Although the trade legislation is liberal, the way in which it is being administered seems to be arbitrary and lacking in transparency. Benin is particularly exposed to changes in the trade policies of its neighbours, notably Nigeria, and its export sector is dependent on a single basic product, cotton.

(1) Economic and trade flows

2. Despite a per capita income of about US\$370, which places it among the countries that are least advanced, Benin is one of Africa's principal trade centres. After agriculture, which generates more than a third of gross domestic product and the bulk of export earnings, port services and commercial and transport services form the principal sector of activity. A considerable proportion of the country's economic activities, including foreign trade, is conducted on an informal basis, i.e. outside the national statistical system. To a considerable extent, Benin's trade and related activities depend on developments associated with the various import restrictions imposed by Nigeria, which remains its principal economic partner. Other neighbouring countries, some of which are land-locked, use the Port of Cotonou as an outlet to the sea.

3. Confronted at the end of the 80s with a serious economic and financial crisis, characterized among other things by a sharp fall in per capita income, in 1990 Benin abandoned the Marxist-Leninist model in place since 1974. Since then, thanks to several macroeconomic stabilization programmes, it has been able to re-establish the viability of its public finances and balance of payments, although the latter continues to depend on external grants. The public enterprises, including the three State banks which went bankrupt in 1988, have been restructured, privatized or wound up. The State's arrears of payment, domestic and foreign, are in the process of being absorbed. Together with the other members of the franc zone, in January 1994, Benin devalued its national currency from CFAF 50 to its present level of CFAF 100 to the French franc. The enterprises which benefited most from this devaluation were those producing for export using inputs purchased locally. Economic growth has stabilized at a level slightly above the rate of population increase, but remains at the mercy of fluctuations in world cotton prices.

4. The available statistics indicate that exports are geographically diversified, which reflects the strong demand for Beninese cotton on world markets. Quality ginned cotton exports were evaluated at \$230 million in 1996, or more than 3 per cent of world exports. The biggest customer is Brazil, followed by Morocco and Portugal. Benin is aiming to double cotton exports between 1995 and 2000. France is by far Benin's main supplier, with 18 per cent of officially recorded imports, but the sources of imports are also very diversified. When re-exports of imported products, which represent about 40 per cent of estimated total exports, and the informal trade are taken into account, Benin's principal trading partner is Nigeria, probably followed by the Niger.

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5. Apart from cotton, exports include crude petroleum, fresh fruit, cashew nuts and palm oil. The imports are rice, other cereals and new and used manufactured goods, all partly re-exported. To these must be added the petroleum products imported by the Société nationale de commercialisation des produits pétroliers (SONACOP) and by individual informal-sector importers.

6. Benin has taken hardly any advantage of commitments to the GATT, now the WTO, to confirm the opening up of its economy and trade. All its import duties on agricultural products were bound in the context of the Uruguay Round at ceiling rates considerably higher than the tariffs applied. At the same time, only the duties applicable to a few industrial products were bound; for the rest, tariff bindings dating from 1964 remain in force and have never been renegotiated despite important changes in the nature and level of the duties, as well as in the nomenclature. A general binding would enable the authorities to confirm the opening up of the import regime and would afford traders and investors greater certainty.

(2) Institutional framework

7. Benin has been an independent and sovereign republic since 1 August 1960. The President of the Republic is the head of State; as the holder of executive power, he determines and guides State policy, appoints the members of the Government and assigns their functions. The Ministry of Trade, Handicrafts and Tourism is responsible for formulating, implementing and administering trade policy, in collaboration with the Ministry of Finance. A single National Assembly, whose deputies are elected by direct universal suffrage for four years, exercises legislative power. It votes the laws, including the finance bills which determine the State's revenue and expenditure objectives.

8. The international treaties and agreements, including the Agreement on the WTO, have the force of law as soon as ratified, no implementing regulations being required. Under the Constitution, they take precedence over domestic laws. Thus, in principle, the provisions of the WTO Agreement can be invoked in Benin courts. Foreign trade and the activities of foreign companies were the subject of several laws adopted in 1990 following the opening up of the economy to the private sector. Since then, the principal tariff reduction and privatization and government procurement measures have been adopted within the context of international structural adjustment agreements.

9. Within the franc zone, Benin forms part of the West African Economic and Monetary Union (WAEMU) which also includes Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo and whose issuing authority is the Central Bank of West African States (BCEAO) which is responsible for the Union's monetary policy. The treaty establishing the WAEMU provides for the creation, as from January 1998, of a customs union with a common external tariff which will include several countries whose tariff and non-tariff protection is considerably higher than that of Benin. The authorities are aware of the danger which further barriers to trade would represent for the Beninese economy, the import and re-export trade constituting a significant proportion of the country's economic activity.

10. Benin is also a founder member of the Economic Community of West African States (ECOWAS), whose membership consists of the members of the WAEMU plus Cape Verde, Gambia, Ghana, Guinea, Liberia, Mauritania, Nigeria and Sierra Leone. The ECOWAS trade liberalization programme includes, in principle, the abolition, as from 1994, of all non-tariff barriers to Community trade and the free circulation of approved products within the Community, at the latest by 2000. About 6 per cent of Benin's officially recorded imports come from ECOWAS. Benin benefits from non-reciprocal trade preferences under the developed countries' General System of Preferences and from preferential access to the European Union market under the Lomé Convention.

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(3) Trade and investment policy features and trends(i) Recent evolution

11. The last ten years have been characterized by the progressive liberalization of trade barriers with the elimination of quantitative import restrictions in 1988, the abolition of import licences in 1991 and the elimination of import price lists. The tariff reforms of 1991 and 1994 resulted in the number of taxes levied on imports being reduced to two and the range of duty rates contracting from 16 to 5, while export taxes were almost entirely eliminated. The Government introduced value-added tax in 1991 and lowered and simplified direct taxes, while at the same time extending the tax base.

12. Since 1990, several new laws have been submitted to the National Assembly to make trade and investment conditions more reliable and attractive, in particular a draft government procurement code, a draft law on competition, a draft customs code and a draft investment code, none of which has yet been adopted. In practice, the existence of a large informal sector creates a competitive climate.

(ii) Type and incidence of trade and investment policy instruments

13. Trade and investment policy and practices have the dual aim of encouraging the development of local enterprises without increasing the cost of goods and services in international trade, given the importance of foreign trade as a source of income. The present level of trade protection in Benin is therefore among the lowest in Africa. Tax instruments, in particular near total exemption from direct and indirect taxes, are the chief means of providing assistance for businesses.

14. Benin accords at least MFN treatment to imports, whatever their origin. It has not yet adopted the Harmonized Commodity Description and Coding System (HS). The customs tariff, based on the Customs Cooperation Council Nomenclature (CCCN), provides for two MFN rates: fiscal duty, which varies from 0 to 20 per cent, and the community solidarity levy of 1 per cent, which is intended to compensate for the loss of customs revenue associated with the preferential agreements. These import taxes, which are solely *ad valorem*, amount on average to 13 per cent, but the effective collection rate is much lower because of numerous exemptions. Some products from the member countries of ECOWAS and WAEMU qualify for tariff reductions.

15. Value-added tax (VAT) was introduced in 1991 at the rate of 18 per cent. Three quarters of Benin's VAT revenue is collected on imports. This border taxation, favoured because it is relatively easy to tax goods as they enter the country, is creating strains in the customs system by encouraging operators to minimize the value of the goods declared. A system of preshipment inspection of imports is in force but is not being applied to goods imported by the "occasional" importers who account for a substantial proportion of the import trade.

16. There are numerous exemptions from customs duties and VAT which create serious administrative complications that could distort trade and encourage irregularities. All Government contracts and most investment are exempt from import duties and VAT. Most imports of inputs by local enterprises are duty free. Considering the vital contribution to the revenue made by the duties collected by customs and the importance of imports for the economy, Benin would certainly benefit from more transparent customs and port regulations and closer control and monitoring of imports to curb tax fraud. This would be much facilitated by the elimination of the special import regimes.

17. Exports, of indigenous products or goods in transit, are mainly free, except in the case of food crop products, cotton and wood in the rough whose exportation is officially prohibited. Benin forbids

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the exportation of products whose importation is prohibited in the country of destination, which could encourage those who trade with those countries to avoid the customs posts.

(iii) Sectoral policies

18. Trade policy has not been liberalized to the same degree in every sector of activity. Some sectors, in particular the agri-food industry, have been broadly exposed to international competition, whereas others remain protected by monopolies, exclusive trade rights and import prohibitions, notably in the service sectors. The Government's objective of encouraging investment and food product exports would necessitate a revision of the land tenure and trade legislation in force in these sectors, in order to facilitate land purchase and exports, in particular of food crop products.

19. In the cotton sector, Benin is applying a highly interventionist policy intended to increase production in order to generate tax revenue. Thus, the State has a monopoly on the purchase of the entire seed cotton output, while providing the inputs and administering producer prices. The levies on this sector represent one fifth of the State budget. The environmental authorities recognize that present cotton production methods are not ecologically viable. The assistance granted to the cotton producers has diverted resources from other crops; in 1994, against a background of local food shortages due to the difficulties of provisioning the rural areas, the Government decided to prohibit exports of food crop products.

20. In general, the agricultural product processing sectors (oils, beverages, food, textiles), which are to a large extent exposed to international competition, are recording profits and have received most of the modest investments made in recent years. The cement sector, protected from imports by a ban, was liberalized in May 1997. Most of the service sectors, in particular telecommunications, energy, non-life insurance and air transport, are organized as public monopolies and handicapped by the State's limited capacity for investment. The resulting delay in adapting to new technologies and market trends is taking its toll in terms of costs and efficiency on the economy as a whole, which illustrates the need to apply to these sectors the deregulation in progress elsewhere in the economy.

(4) Trade policies and foreign trading partners

21. Benin's commitment to the principle of free trade is ensured by its role as a commercial hub. Despite belonging to a regional economic area, the country trades with the whole world, largely on a MFN basis. In order to manage the changes in the trade policies of its principal regional partners to best effect, it is in Benin's best interest to bind its policies to the principles of the multilateral trading system. The implementation of the Uruguay Round Agreements will make possible a general review of the goals of its trade, fiscal and sectoral policies and favour economic liberalization in those sectors in which it has not yet taken place.

22. The rapid and exhaustive application of the provisions of the Agreement on the WTO would provide the economic operators, domestic and foreign, with a stable and transparent framework within which to do business. Further simplification of the trade regime would also make a significant contribution to the development of such a framework, as would harmonization of the legislation with business measures and practices. These efforts would be encouraged by greater support from Benin's more developed economic partners. The Government could signal its commitment to reform by opening up the numerous sectors of activity so far inaccessible to foreign investment, such as telecommunications, air transport, energy and, to a large extent, agriculture, which would offer real possibilities in terms of employment, technological progress and economic growth.

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TRADE POLICY REVIEW BODY

BENIN

Report by the Government

The Republic of Benin covers an area of about 112,600 km² which is divided, for administrative purposes, into six provinces (*départements*), each governed by a prefect (Atacora, Atlantique, Borgou, Mono, Ouémé and Zou). In 1996, the population of Benin was about 5.4 million, increasing at an annual rate of 3.1 per cent.

Annual per capita income is about US\$370, placing Benin among the world's least developed countries.

In reviewing Benin's economic situation, it is important to stress that the transition, in 1990, from a single-party regime to a pluralist democracy marked the end of two decades of planned economy.

The economic situation in Benin began to decline in 1987, and from 1986 to 1989 Benin experienced, in real terms, a negative GDP growth rate. In 1990, Benin opted for a pluralist democratic regime and a policy of economic liberalization.

Development policies have focused primarily on macroeconomic stabilization through three structural adjustment programmes under the auspices of the International Monetary Fund (IMF) and the World Bank.

Thanks to the adjustment policies, the economy has achieved remarkable performances.

Benin's principal reforms have been introduced in the framework of its Second Structural Adjustment Programme launched in 1991 with the assistance of the IMF and the World Bank. Thanks to this programme, the overall situation in Benin has considerably improved and substantial progress has been achieved.

Indeed, the GDP has grown by an average of 4 per cent in real terms thanks to the cultivation of cotton. Public finances have been stabilized, and the primary balance reached 2.2 per cent of GDP as of 1992 owing to a sustained effort to increase revenue, control spending, steadily reduce the budget deficit and raise the rate of government investment. Domestic arrears were practically cleared, and the banking system was rebuilt.

The policy of reorganizing Benin's public finances was given an added impetus in 1994 with the modification of the CFA franc's external parity aimed at stimulating the export and the import substitution sectors as well as investment and capital inflow.

In 1996, in the framework of the Third Structural Adjustment Programme, the new Government adopted a macroeconomic strategy consisting of:

- Ensuring sustained growth of the national economy;
- strengthening the country's social infrastructure; and

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- improving the country's public finances in order to reduce the debt burden and its dependence on the outside world.

In order to attain these objectives, the Government set itself the task of promoting investment and domestic saving while redirecting its resources towards the priority sectors.

A. TRADE POLICY AND PRACTICE

(1) General trade policy objectives

The new Government formed in the wake of the presidential elections of March 1996 plans to take effective steps to consolidate the foundations of Benin's economic and social development.

On 15 May 1997, the President of the Republic and Head of Government published the Government's plan of action, reflecting a policy aimed at creating a competitive and productive economy resting on the private sector.

The Government's general objectives in this respect are:

- To liberalize trade;
- to support the private sector through the development of trade;
- to contain the increase in the price of mass consumption goods;
- to promote the development of tourism and handicrafts; and
- to promote the private sector by:
 - supporting existing enterprises and facilitating the creation and development of new enterprises;
 - streamlining the formalities involved in setting up enterprises;
 - creating an industrial free zone in Cotonou; and
 - creating an opportunity centre.

(2) Sectoral trade policy objectives

(a) Agriculture

The Government's agricultural policy focuses on:

- Promotion of local agricultural produce;
- strengthening of food safety;
- diversification of agricultural production; and
- development of agricultural exports.

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To that end, the Government plans to modernize and develop agriculture through measures aimed at:

- Improving production methods to increase output and reduce pressure on domestic prices;
- Promoting local industries, *inter alia* by organizing "open days" for existing industries and creating the necessary structures for consultation among the actors in the different subsectors: textiles, fruit and vegetables, cashew nuts, oilseeds, cassava and cement;
- ensuring the permanent availability of sufficient water resources for pasture farming and fisheries. To that end, a number of micro-dams and impoundments are planned;
- introducing systems for the financing of agriculture through the creation of an agricultural bank backed by private partners;
- improving the performance of the different agricultural subsectors through public and private nursery production and subsidization of the purchase of selected seedlings; and
- rehabilitation and extension of the rural access road network through road works and maintenance.

(b) Energy

Benin's policy in the field of energy reflects a determination to achieve energy self-sufficiency and to electrify the entire country at the lowest possible cost.

To that end, the Government plans to:

- Supply all of the provincial capitals with electricity by building thermal power stations, linking them to the grid interconnecting certain provincial capitals and urban centres and electrifying certain towns through solar energy;
- rehabilitate and extend the electricity grid in the cities; and
- increase electricity generation capacity by building the Adjarala dam, interconnecting the NEPA (Nigeria) grid with the CEB (Benin-Togo) grid and constructing a gas-driven thermal power station.

(c) Industry

The Government's objectives in this area focus on supporting private initiative through measures such as:

- Revitalization of certain production units through the privatization of the *Société sucrière de Savé*, the *Brasserie d'Abomey*, the *Société des ciments d'Onigbolo*, and the *Société nationale d'industrie des corps gras* (SONICOG);
- streamlining of the formalities involved in setting up enterprises;

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- creation of serviced industrial zones in all of the provinces; and
- creation of an industrial free zone in Cotonou.

(d) Services

The reorganization of Beninese financial services is one of the prerequisites to development of the private sector.

This is why the modernization of the banking sector is one of the Government's priorities. Hence, the restructuring of the Beninese banking sector at the beginning of 1990s. Since then, five trade banks have been authorized to set up. These banks account for 90 per cent of savings in the formal sector, and are able to meet development financing needs.

In the transport and communications sectors, the Government's objective is to ensure the maintenance and rehabilitation of infrastructure and access to a transport and communications network.

To that end, the Government is taking measures to:

- Develop the road network by restoring the earth and paved roads and asphaltting the trunk roads, and by building a third bridge in the city of Cotonou;
- improve the competitiveness of the autonomous port of Cotonou by building a container terminal;
- modernize the airport facilities through the restoration of the freight and passenger terminals of Cotonou and the secondary airfields;
- revitalize the railway network by restoring railway lines, modernizing the equipment of the *Organisation commune Bénin-Niger des chemins de fer* (OCBN) and putting the coastal railway lines into service.

In the telecommunications sector, the objective is to boost the efficiency of the national telephone network and reduce telecommunication service costs for Beninese enterprises.

Promotion of the tourist sector is one of the Government's priorities. Indeed, Benin has a number of untapped tourist attractions.

Accordingly, the Government plans to take measures aimed at:

- Developing tourist sites and access roads in all of the provinces in order to facilitate access and increase the number of visitors in the best possible conditions;
- introducing a policy of private-sector construction and development of tourist and hotel infrastructure.

In the field of handicrafts, government promotion activities are directed towards:

- The creation of chamber of trade;
- the preparation and introduction of a code of handicrafts;

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- the implementation of a policy of encouraging the construction of craft villages by the private sector;
- the organization of sales exhibitions of Beninese handicrafts abroad.

(3) General description of the import and export regime

In the framework of the trade liberalization policy, legal or regulatory provisions that were considered restrictive were for the most part eliminated or amended.

(a) Imports

Import licences were eliminated in the framework of the Structural Adjustment Programme (Law No. 90-005 of 15 May 1990 and Law No. 93-007 of 29 March 1993) in an effort to promote economic liberalization.

However, the import of certain products is prohibited for health reasons, for example, rumps of turkey (Interministerial Order No. 347/MCAT/MDRAC/MSP/CAB/DCE/DCI of 24 December 1990).

The importation of goods that are dangerous to human health and State security is subject to a special authorization.

(b) Exports

Beninese products merely require an authorization from the Directorate of Foreign Trade. Only food crops are subject to a temporary prohibition.

This temporary suspension was made necessary by a shortage on the domestic market following a breakdown in food self-sufficiency.

In order to maintain the country's natural resources (flora), exportation of teak in the rough is prohibited, and only processed wood may be exported.

(4) Trade policy framework

(a) Laws and regulations governing the implementation of trade policy

The Constitution is the supreme law of the Republic of Benin. Legislative power is in the hands of a single national assembly.

The National Assembly votes the laws, including financial laws setting of the Government's income and expenditure targets.

The President of the Republic has the power to negotiate and conclude international agreements, and may delegate that power to a minister or a member of the Executive. Where it is necessary to amend laws to make them consistent with the provisions of an agreement, the Parliament must vote a law authorizing that amendment.

Trade policy is applied by several government institutions and executive bodies.

The Ministry of Trade, Handicrafts and Tourism may, if need be, submit draft laws.

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The laws relating to trade cover several areas:

- Tourism;
- control of goods;
- competition;
- weights and measures;
- investment;
- banking and finance;
- trade activities;
- privatization.

(b) Formulation and review of trade policies

The Ministry of Trade, Handicrafts and Tourism is responsible for devising, implementing and administrating trade policy. Once drawn up by the Ministry, laws are submitted for examination and approval by the Legislature.

The Ministry of Trade, Handicrafts and Tourism draws up trade policy measures in consultation with the private sector (Chamber of Trade and Industry of Benin) and the other competent institutions (Ministry of Finance, Directorate-General of Duties and Indirect Taxes), the Ministry of Planning, Economic Restructuring and Employment Promotion, the Ministry of Industry and Small and Medium-Sized Enterprises, etc.

(c) Multilateral, bilateral and regional trade agreements

Government policy in respect of multilateral, regional and bilateral trade agreements is directed towards the creation of a favourable environment for the integration of Benin into the international economy with a view to ensuring outlets for its products and fostering the development of its industries.

The following are some of the agreements concluded by Benin:

- Agreement Establishing the World Trade Organization (WTO);
- the Lomé Convention Between the ACP and the EU;
- the ECOWAS Treaty;
- the WAEMU Treaty.

Benin is a signatory to the Fourth Lomé Convention between the European Union and 71 ACP States. Under this Convention, its exports of industrial and agricultural products not covered under the Common Agricultural Policy (PAC) enjoy duty-free entry (non-reciprocal) to the Community market.

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Having become a founding Member of GATT in 1963 Benin, upon authorization by the National Assembly (Decree No. 95-241 of 5 September 1995), ratified the Agreement Establishing the WTO, thus becoming a Member of that Organization on 22 February 1996.

Benin is convinced that the Agreement Establishing the WTO will serve the interests of the developing countries in general and the LDCs in particular. However, these countries will need greater assistance in order to fully profit from the various WTO Agreements.

Benin is a member of the Economic Community of West African States (ECOWAS) and has espoused the idea of creating a regional common market, a single currency and a customs union within the West African Economic and Monetary Union (WAEMU).

(5) Implementation of trade policy

(a) The trade policy measures applied in Benin are:

- Customs duties

Since 1989, Benin has been firmly committed to the path of economic liberalization which led, in 1991, to a major tariff reform. This reform involved the streamlining of the numerous existing levies into four groups:

- customs duty: 5 per cent (suspended);
- community solidarity levy (PCS): 1 per cent;
- fiscal import duty: 0 per cent, 5 per cent, 10 per cent, 15 per cent and 20 per cent;
- value-added tax (VAT): 18 per cent.

As indicated above, there are five rates of fiscal duty according to the tariff class.

The documents required for customs transactions are the importer's card; the purchase invoice; the invoice showing the insurance premium; the certificate of origin; the customs valuation certificate; and, where applicable, the phytosanitary certificate.

- Customs valuation and preshipment inspection

Customs valuation is currently based on the transaction value of the goods. The principles governing customs valuation in Benin are based on Articles 24, 25, 27 and 28 of the Customs Code.

A compulsory preshipment inspection system has been in force since 1991. All imports of goods must comply with the formalities of the inspection company which consist of:

- Preparing an import application for all invoices exceeding CFAF 3 million (by sea);
- having the goods controlled prior to shipping;
- producing the final invoice after inspection;

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- obtaining a customs valuation certificate which must be submitted to the customs authorities during customs clearance.

In cases of undervaluation, the inspection company rejects the values appearing on the invoice and makes the necessary adjustments on the basis of the information available in the importing country or taking account of the value of like products, mentioning such adjustments on the customs valuation certificate.

(b) Current trade liberalization programme in the framework of the Structural Adjustment Programme

From 1975 to 1989, Benin's economy was heavily regulated under an economic strategy which relied on the public sector for investment and growth. The results did not live up to expectations. In 1989, Benin launched an economic liberalization programme with the support of the International Monetary Fund and the World Bank.

In doing so, the Government's objective was to create an environment favourable to the development of private initiative. To that end, the following measures were taken:

- Elimination of import licensing and import and export restrictions;
- adaptation of Benin's laws and regulations to the new, highly liberal economic environment.

B. ECONOMIC REFORM PROGRAMME

Trade policy is but one element of a broader policy covering investment, tourism, transport, financial services, etc.

All of these elements are linked, in their turn, to the main features of an economic policy which aims to guarantee prosperity for all of the Beninese people and sustained economic growth.

During the 1980s, Benin underwent a serious economic crisis, and starting in 1989, with the help of the International Monetary Fund and the World Bank, it had to introduce a structural adjustment programme aimed at stabilizing the economy, reversing the decline in the standard of living, achieving sustainable growth and improving the external payments position.

On the macroeconomic side, the Government adopted a strategy for the period from 1996 to 1999, consisting of:

- Ensuring sustained growth of the national economy;
- strengthening the country's social infrastructure; and
- improving the country's public finances in order to reduce the debt burden and its dependence on the outside world.

In connection with this strategy, it has set itself the following goals:

- To ensure average GDP growth rate of 6 per cent;

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- to maintain inflation at a level of about 3 to 4 per cent per year;
- to reduce the current external deficit (excluding grants) to 5.5 per cent by 1999.

This external debt reduction is to be achieved by diversifying exports and ensuring the satisfactory performance of the cotton sector.

In order to attain these goals, the Government has set itself the task of promoting domestic investment and saving while redirecting resources towards the priority sectors.

In this respect, it aims to raise the average rate of government investment to about 7.8 per cent.

To finance the increased investment without negatively affecting the balance of payments, the domestic savings rate will have to increase from 9 per cent of GDP in 1995 to approximately 13 per cent in 1999.

Thus, budgetary policy will be directed towards a gradual increase in public savings, in spite of the decrease in external transfers.

This policy should make it possible to improve the current account balance, which should go from 8.6 per cent of GDP in 1995 to 5.5 per cent of GDP in 1999.

The volume of exports, not including re-exports, should increase by 9.6 per cent from 1997 to 1999, while re-exports should continue to grow and imports not intended for re-export should increase by approximately 6.5 per cent in real terms during the same period.

With respect more specifically to the development of the private sector and the diversification of economic activity, the Government has opted for:

- Promotion of non-traditional exports and the reduction in transports costs;
- creation of a single window for investors and the promotion of an industrial free zone;
- improvement of the fiscal and legal climate and the strengthening of the judicial system.

CONCLUSION

As can be seen from this trade policy review, Benin is relentlessly pursuing its economic liberalization programme. In accordance with that programme, and with a view to creating an institutional environment more favourable to the development of business, a certain number of reforms are currently under way, including the revision of the Labour Code, the Mining Code, the Commercial Code, the Civil Procedures Code and the Administrative Code.

The introduction of a centre for business formalities (single window) aimed at bringing the public sector closer to the private sector is practically a reality.

The simplification of administrative procedures, the improvement of the Institutional Code and the adaptation of Beninese laws and regulations to the new, highly liberal economic environment all focus on the same target: the creation of an environment in which a liberal economy can flourish.

The proper management of a liberal economy calls for the strengthening of democracy, improved governance and further structural reform.

END