

## I. ECONOMIC ENVIRONMENT

### (1) BACKGROUND

1. The Islamic Republic of Mauritania is situated in North-West Africa, covering an area of 1,031,000 km<sup>2</sup>, and has a population of close to 2.6 million. Population density is around 2.5 inhabitants per km<sup>2</sup> and the annual rate of demographic growth is around 3 per cent. The majority of the country is covered by desert.

2. Mauritania is a low-income country and is one of the least-developed countries (LDC).<sup>1</sup> Per capita GDP was around US\$350 in 2000 (Table I.1). Imports and exports account for 53 per cent and 40 per cent of GDP respectively. Mauritania's economy has traditionally been based on trade and agriculture, particularly livestock breeding, but also on the mining and fisheries sectors and, to a lesser extent, manufacturing industry. The largest sector in terms of share of GDP is services (around 50 per cent), especially food and beverage and hotel services (17.7 per cent). The agricultural sector accounts for around 18 per cent of GDP and almost all the agricultural production is consumed on the spot. The fisheries and mining sectors combined provide almost 100 per cent of exports, despite their more modest contribution to the GDP (around 5 and 13 per cent respectively). The manufacturing sector is not very developed. Mauritania's production and export base is very narrow (mainly consisting of iron and fish) making it highly vulnerable to external shocks. In addition, because of its arid climate, Mauritania depends on food imports.

3. Mauritania has embarked upon a significant transition towards economic liberalization and strengthening of the legislative framework, particularly since the early 1990s. Efforts have been made to liberalize the foreign trade regime. The measures taken include simplification of import procedures, rationalization of the structured MFN duties a reduction in the maximum rate and the abolition of export taxes. In 2000, a new Commercial Code was adopted containing new provisions on the freeing of prices and competition, and the new Investment Code, enacted in 2002, introduced a system of free points to boost exports. The parallel privatization process initiated in the 1990s has already been extended to the fisheries, air transport and telecommunications sectors. It was planned to extend it to the energy sector during 2002.

4. The exchange rate for Mauritania's national currency, the ouguyia (UM) is determined by a "managed float" mechanism. Since 1992 (but particularly since 1995) Mauritania has taken important measures to liberalize the exchange rate mechanism. The commitments imposed by Sections 2, 3 and 4 of Article VIII of the Articles of Agreement of the International Monetary Fund (IMF) were accepted by Mauritania on 19 July 1999.

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<sup>1</sup> According to the poverty criteria adopted by the World Bank in 1990, some 46 per cent of the population lived below the poverty threshold in 2000, (average spending of less than US\$280 per capita annually) (Government of Mauritania (2002)).

**Table I.1**  
**Mauritania in figures 1990-2001**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
GDP (US dollars millions)	1021.6	1095.4	1109.9	948.2	1004.8	1058.3	1080.9	1096.3	1003.2	958.7	936.1	962.2
Per capita GDP (US dollars)	518.3	540.2	531.9	441.5	454.3	464.6	456.2	442.8	402.4	371.6	350.6	...
Population (millions)	1.97	2.03	2.09	2.15	2.21	2.28	2.35	2.42	2.49	2.58	2.67	...
Population growth (percentage)	...	2.9	2.9	2.9	3.0	3.0	3.0	3.1	3.1	3.5	3.5	...
Life expectancy at birth (years)	48.6	49.0	49.5	49.9	50.37	51.4	51.8	52.3	52.8	...	...	...
Share of GDP at market prices (percentage)												
Total trade sector	76.9	77.3	77.5	77.1	77.2	77.5	76.7	78.5	78.4	78.9	79.8	79.3
Rural sector	25.9	25.9	25.2	24.3	24.1	23.5	22.0	22.0	22.3	21.1	19.9	18.9
Horticulture	3.7	3.9	3.7	5.1	5.4	5.4	4.8	5.2	5.9	5.1	4.3	3.5
Livestock	21.4	20.9	19.9	17.7	17.0	16.0	15.2	15.2	14.7	14.6	14.1	14.1
Small-scale fishing	0.8	1.1	1.5	1.5	1.6	2.1	2.0	1.6	1.7	1.5	1.5	1.2
Mining and quarrying	12.4	12.1	9.2	10.9	11.3	11.4	11.3	11.7	12.3	12.0	14.0	12.8
Manufacturing industries	9.2	9.7	10.4	11.9	10.3	10.0	10.2	8.8	8.2	8.4	8.3	8.4
Fishing industry	5.0	5.8	6.1	7.0	6.0	5.8	5.8	4.2	3.4	4.1	4.1	4.2
Other industries	4.2	3.9	4.3	4.9	4.3	4.2	4.3	4.6	4.8	4.3	4.2	4.2
Construction and public works	5.5	5.2	6.6	5.3	6.2	6.5	6.0	5.9	5.5	5.6	5.6	6.2
Transport and telecommunications	5.1	5.6	6.2	5.7	5.8	6.0	6.3	7.1	7.0	8.1	8.9	9.9
Trade; restaurants and hotels	12.9	13.2	14.2	13.6	14.2	14.7	15.4	17.5	17.6	18.2	17.7	17.7
Other services	5.8	5.6	5.6	5.4	5.4	5.4	5.5	5.5	5.5	5.5	5.4	5.4
Non-trade sectors	12.9	12.7	12.5	11.7	12.0	11.5	11.1	10.8	10.9	10.5	10.5	10.7
Indirect taxes	10.2	9.9	10.0	11.2	10.8	11.0	12.3	10.5	10.7	10.6	9.8	10.0

... Not available

Source: National Statistical Office (1998), *Statistical Year Book*; IMF (2000b), *Mauritania: Statistical Appendix*, Staff Country Report No. 00/90, August [on line]. Available at the following address: <http://www.imf.org>; and data provided by the Mauritanian authorities.

5. Production costs in Mauritania are relatively high and have a negative impact on the competitiveness of exports. Electricity and water rates are some of the highest in the region. Transport costs are also high because of insufficient investment in managing the sector and the long distances between Mauritania's economic centres (Chapter IV(6)(iv)). Wages are quite low, but this is not reflected in Mauritania's competitiveness because of the labour force's inadequate training.<sup>2</sup> Limited access to credit and its high cost are also important constraints on Mauritania's economic activity.<sup>3</sup> During the 1990s, Mauritanian exports could have taken advantage of increased competitiveness as a result of the continual depreciation of the real effective exchange rate, but the favourable trend in the exchange rate does not appear to have had any significant impact on the major export sectors.<sup>4</sup> In order to enhance competition and improve export capacity, the Government started to liberalize the transport sector (Chapter IV(6)(iv)); it planned to privatize the Mauritanian electricity company (SOMELEC)<sup>5</sup>, but this project has been postponed due to lack of interest on the part of potential buyers. The State also intends to broaden the production base (by diversifying production and activities), generate value added by further processing of local resources, and strengthen export sectors.

<sup>2</sup> The Government fixed the minimum wage at US\$35 per month prior to announcing an 8 per cent increase in 2000 and, according to the authorities, a further 10 per cent increase in 2001. Formal-sector employees are usually better paid. Nevertheless, as a result of the successive devaluations, real wages fell by 12 per cent between 1989 and 1999 (EIU (2001)).

<sup>3</sup> World Bank (2001b), Volume I.

<sup>4</sup> World Bank (2001b), Volume I.

<sup>5</sup> This company was the result of separating the National Water and Electricity Company (SENELEC) into two separate companies: SOMELEC, which provides electricity, and the National Water Company (SNDE).

6. In 1999, Mauritania's external debt was around US\$2.5 billion, corresponding to over 260 per cent of the GDP (Table I.2). The debt servicing coefficient was fairly high: 24 per cent in 2000 and around 16 per cent in 2001.<sup>6</sup> In 2000, Mauritania qualified for debt relief under the enhanced Heavily Indebted Poor Countries Initiative (HIPC). As a result, Mauritania's debt will be reduced to a total of US\$622 million. This should lead to annual savings of around US\$36 million over the next ten years, equivalent to 40 per cent of total yearly debt servicing obligations.<sup>7</sup> In addition, Mauritania still receives substantial international aid. Some observers estimated that the equivalent of 18 per cent of its GDP was in the form of official aid.<sup>8</sup>

7. In 2000, the Mauritanian Government submitted its Poverty Reduction Strategy Paper (PRSP). This outlines the Government's long-term strategy (up to 2015) and defines priority action for the period 2001-2004. The strategy is based on four main themes: accelerated growth; promotion of sectors and areas that will benefit the poor; development of human resources; and promotion of institutional development based upon good governance. In November 2001, the IMF completed its fourth review of the Mauritanian Government's economic programme in the context of the Poverty Reduction and Growth Facility (PRGF). Joint efforts are being made with other international organizations and the Government to reinforce the role of trade in development policy and reducing poverty. In 2001, therefore, Mauritania joined the programme under the Integrated Framework for Technical Assistance to LDCs (Chapter II(3)(i)).<sup>9</sup>

## (2) ECONOMIC DEVELOPMENTS

8. Mauritania's economy has performed relatively well since 1993 after an uneven economic performance during the preceding decades. These fluctuations were due to the combined effects of a number of factors such as the serious drought and the decrease in iron prices on the global market in the 1970s, which were followed by an improvement in climatic conditions, increased production of iron, and growth in the fisheries sector at the end of the 1970s, before another unfavourable external economic situation occurred in the early 1980s. In the mid-1980s, better climatic conditions and large-scale development of the fisheries sector boosted the economy, but it declined in the early 1990s, mainly due to the conflict with Senegal and Mauritania's isolation during the Gulf War. It was only in 1993 that growth recovered at an annual average rate of around 4.5 per cent, reaching 5 per cent in 2000 (Table I.2). The major factors underpinning this growth appear to be Government investment, often financed through external funds, and exports. In 2001, real growth in GDP again fell to 4.6 per cent, due to the slowdown in the global economy, especially reduced global demand for iron.

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<sup>6</sup> The debt servicing coefficient is the ratio between payments for amortization and interest, on the one hand, and, on the other, the value of exports of goods and services.

<sup>7</sup> World Bank (2000), News Release No. 2000/209/S, February [on line]. Available at the following address: <http://www.worldbank.org>.

<sup>8</sup> Richard (2002).

<sup>9</sup> A study on a trade strategy focusing on poverty was prepared in 2001 under the auspices of the World Bank.

Table I.2  
Main economic indicators, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Percentage							
<b>Real economy</b>							
Change in real GDP	4.6	5.5	3.2	3.7	4.1	5.0	4.6
Unemployment rate	...	...	...	...	...	...	...
Inflation, annual average	6.5	4.7	4.6	8.0	4.1	3.3	4.7
Labour productivity (% change)	...	...	...	...	...	...	...
Private consumption <sup>a</sup> , (% of GDP)	77.0	79.4	75.8	80.6	78.5	64.3	70.2
Gross national savings (% of GDP)	13.9	17.0	21.6	17.7	21.7	31.1	21.2
Gross domestic investment (% of GDP)	19.3	18.6	20.1	18.8	17.5	30.3	26.8
Percentage of GDP							
<b>Public finances</b>							
Government <sup>b</sup>							
Revenue	24.0	29.2	26.9	27.0	27.9	25.9	21.1
Total expenditure and net lending	24.8	24.0	22.7	24.9	25.7	30.4	26.7
Global surplus/deficit (-)	-0.8	5.2	4.2	2.1	2.2	-4.5	-5.6
Global surplus/deficit (-), excluding restructuring	0.9	6.7	5.0	3.9	3.9	...	...
Global surplus/deficit (-), aid being considered revenue							
Including restructuring	1.3	8.5	5.0	3.6	4.7	-3.3	-4.0
Not including restructuring	2.8	9.4	5.4	4.9	6.2	-2.8	-3.1
Primary balance	2.4	8.4	7.1	5.6	5.7	-1.2	-2.7
Annual percentage change							
<b>Money and credit<sup>c</sup></b>							
M1 (=currency in circulation + demand deposits)	-8.1	-10.9	8.3	5.3	6.3	22.7	12.7
M2 (=M1 + deposits in ouguiyas)	-5.1	-5.1	8.0	4.1	2.1	16.1	17.3
M3 (=M2 + foreign current deposits)	...	...	...	...	...	...	...
Percentage							
<b>Interest rates</b>							
Minimum savings rate	...	...	9.0	10.0	10.0	8.0	8.0
Central Bank discount rate	...	...	15.0	15.0	18.0	13.0	11.0
Maximum commercial bank rate	...	...	22.0	22.0	28.0	23.0	21.0
Percentage of GDP							
<b>Balance-of-payments</b>							
Trade balance	...	...	...	...	...	...	...
Export of goods and non-factor services	49.1	45.4	39.2	39.9	37.9	40.7	40.0
Import of goods and non-factor services	59.5	57.7	48.9	53.8	49.1	52.5	52.6
Current account balance	-5.0	-1.6	1.5	-1.1	4.2	0.8	-5.7
Capital and financial account balance	...	...	...	...	...	...	...
Total debt (US\$ million)	2350.0	2412.0	2456.0	2589.0	2528.0	...	...
External debt	222.0	223.2	229.3	263.4	263.9	...	...
Debt servicing coefficient <sup>d</sup>	22.9	22.7	29.8	23.7	22.4	24.0	15.5
Percentage							
<b>Exchange rate</b>							
Ouguiyas per US\$ (end of period)	137.1	142.5	168.4	205.8	225.0	252.3	264.2
Ouguiyas per SDR (end of period)	203.8	204.8	227.1	289.7	308.8	328.7	332.0
Nominal effective exchange rate	...	...	...	...	...	...	...
Real effective exchange rate	...	0.9	-1.0	-16.4	1.0	...	...

... Not available.

a Including Government enterprises. Until 1997, calculated on the basis of the difference.

b Including financial transactions directly from abroad that do not appear in the Treasury accounts and transactions related to the restructuring of banks and State enterprises; excluding aid.

c Including the accounts of the Development Bank up to 1994, when the Bank wound up.

d Ratio between repayments and interest and the value of exports of goods and services.

Source: IMF (2000a), *Public Information Notice* No. 00/45, June; IMF (2000b), *Mauritania: Statistical Appendix*, Staff Country Report No. 00/90, August [on line]. Available at the following address: <http://www.imf.org>; IMF (2001), *International Financial Statistics Yearbook*, October; World Bank (2001a), *Global Development Finance*, Country tables; and data provided by the Mauritanian authorities.

9. The inflation rate has remained fairly low, an average of around 6 per cent since 1993.<sup>10</sup> Government finances have been stabilized and the budget deficit of around 4.5 per cent of GDP in 1994 was transformed into a surplus of 5.2 per cent in 1996; this surplus lasted until 2000, when a deficit of 4.5 per cent was once again recorded. The balance of payments worsened in 1998 and 1999, but there was a surplus in 2000 as a result of an improvement in the capital balance (Table AI.1). This performance was the result of prudent budgetary and monetary policies (see below), backed up by large-scale structural reform. The following were also undertaken in 2001: fiscal and tariff reforms (Chapter III.2(iii)), including the harmonization of VAT at a rate of 14 per cent, the elimination of fiscal exemptions given to State enterprises, and strengthening of the tax administration; privatization of the majority of State enterprises, including Mauritel, and the sale of two new mobile telephone licences to international investors (Chapter IV.6(iii)); and the introduction of an exchange rate regime to make the national currency competitive.<sup>11</sup> Nevertheless, there was a large deficit in 2001, mostly due to the delay in payment of financial compensation under the fisheries agreement with the European Union.

10. The real rate of growth did not suffice to ensure an increase in real GDP per capita. In 2000, it had not yet reached the same level it had attained in the early 1970s (Chart I.1). It has, however, increased steadily since 1992.

(a) Monetary and exchange policy

11. Until recently, Mauritania's monetary policy had two main goals: to maintain macroeconomic stability and to bring down the cost of borrowing in the private sector. The objective of monetary policy is now price stability. Since 2000, the Central Bank has gradually brought the discount rate down from 18 to 11 per cent and the floor rate for savings deposits from 10 to 8 per cent, and has adopted measures to enhance competition among banks and exercise better supervision over the sector.

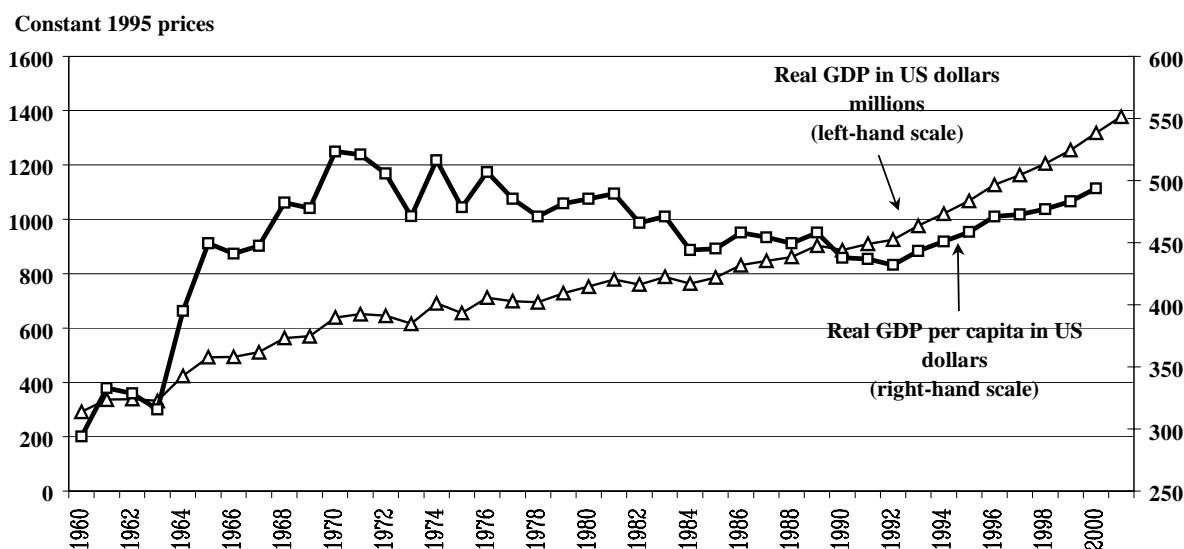
12. The reason for moving away from managed exchange rates was to redirect monetary policy towards goals that were more specifically related to control of the supply of money. In addition to issuing treasury bonds, introduced in 1994 as a money market instrument, the Central Bank has recently started to develop other indirect monetary instruments in order to improve its control over liquidity problems and the conduct of monetary policy.<sup>12</sup> In March 2001, for example, it introduced repurchase operations (repos) or reverse repurchase operations (reverse repos), which supply liquidity and absorb liquidity from the money market respectively, together with performance contracts between the Central Bank and commercial banks.

<sup>10</sup> Inflation has been under control since the mid-1980s as a result of a stringent monetary policy, despite devaluations of the national currency and the elimination of price controls. The inflation rate (the increase in the official consumer price index) has remained below 5 per cent in recent years, with the exception of 1995 and 1998; the inflation rate forecast for 2002 is 4 per cent.

<sup>11</sup> World Bank (2001b), Volume I.

<sup>12</sup> World Bank (2001b), Volume I.

**Chart I.1**  
**Real GDP per capita, 1960-2001**



Source: World Bank, *World Development Indicators*, CD-Rom, version 4.2.; and data provided by the Mauritanian authorities.

13. Since May 2001, Government deposits in commercial banks have been subject to reserve obligations that are identical to those applicable to the private sector and the mandatory reserves for deposits in foreign currency, recently authorized, must be kept in foreign currency. In the medium term, the Government intends to transfer its deposits with commercial banks to the Central Bank after examining the liquidity problems that might arise.<sup>13</sup> According to the IMF, in view of the narrow base of private sector deposits compared with total available credit in the economy, reducing the Government's deposits in commercial banks could jeopardize growth objectives.

14. Prior to the 1995 reform, the main features of Mauritania's exchange control regime were administrative supervision of operations and a large number of exchange rates (an official exchange rate for account operations set by the Central Bank; an exchange rate that was 2 to 4 per cent higher for authorized manual exchange transactions in commercial banks; and a rate with an additional margin of around 20 per cent on the parallel market). In 1995, the authorities started to reform the exchange system and harmonized the official exchange rates, set up exchange bureaux and gradually liberalized exchange transactions. Current transactions are now free and all constraints on capital movements have been abolished.<sup>14</sup>

15. Until recently, foreign exchange earnings from exports of all products and services had to be surrendered. The percentage applied varied depending on whether the exports were iron exported by the National Industrial and Mining Company (SNIM), other products, or services. In 1994, the rates

<sup>13</sup> In 2000, the Government's deposits accounted for around 30 per cent of total deposits.

<sup>14</sup> Central Bank of Mauritania (2001).

were 100, 80 and 90 per cent respectively; exporters were allowed to keep their export earnings for a period of up to 60 days. The percentages were gradually lowered until they were abolished in 2001.<sup>15</sup>

16. The Central Bank has also made efforts to prevent real appreciation of the national currency and at the same time to improve the operation of the exchange market. In order to achieve this, it intends to adopt a number of measures to deepen the market, generate supply of foreign currency outside the Central Bank, and bridge the gap between the official and parallel exchange rates.<sup>16</sup>

(b) Budgetary policy

17. Since the 1980s the main objective of fiscal reform has been to reduce the chronic budgetary deficit, which corresponded to over 10 per cent of the GDP in 1985. The recent fiscal reforms, especially the introduction of VAT in 1995, have allowed the deficit to be brought under control and even led to a surplus after 1995. In 1999, Mauritania had a budgetary surplus of 2.2 per cent of GDP as a result of controlling expenditure and reforming the tax system, for example, by adopting a single rate for VAT; abolishing VAT exemptions, and improving fiscal administration, and these resulted in substantial tax revenue at the end of 2000.<sup>17</sup>

18. Since 2000, budgetary policy has eased somewhat in order to allow increased expenditure on priority objectives identified in Mauritania's PRSP. The budgetary deficit was 4.5 per cent of GDP in 2000 and 5.6 per cent in 2001.

(c) Balance-of-payments

19. Mauritania's current account balance had a chronic deficit in the 1980s and early 1990s, mainly due to an ongoing deficit in the services balance and an unsatisfactory economic performance.<sup>18</sup> The current account balance has improved since 1993 as a result of the satisfactory trend in the trade balance and large official transfers (Table AI.1).<sup>19</sup> In 1999 and 2000, the current account balance, (including transfers from the public sector) had a surplus. In 2001, however, there was a deficit of SDR 43 million (Special Drawing Rights) because of delays in payment of financial compensation under the fisheries agreement with the European Union. The services balance still shows a deficit, due in part to high transport and freight costs.

20. The level of gross official reserves has steadily improved since 1994. In 1999, they corresponded to six months of imports and in 2001 amounted to SDR 231 million (US\$292 million), equivalent to seven months of imports, mainly as a result of increased flows of private capital.

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<sup>15</sup> The obligation to surrender foreign currency earned by SNIM's exports was abolished between 1998 and 2001.

<sup>16</sup> The depth of Mauritania's financial market has decreased and remains limited in comparison with other low-income countries. In 1999, monetary supply accounted for 14 per cent of GDP, compared with 27 and 21 per cent in 1990 and 1980 respectively. In low-income countries in general, the reverse has occurred, with the average rising from 25 per cent in 1980, to 33 per cent in 1990 and 35 per cent in 1996 (World Bank (2001b), Volume I).

<sup>17</sup> EIU (2001).

<sup>18</sup> The majority of international observers query the reliability of the data on Mauritania's balance-of-payments. It would appear that a number of weaknesses remain, especially with regard to statistics for non-mining exports, short-term capital flows, transfers of private capital and the arrears of commercial banks.

<sup>19</sup> EIU (2001).

**(3) TREND IN TRADE AND INVESTMENT**

**(i) Development in trade**

21. Mauritania's foreign trade continually fluctuated during the 1990s, as can be seen both from the national statistics and those of the IMF.<sup>20</sup> Between 1995 and 1998, the value of exports and imports decreased, with exports falling from US\$466 to US\$368 million and imports from US\$407 to US\$372 million. Exports rose slightly in 1999, whereas imports continued to decline. According to the IMF's preliminary estimates, trade flows increased in 2000. Because commodities play an important role in Mauritania's trade, particularly in exports, its trade performance is subject to fluctuations in global prices and this partly explains the marked variations in trade flows recorded in recent years (Tables AI.2 and AI.3).

**(ii) Composition of trade**

**(a) By product**

22. Mauritania's exports comprise a small number of products (Table AI.2). According to the statistics available, Mauritania does not export any manufactured products (Chart I.2). Its exports consist mainly of agricultural products (particularly fish) and mineral products (iron ore), despite the efforts made to develop agriculture and food crops. Although the official statistics do not record exports of raw agricultural products other than fish, other sources (World Bank) confirm that other products are exported to neighbouring countries, for example, livestock and hides and skins.

23. The structure of imports is less concentrated than is the case for exports and is dominated by primary products (which account for over one half of the total) (Table AI.3). The share of basic food products (sugar, wheat, flour, rice) is fairly stable with around 36 per cent of the total. Due to the gradual diversification of the economy and the development of transport, petroleum products account for a relatively large share of imports (16 per cent of the total). The share of manufactures appears to have decreased in recent years. Imports of semi-finished products remain fairly stable (chemicals, iron and steel, and other semi-finished products as a whole account for around 15 per cent of the total), but the share of machinery and transport equipment has fallen.

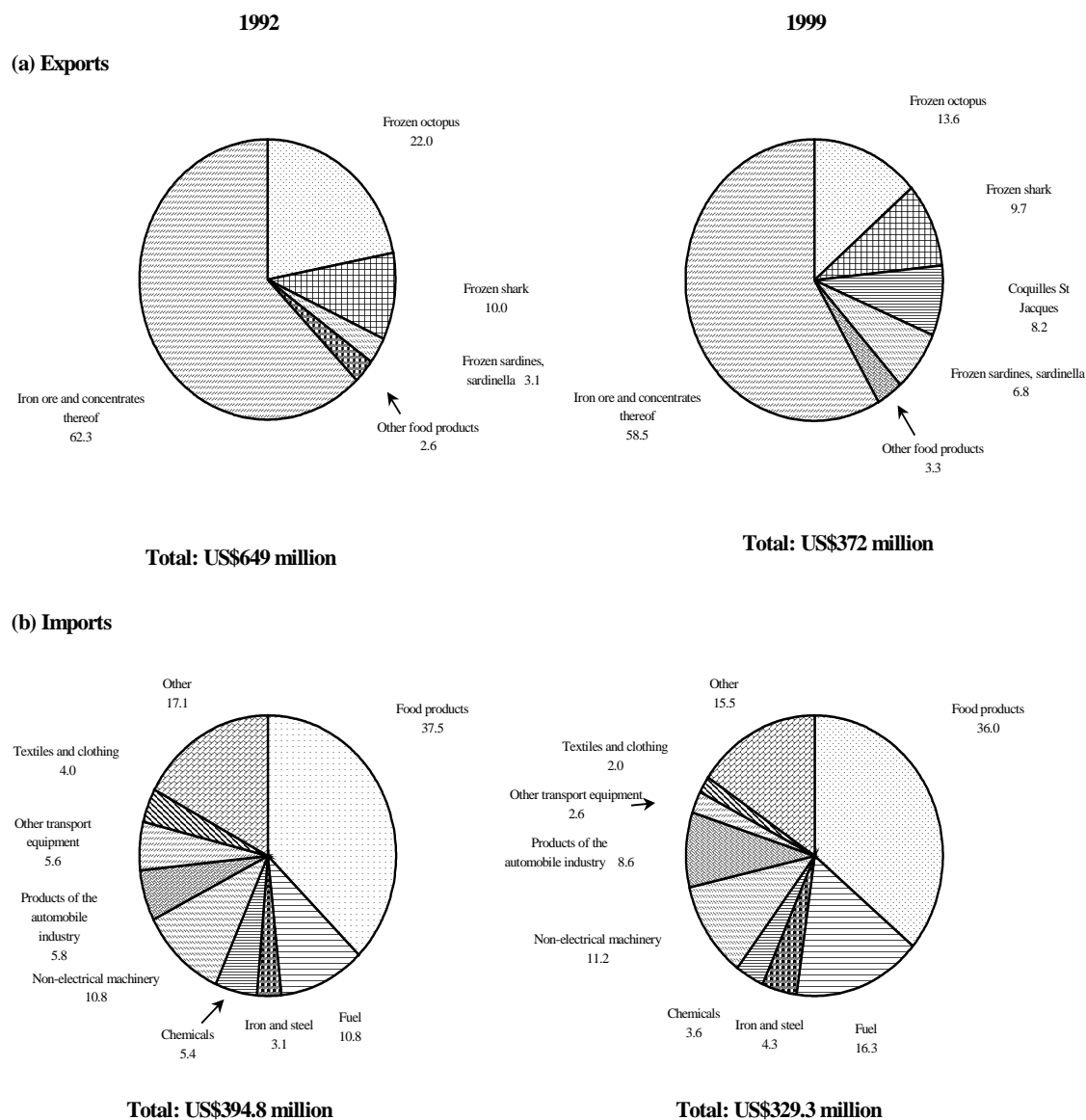
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<sup>20</sup> The national statistics and those of the IMF ("Direction of Trade Statistics") on imports and exports show similar trends, but very different values (Tables AI.2 and AI.5). In 2000, for example, the value of exports by destination according to the IMF was around 40 per cent higher than the figure in the national statistics and for imports by origin the figure was around 80 per cent higher.



**Chart I.2**  
**Trade in goods, 1992 and 1999**

Percentage



**Source:** WTO Secretariat estimates, based on data provided by the Mauritanian authorities.

(b) By country

24. The European Union (EU) is Mauritania's major trading partner (Tables AI.4 and AI.5). Depending on the year, the European Union takes between two-thirds and three-quarters of Mauritania's exports. Within the EU, France is the main market for Mauritanian products, but Italy and Belgium also take a large share. Since 1994, Asia's share of Mauritanian exports has decreased, falling from around 29 per cent to less than 14 per cent in 2000, while sub-Saharan Africa's share appears to be rising (between 1992 and 2000). As regards Mauritania's imports, the EU is also the largest supplier with a market share of 55 to 64 per cent. France alone accounts for around one-third of imports (Chart I.3). Although the shares of America and Africa have in general been stable in recent years, Asia's share has steadily decreased, particularly since 1995 (Table AI.5).

(iii) Composition of trade in services<sup>21</sup>

25. There was a relatively large increase in Mauritanian exports of services in the 1990s, although in value terms they remain modest. In 1998, they amounted to US\$34 million, equivalent to 8.7 per cent of Mauritania's total exports (in 1990, they represented 5.7 per cent). The key factor in this development has been the growth in tourism, which accounted for 80 per cent of the services exported in 1998, compared with 65 per cent in 1990. Earnings from transport services fell sharply, from one-third of exports to only 3 per cent (this is probably a reflection of the disappearance of Mauritania's merchant fleet).

26. Mauritania's imports of services (including services to government departments) amounted to US\$153 million in 1998, of which transport services accounted for the largest share of payments abroad (US\$49 million), followed by expenditure on tourism services by Mauritania's citizens themselves (US\$43 million) and imports of business services (US\$39 million). In the 1990s, imports of transport services fell not only in terms of absolute value but also in relative terms (from 76.9 per cent of total imports of services in 1990 to 37.5 per cent in 1998), unlike other business services, which rose substantially in absolute and relative terms (from 1.7 per cent in 1990 to 29.7 per cent in 1998).<sup>22</sup>

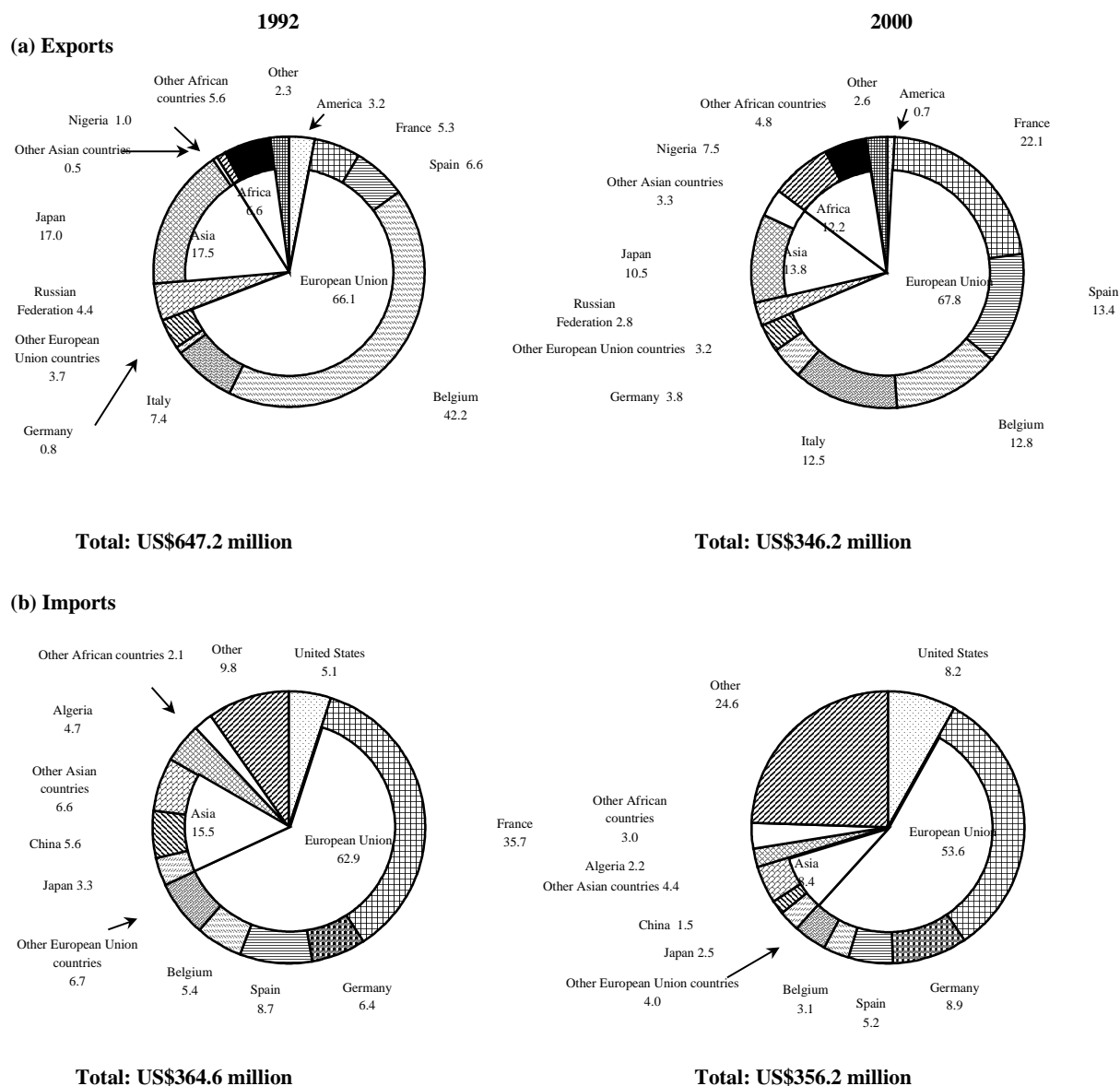
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<sup>21</sup> There are very few studies on trade in services in Mauritania. This section is based on data from the World Bank (2001), *Mauritania – Trade in Services Regime*, mimeo; and the IMF (1998 and 2001).

<sup>22</sup> According to the classification in the IMF Balance-of-Payments Manual (BPM5), used here, the heading "other business services" includes the following: trade-related services; operational leasing (rental without operators) and various business services; professional and technical services such as legal, accounting and management consulting services; public relations services, advertising services, market research and polling services; research and development services; architectural, engineering and other technical services; agriculture and mining services; and on-site processing services for import or export.

**Chart I.3**  
**Trade in goods by destination, 1992 and 2000**

Percentage



**Source:** WTO Secretariat estimates, based on data provided by the Mauritanian authorities.

#### (iv) Investment

27. Until now, the flow of foreign direct investment (FDI) has been closely linked to the Government's individual privatization operations affecting sectors such as air transport (the privatization of Air Mauritanie in 1999) and telecommunications (the privatization of Mauritel in

2001 and the granting of a mobile telephone licence to Mattel). Official data on the total amount, the countries of origin or the sectoral distribution of FDI are not available, however.<sup>23</sup>

#### (4) OUTLOOK

28. Prudent macroeconomic policies and external support have allowed Mauritania's economy to make significant progress, and have resulted in a steady increase in the GDP, the control of inflation and an improvement in government finance *inter alia*. The Government considers that real growth in the GDP will continue and should exceed 6 per cent in 2004. Nevertheless, the estimated growth rate for 2002 has been lowered (5 per cent), due to the bad climatic conditions at the beginning of the year, which had a marked effect on the agricultural sector. Consequently, future growth will have to be based mainly on investment in infrastructure, the poverty reduction programme (with a large increase in government investment) and the expected recovery of the mining sector (due to higher global prices for iron ore).

29. The Government intends to pursue its fiscal and monetary reforms and, at the same time, to increase expenditure in areas deemed to be priorities, as set out in the 2002 budget and the new Investment Code. These reforms include the abolition of all fiscal concessions for enterprises, the development of new incentives in the form of preferential tariffs for certain specific imports (for exporting enterprises) and a system of free points (Chapter II(4)(ii)). A system for collecting VAT from enterprises is expected to be introduced. Government funds will gradually be moved from the commercial banks to the Central Bank and the regulations on the reserve ratio will be eased temporarily (in order to encourage liquidity in the banks during and after the transfer of government funds). International aid in the form of debt reduction and support for development programmes should help to stabilize the balance of payments.<sup>24</sup>

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<sup>23</sup> According to the Ministry of Economic Affairs and Development, FDI in Mauritania was estimated at US\$47.5 million in 2000 (the only year for which data are available).

<sup>24</sup> EIU (2001).