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TRADE POLICY REVIEW OF CÔTE D'IVOIRE: REFORMS AND DEVALUATION STIMULATE EXPORTS

Economic reforms implemented by Côte d'Ivoire since January 1994 when the CFA franc was devalued by 50 per cent are creating a better environment for investment and trade. Quantitative restrictions on most imported products were lifted or are being abolished, import duties were reduced by half and new laws are now in force to improve competition, thereby helping to attract foreign investment and manage the transfer of the State's assets in a large-scale privatization programme.

According to a WTO Secretariat report on Côte d'Ivoire's trade policies and practices, the objective of Côte d'Ivoire's liberalization is to revive the economy which has been in recession for almost seven years mainly because of falling world prices for coffee and cocoa, which presently account for more than half of the country's export earnings. The economic adjustment efforts made in the second half of the 1980s "did not suffice to offset the dual effect of the simultaneous decrease in export earnings and in external competitiveness," says the report. However, with last year's devaluation and general liberalization, exports to neighbouring countries have already increased, especially in the agri-food and textiles sectors. The reforms, says the report, should "enhance the competitiveness of Ivorian companies in all production sectors."

Côte d'Ivoire is one of the main trading nations in sub-Saharan Africa with exports in 1993 totalling \$2.4 billion and imports amounting to \$1.9 billion. Agricultural products account for one third of Côte d'Ivoire's GDP. Current policies for this sector are to deregulate and privatize distribution chains to enhance the role of the private sector and to lower budgetary costs related to food crops, i.e. rice, cotton, palm oil and sugar. Prices for coffee and cocoa, however, are still controlled by the State. In the Uruguay Round, Côte d'Ivoire bound all duties for agricultural products at a ceiling rate of 15 percent with the exception of some products which are bound at rates ranging from five to 75 per cent in 1995 and between four and 64 percent in 2004. The report says that only a few industrial products were bound, i.e. certain rubber products, engines, spare parts and tractors, at ceiling rates ranging between 10 and 25 per cent.

Côte d'Ivoire also made an offer under the General Agreement on Trade in Services (GATS). According to the report, the offer concerns certain professional services and other business services, certain construction and engineering services, certain tourism-related services (hotels, restaurants and travel agencies) and a few transport services. In principle, Côte d'Ivoire is already open to the presence of foreign suppliers of banking, insurance, transport and professional services. The report states that it would be an advantage for the country to participate in these on-going negotiations "so as to give foreign suppliers stable access to these services." The current lack of competition, states the report, results in higher prices and affects the competitiveness of Ivorian exports. "Binding of the existing opening within the GATS and greater liberalization would stimulate competition and allow costs to be lowered, while at the same time diversifying the number and origin of suppliers."

The report cites the desire on behalf of Ivorian authorities to eliminate structural obstacles, thereby making better use of Côte d'Ivoire's assets. The country's many comparative advantages have been recently enhanced by the rise in raw material prices on global markets, the discovery of oil and natural gas off the Ivorian coast and the increased awareness of the country's tourism potential. The report concludes by saying that although regulations and the administrative framework of production and export are still rigid, recent privatization efforts, new investment measures and the facilitation of imports "should rapidly lead to important changes at the export level." These should include "a curtailment of the administrative and customs procedures which slow down exports and increase their cost."

Notes to Editors

1. The WTO Secretariat's report, together with a report prepared by the Government of Côte d'Ivoire, will be discussed by the WTO Trade Policy Review Body (TPRB) on 4 and 5 July 1995.
2. The WTO Trade Policy Review Body conducts a collective evaluation of the full range of trade policies and 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.
3. The two reports, together with a record 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 Côte d'Ivoire and will be available from the WTO Secretariat, Centre William, Rappard, 154 rue de Lausanne, 1211 Geneva 21.
4. The reports cover developments of all aspects of Côte d'Ivoire's trade policies, including domestic laws and regulations, the institutional framework, trade-related developments in the monetary and financial sphere, trade practices by measure and trade policies by sector. Attached are the summary observations from the Secretariat and government report. Full reports will be available for journalists from the WTO Secretariat on request.
5. Since December 1989, the following reports have been completed: Argentina (1992), Australia (1989 & 1994), Austria (1992), Bangladesh (1992), Bolivia (1993), Brazil (1992), Cameroon (1995), Canada (1990, 1992 & 1994), Chile (1991), Colombia (1990), Egypt (1992), the European Communities (1991 & 1993), Finland (1992), Ghana (1992), Hong Kong (1990 & 1994), Hungary (1991), Iceland (1994), India (1993), Indonesia (1991 and 1994), Israel (1994), Japan (1990, 1992 and 1995), Kenya (1993), Korea, Rep. of (1992), Macau (1994), Malaysia (1993), Mexico (1993), Morocco (1989), New Zealand (1990), Nigeria (1991), Norway (1991), Pakistan (1995), Peru (1994), the Philippines (1993), Poland (1993), Romania (1992), Senegal (1994), Singapore (1992), South Africa (1993), Sweden (1990 & 1994), Switzerland (1991), Thailand (1991), Tunisia (1994), Turkey (1994), the United States (1989, 1992 & 1994), Uruguay (1992) and Zimbabwe (1994).

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TRADE POLICY REVIEW BODY**CÔTE D'IVOIRE****Report by the Secretariat - Summary Observations**

After three decades of industrial protection, in 1994 Côte d'Ivoire initiated a trade liberalization programme. Quantitative restrictions on imports have been lifted or are in the process of being abolished; import duties, which are generally ad valorem, have been reduced by half and at the end of 1994 the average rate was 23.5 per cent. There are still export taxes on exports of commodities; however, it has been announced that the objective is gradually to decrease these charges by broadening the fiscal base. In this regard, efforts are under way to extend the scope of indirect taxes and consequently lessen the State's dependence on taxes on international trade. New laws have been adopted to improve competitiveness within the Ivorian economy, attract foreign investment and manage the transfer of the State's assets as part of the large-scale privatization programme.

The objective of this liberalization is to revive an economy that has been depressed by almost seven years of recession, largely as a result of the fall in the prices of coffee and cocoa, the main export products, and the attendant increase in the real effective exchange rate during the second half of the 1980s. The economic adjustment efforts undertaken at the domestic level during this period did not suffice to offset the dual effect of the simultaneous decrease in export earnings and in external competitiveness so on 12 January 1994 Côte d'Ivoire, together with its partners in the franc zone, devalued its currency from CFAF 50 to 100 for one French franc, while at the same time introducing a new macroeconomic adjustment programme.

The Ivorian economy is to a large extent based on the export of agricultural products, which account for one third of GDP; this makes the economy extremely vulnerable to price or demand fluctuations on global markets. This is why the State intervened in the past in order to stabilize export prices and volumes, thereby causing considerable losses. The main objectives of the current agricultural policy are the deregulation and privatization of distribution chains in order to enhance the role of the private sector and lower budgetary costs. These measures apply to food crops, in particular, rice, cotton, palm oil and sugar. The role of the private sector is, however, restricted to export activities in the case of coffee and cocoa, whose prices are still controlled by the State, which assumes the major part of the risks due to fluctuations in global prices.

In industry, devaluation and the liberalization of imports should help to restore the balance of the relative price structure, which showed considerable distortions according to whether or not the goods were traded. According to preliminary observations, exports to countries in the subregion rose sharply in 1994, especially in the agri-food and textiles sectors. The Government hopes that restoring the balance will attract investment in sectors with high value added, thus contributing towards the diversification of the Ivorian economy. In this connection, trade, investment and price reforms should help to increase the number and enhance the competitiveness of Ivorian companies in all production sectors.

The majority of services, including public services and power supply, are monopolies with controlled prices, while financial and professional services are as a whole protected from competition through an inflexible regulatory framework that is not conducive to the development of new activities. Exporters often have to bear other costs such as the obligation to use national maritime transport or insurance services. The telecommunications sector is currently being reformed with a view to its privatization.

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Côte d'Ivoire has ratified the Uruguay Round Agreements. It has applied the General Agreement since 1947, first of all as a French Overseas Territory and then, since 1963, as a contracting party. In the Uruguay Round Agreements, Côte d'Ivoire bound all duties applicable to agricultural products at a ceiling rate. Only a few industrial products were bound. Côte d'Ivoire has only made modest commitments under the General Agreement on Trade in Services (GATS).

Côte d'Ivoire in world trade

With exports amounting to US\$2.4 billion in 1993 and almost US\$1.9 billion of imports, Côte d'Ivoire is one of the main trading nations in sub-Saharan Africa. The ratio of trade in goods and services to GDP is high, having risen from 75 per cent in 1992 to more than 110 per cent after the change in parity in 1994. The primary, secondary and tertiary sectors represent 34, 28 and 38 per cent of GDP respectively. Two thirds of the work force is employed in agriculture. The manufacturing sector is mainly based on the processing of agricultural and energy raw materials; among the major sectors are the agri-food, wood, industrial agriculture (cotton, rubber), petroleum products and textiles sectors.

The European Union is Côte d'Ivoire's major trading partner, accounting for 52 per cent of its exports and 54 per cent of imports in 1992. Trade relations with France are very close and the latter supplies 35 per cent of imports and takes 18 per cent of Ivorian exports. The Netherlands supplies 3.5 per cent of Ivorian imports and is an important outlet, purchasing 11.5 per cent of Ivorian exports, especially cocoa.

Côte d'Ivoire's African trade accounts for 29 per cent of its imports and 35 per cent of its exports. Its major trading partners belong to the Economic Community of West African States (ECOWAS) and, first and foremost, to the West African Economic Community (CEAO). Among African countries, the major suppliers are Nigeria, with 18 per cent of imports, mainly oil and natural gas, followed by Cameroon and Senegal. More than 5 per cent of Ivorian exports go to Burkina Faso, which is the main African market for Côte d'Ivoire, followed by Mali, Nigeria, Senegal and Ghana. South Africa takes almost 2 per cent of Ivorian exports.

Coffee and cocoa together account for more than half of export earnings, lower than the figure of 64 per cent in 1986. Other agricultural exports in order of importance are wood, cotton, rubber and fresh fruit. Exports of manufactures mainly comprise petroleum products, as well as food products such as preserved fish, palm oil and sugar; Côte d'Ivoire also exports textiles, chemicals and cement.

Intermediate goods, especially crude petroleum, account for almost 40 per cent of Ivorian imports. Imports of pharmaceutical and plastic products, as well as other consumer goods, account for around one-quarter of the total; the share of capital goods and materials in Ivorian imports has varied between 20 and 25 per cent since 1990. In 1992, food products made up more than 16 per cent of imports. Among these, imports of fish caught in Ivorian waters by foreign boats are substantial and are partly utilized by the local processing industry. The current trade structure is, however, likely to undergo far-reaching changes as a result of recent discoveries of oil and natural gas off the Ivorian coast.

Institutional framework

Executive power is vested in the President, who presides over the affairs of State. The President appoints the Prime Minister, who in turn appoints the other members of the Government after consultation with the President. Trade policy issues are the responsibility of the Ministry of Industry and Trade. Other ministries having competence in this area are the Ministry of the Economy, Finance

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and Planning, in charge of customs administration; the Ministry of Raw Materials; the Ministry of Agriculture and Livestock Resources; the Ministry of Transport; the Ministry of Mining and Energy; and the Ministry of Foreign Affairs. The National Assembly consists of a single chamber of 175 members elected for five years who pass the laws that are subsequently promulgated by the President.

Among the texts of particular relevance for foreign trade are the Customs Code and the Investment Code. International treaties are subject to a vote in the National Assembly and, as in the case of the Final Act of the Uruguay Round, they come into effect immediately they are ratified without the need to adopt any implementing legislation. International treaties have primacy over all laws except the Constitution; the President is responsible for their negotiation, but usually delegates his authority to the competent ministry. Trade policy negotiations are primarily the responsibility of the Ministry of Industry and Trade.

The rules and disciplines contained in the Final Act may be invoked before the Ivorian Courts and their obligations are taken into account when formulating economic policy.

In the Uruguay Round Negotiations, Côte d'Ivoire's main objectives were to improve the legal framework of multilateral trade and to maintain special and differential treatment for developing countries. The authorities noted the importance of a monitoring mechanism to ensure that all the rules and disciplines embodied in the Final Act were applied. In addition, the Ivorian authorities stressed the need for better organization of commodity trade, which hitherto had been left totally in the hands of speculators. Lastly, the need to ensure that environmental concerns were not used as an instrument of trade protection was underlined.

The Ivorian authorities are generally satisfied with the Uruguay Round Agreements, which afford better access to markets and strengthen rules. However, they consider that gains in productivity will be needed before the Ivorian economy can benefit fully from the results of the Agreements. Côte d'Ivoire regrets the erosion of its preferential trading position on the market of the European Union and hopes that any wearing away of the Lomé Convention will be prevented. According to the Ivorian authorities, in view of the liberalization process already under way, no major legislative changes will be needed to bring the Ivorian laws into conformity with the Final Act.

Côte d'Ivoire has concluded 34 bilateral trade agreements, which generally provide for an MFN regime. Côte d'Ivoire is not a signatory to the Agreement on the Global System of Trade Preferences (GSTP) among Developing Countries. It has signed a number of commodities agreements under the auspices of the United Nations Conference on Trade and Development, including the agreements on coffee, cocoa, rubber and tropical timber.

Côte d'Ivoire enjoys privileged access without reciprocity to the market of the European Union under the Lomé Convention. This regime allows access to the Community market for Ivorian exports of manufactures and some agricultural products free of any duty or quantitative restrictions. In the case of banana exports, this regime was the subject of two disputes under Article XXIII of GATT, in which five Latin American countries contested the compatibility of this regime with the General Agreement. All other developed countries grant Côte d'Ivoire trade preferences corresponding to their national preference schemes (GSP).

Côte d'Ivoire does not have any independent official body responsible for reviewing or advising the Government on trade policy.

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Trade policy features and trends

Recent evolution

Although the number of import levies is relatively high with at least four separate duties (customs duty, fiscal duty, stamp duty and a levy on imports carried by sea), their levels have been substantially reduced. A large number of measures on import quotas have been lifted or are about to be abolished. Increased foreign competition has made it possible to liberalize domestic prices of certain products previously subject to controls such as cement and rice.

Although the privatization of State holdings in key economic sectors has been delayed, the announced transfer of State holdings in the rice, cotton, palm oil, rubber and sugar sectors, and also in telecommunications and transport, should help to dismantle certain trade privileges which represented important obstacles to competition and consequently to the flexibility and adaptability of the economy as a whole. Another objective of the recent legislative reform is to prevent State enterprises with controlled prices from becoming private monopolies after privatization.

In order to encourage direct investment, the authorities introduced a single window system at the beginning of 1995, thereby considerably simplifying and accelerating investment formalities. These reforms followed the introduction of a new draft Investment Code aimed at encouraging the creation and development of enterprises in Côte d'Ivoire, in particular, by granting tax exemptions. The new Code abolishes the "establishment agreements" which existed between the State and the private sector, as well as the privilege of being considered a priority enterprise which was inherent in these agreements.

There has been little change in the export regime, however, except for the introduction of new taxes on the principal exports. Administrative formalities are still as a whole relatively complicated both in respect of customs formalities and the internal transport of goods subsequently exported. Improvements have nevertheless been made in order to broaden access to maritime transport.

Type and incidence of trade policy instruments

Imports into Côte d'Ivoire are subject to a number of levies. In addition to the uniform customs duty of 5 per cent there is a fiscal duty, which varies between 5 and 30 per cent, and a statistical tax of 2.5 per cent; the majority of imports are also subject to a 0.6 per cent levy on imports carried by sea. Moreover, some special taxes apply to particular products, mainly alcohol, tobacco, fuel, as well as some meats, fish and dairy products. A limited number of tariff lines enjoy free entry (medicines, books and periodicals, as well as certain agricultural and textiles inputs). Côte d'Ivoire has a system for the inspection of goods before shipping and its cost is usually 0.75 per cent of the f.o.b. value. Côte d'Ivoire does not apply any seasonal tariffs or variable levies.

To the above must be added VAT, whose modal rate is 20 per cent applied to the c.i.f. price of imports plus import duties. Although the rates are the same for products of any origin (domestic or foreign), the highest rates are often levied on imported products, while locally produced goods and services generally benefit from exemptions or lower VAT rates.

A number of other measures help to complicate the regulatory framework and may have an adverse impact on imports. Minimum levies are applied to the import of certain products such as alcohol, tobacco and coffee. The reference prices used as a basis for customs valuation of imports correspond to relatively high minimum prices in certain cases, for example, rice and oilseeds and products thereof.

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The authorities have announced their intention to apply the customs valuation method in the Uruguay Round Agreements.

Some imports are still subject to quotas at levels that are sometimes very low. This is the case for coffee, rice, flour, sugar, tobacco, certain textiles, some tyres and used vehicles, as well as certain tools and other iron products. Other products require a prior authorization from the competent ministry.

The State is involved in whole or in part in a relatively large number of trade activities, particularly through its participation in national enterprises. For example, the State plays a role in the majority of agricultural sectors (coffee, cocoa, cotton), but also in domestic and international trade in manufactures such as palm oil, sugar, tobacco, petroleum products, the manufacture of tools, textile sacks, paperboard and metallic packaging. Through its participation in the capital of a number of national companies, the State also plays a role in the trade in financial services, maritime transport, rail and air services and construction services. The trade in petroleum, electricity and gas is a State monopoly with controlled prices.

Monopolies and exclusive rights to production, marketing or import are confined to a few categories of goods and services including rice, flour and sugar; energy products such as electricity and crude petroleum; postal, telecommunications and water services.

Since the early 1980s, the annual amount of Government procurement has decreased considerably and has been around CFAF 70 billion (approximately US\$125 million) annually since 1992. Awarding contracts through open tenders only accounts for one third of the total number of contracts. The authorities emphasize that contracts financed as part of bilateral aid in many cases compel the authorities to obtain supplies from industries in the donor country. The regulations in force in Côte d'Ivoire provide for preference to be given to suppliers established in Côte d'Ivoire provided that the quality and the price are the same. Nevertheless, Government procurement is in general open to foreign suppliers; Côte d'Ivoire's accession to the new Agreement on Government Procurement in the Uruguay Round Agreements would allow the foreign presence to be diversified while at the same time opening up new markets for Ivorian enterprises.

In the area of intellectual property, Côte d'Ivoire is a signatory to the Bangui Agreement, which establishes a uniform system for the protection of intellectual property in the 12 member countries. Côte d'Ivoire, as a developing country, has an additional period of five years in which to harmonize its legislation with the Agreement on Trade-Related Aspects of Intellectual Property Rights. In practice, many counterfeit goods are on sale in Ivorian markets.

Export taxes are applicable to the reference prices for coffee, cocoa, wood and cola nuts. One of the aims of these taxes, reintroduced on coffee and cocoa in 1994 after a four-year interval, is to stimulate diversification towards exports with a higher value added and, in the case of wood, to discourage deforestation. These export taxes give the State a large proportion of its revenue and their abolition would lead to a significant increase in internal taxation. The reference prices for wood have tripled since devaluation; reference prices (minimum levies) also apply to other products such as bananas, pineapples and coconut oil.

The majority of products subject to an export tax are also subject to export quotas. For wood, the quotas are sold at auction. The export of some products also requires a permit issued by the competent technical ministries. In general, the institutional and administrative environment for exports would benefit from greater simplification so as to facilitate and promote new export activities and develop those already existing. The cost of financial, professional and transport services is a decisive element in the capacity of Ivorian products to confront international competition.

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Côte d'Ivoire has not established any free zones. A temporary admission system has been set up in order to allow certain enterprises which export to import their inputs free of duty.

A number of export activities are the subject of a monopoly, either officially or in practice. This is the case for energy products, but also sugar, palm oil and cotton. Exports of coffee, cocoa and some fresh fruit such as bananas are organized in such a way as to control the quantities available and the prices obtained.

Coffee and cocoa play a major role in the economy because of the jobs, revenue and budgetary earnings they create. These products are exported by large international trading companies at prices guaranteed by the Agricultural Produce Price Stabilization and Support Fund (CSSPPA), irrespective of the trends in prices. Its stabilization role led to substantial losses for the State when prices fell at the end of the 1980s. The CSSPPA now forward sells 60 per cent of the harvest in order to minimize the risk of price fluctuations between the guaranteed prices to exporters and global prices.

In these sectors, Côte d'Ivoire has not broken with the system of producer prices and State control of internal and external marketing in the agricultural sector, even though in certain cases fixed prices have been replaced by minimum prices. This contrasts with the privatization announced for several agricultural complexes, which should lead to important changes in the rice, sugar and cotton sectors and in oilseeds and their products. In general, it can be noted that the sectors that are wholly managed by the private sector, for example, rubber and banana production, have achieved the best economic performance.

State participation in the production and distribution of energy is in the form of exclusive concessions granted to the private sector; the rates are usually negotiated in such a way as to guarantee the concessionaire stable remuneration whatever the trend in global prices for the goods and services concerned or for the inputs needed for their production. This is the case for the production of electricity, petrol refining and the supply of natural gas.

Following the liberalization of imports and the change in parity, the Ivorian manufacturing sector is showing signs of recovery, with a significant increase in exports in 1994. Côte d'Ivoire's comparative advantages lie in the processing of agricultural raw materials, mainly food products, rubber and cotton. Wood processing could also be developed if solutions to the problems of deforestation could be found.

The competitiveness of services sectors is necessary for the recovery of exports of manufactured and agricultural products. For the time being, private or public monopolies with controlled prices are the norm for maritime, rail and air transport, retail trade, telecommunications and public services.

Temporary measures

Côte d'Ivoire has no legislation concerning anti-dumping or countervailing duties. Nevertheless, specific duties are levied on imports of certain meats and dairy products in order to offset the effect of the export subsidies granted by the European Union for its exports. Côte d'Ivoire does not apply any safeguard measures; reference prices for imports fulfil this function.

Trade policies and trading partners

The recent macroeconomic recovery, which included the adjustment of exchange rates, the restoration of budgetary and external balances and external financial flows, helped to create a more stable environment for investment and trade. These measures show the authorities' desire to eliminate

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the structural obstacles to better exploitation of Côte d'Ivoire's assets. The country has many comparative advantages and they have recently been enhanced by the rise in raw material prices on global markets, the discovery of oil and natural gas off the Ivorian coast and increased awareness of the country's tourist potential.

Although the regular regulatory and administrative framework of production and export is still rigid, the privatization efforts, the new measures on investment and the facilitation of imports should rapidly lead to important changes at the export level. These should include a curtailment of the administrative and customs procedures which slow down exports and increase their cost. These measures are indispensable in order to revitalize economic machinery which could be more flexible and more competitive.

Under various programmes in the European Union, the United States and other countries, Côte d'Ivoire receives large quantities of subsidized cereals, including rice and flour, whose impact on local production of food crops is considerable. Côte d'Ivoire's agricultural trade should in the long term benefit from the disciplines on subsidies in the Uruguay Round Agreements, while exports of manufactures should be able to take advantage of better terms for market access.

The Ivorian services sector is in principle open to the presence of foreign suppliers, present in banking, insurance, transport and professional services, as well as in the majority of public services. It would therefore be to Côte d'Ivoire's advantage to participate in the negotiations taking place within the General Agreement on Trade in Services (GATS), so as to give foreign suppliers stable access to these services. Although there is a large foreign presence, lack of competition means that prices are high and this affects the competitiveness of Ivorian exports. Binding of the existing opening within the GATS and greater liberalization would stimulate competition and allow costs to be lowered, while at the same time diversifying the number and origin of suppliers.

TRADE POLICY REVIEW BODY

CÔTE D'IVOIRE

Report by the Government - Summary Extracts

General Trade Policy Objectives

From the first decades of its independence, Côte d'Ivoire's trade policy objectives were grounded in economic liberalism and openness to the outside.

This dual orientation was reflected in a policy of incentives and liberal measures to encourage both domestic and foreign investment, relying in particular on:

- An incentive-based investment code;
- a regime to encourage reinvestment;
- a customs tariff which favoured import substitution.

The weakness of the private sector, in which national operators were virtually absent, strongly influenced the State to involve itself in economic activities, in the form of heavy investment and an increasingly heavy regulatory framework. The private sector was thus to some extent hedged about, had a minor role and generally set up in sometimes over-protected niche markets and openings.

The steady fall of the price of coffee and cocoa from 1978 plunged the country into an extended period of recession, marked by a significant loss of competitiveness, a general decline in economic activity, worsening of the budget deficit and soaring public debt.

At the beginning of the 1980s, the Ivorian authorities adopted a new economic policy consisting of a series of economic and financial recovery measures. The new policy significantly changed the direction of trade policy, whose main objective became export-led recovery.

Côte d'Ivoire is currently going through a transition phase, involving the economic stabilization plan and the privatization of enterprises under public ownership. This phase should lead to an improvement in productivity and competitiveness in the economy.

The improvement in trade relations with countries in the sub-region is also one of Côte d'Ivoire's trade policy objectives.

Consequently, in 1992, Côte d'Ivoire decided with other member countries to transform the West African Monetary Union (WAMU) into a true economic union. For trade policy, that involved harmonization of legislation, unification of domestic markets and the implementation of common sectoral policies in the basic sectors of their economies.

Sectoral objectives

Since 1994, the Ivorian Government has been resolutely following a more liberal trade policy in all sectors of economic activity, introducing deregulation of prices and trade channels, and greater openness to national and foreign competition.

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In the agricultural sector, Ivorian trade policy objectives are both to strengthen traditional production and diversify non-traditional agricultural exports. Agricultural policy particularly emphasizes promotion of food crops and development of agro-industry to permit the processing of raw materials and export of semi-finished or finished products.

The mining and energy sectors are expected to take off due to significant investment in the exploitation of:

- Oil reserves, whose production should allow Côte d'Ivoire to be self-sufficient in 1995/96 and even to export in the future;
- gold, manganese and nickel deposits; and
- natural gas, which should cover national needs for electricity, and also exports to neighbouring countries.

Côte d'Ivoire expects to play a key role in the sub-region in the service sector through:

- Development of the Abidjan Stock Exchange, and banking and insurance services;
- promotion of Côte d'Ivoire as a tourist destination;
- development of means of telecommunication; and
- confirmation, in the transport sector, of the role of Côte d'Ivoire as the main transit and trans-shipment platform in the sub-region.

Lastly, reform in the industrial, mining and energy sectors and in the service sector should support and enhance the country's export capacity.

Côte d'Ivoire in the Uruguay Round

Côte d'Ivoire already has a legal and regulatory framework which meets the objectives of the Agreement Establishing the World Trade Organization (WTO), namely:

- Liberalization of its foreign and domestic trade;
- adoption of an investment code which is very favourable and open to foreign economic developers; and
- establishment of a national committee for competition to combat fraud and dumping and a liaison committee between the public and private sectors responsible for exploiting the conclusions of the Final Act to the country's best advantage.

The Ivorian authorities welcome the advent of the WTO as a powerful instrument for developing and least-developed countries, resulting from:

- Special and differential treatment and new strengthened world trade rules which more effectively protect less-favoured countries against dumping, subsidies and anti-competitive practices;

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- the Uruguay Round achievements in terms of market access which may allow Côte d'Ivoire to diversify considerably its exports to countries with which hitherto it had very little in the way of trade relations.

Côte d'Ivoire nevertheless regrets the erosion of its preferential trade position in the European Union market. It believes, however, that the real opportunities for diversification will in the future compensate for the erosion of the agricultural preferences under the Lomé Convention.

Côte d'Ivoire ratified the Final Act in January 1995. Since Ivorian law was in conformity with the Final Act, no major legislative changes will be necessary. As indicated above, the liberalization process was already under way.

Côte d'Ivoire submitted its initial commitments in 1992. Its offers may be summarized as follows:

With regard to agriculture, Côte d'Ivoire undertook to bind its customs tariffs at a ceiling of 15 per cent, with the exception of 25 tariff lines where the respective duties have been reduced to rates ranging from 4 to 64 per cent. The other duties and taxes on all agricultural products were listed at cumulative rates varying between 15 and 80 per cent.

With regard to industrial products, nine groups of products (certain rubber products, engines, spare parts and tractors) were bound at levels ranging from 5 to 15 per cent.

Trade measures directly affecting exports

Regulatory framework

Despite the introduction of a very liberal regulatory regime for foreign trade, particularly concerning exports and the adoption of a Sectoral Adjustment and Competitiveness Programme (PASCO), several elements of which include regulatory reforms with a direct impact on exports, there are still constraints which place a brake on exports.

These are:

- complexity of export procedures;
- complexity and slowness of temporary admission procedures and reimbursement of VAT;
- regulations and practices concerning maritime and air freight.

The export of Ivorian products into and out of the franc area is based on the production of detailed declarations (D6, D5, D8, D86).

Taxes, charges and fees on exports

Côte d'Ivoire applies export taxes to certain raw materials.

The single export duty (DUS) applies to the following products:

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- coffee (roasted and unroasted) 200 CFA francs per net kg.;
- cocoa (beans) 200 CFA francs per net kg.;
- colanuts: Order No. 84-813 of 27 June 1984 (14 per cent);
- uranium ores and concentrates (7 per cent);
- raw timber (ad valorem taxes varying from 1 to 44 per cent according to the variety of wood);
- plywood (1 per cent).

The ad valorem duties have not varied since devaluation. Specific duties on coffee and cocoa were introduced.

Côte d'Ivoire applies reference prices under Decree No. 90-444 of 29 May 1990, Decree No. 94-377 of 1 July 1994, Circular No. 749 of 2 August 1994, on rough timber and certain wood products for export.

Export prohibitions

Exports are unrestricted, with the exception of certain products subject to prior authorization or prohibition.

Quotas and other measures to reduce exports

Côte d'Ivoire is a party to the Coffee Export Retention Plan set up in 1993, and the Plan adopted by the International Cocoa Organization aimed at reducing over-production.

Exports of bananas to the European Union are restricted to 155,000 tonnes per year under the terms of the Convention of Lomé. This quota was raised to 162,500 tonnes for a production potential of 250,000 tonnes (Regulation No. 3224/94 of December 1994).

State trading

A certain number of exporting enterprises with State participation are represented on international markets. These are:

- the Agricultural Produce Price Stabilization and Support Fund (CSSPPA): exporting coffee and cocoa;
- Palmindustrie: exporter of palm oil;
- SODESUCRE: exporter of sugar products;
- the CIDT: company producing and exporting raw cotton.

State companies are also present in the export of services, notably in the maritime, rail and air transport sector, telecommunications, oil and electricity.

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Export cartels

There are two export cartels: the Agricultural Produce Price Stabilization and Support Fund (CSSPPA) which controls exports of coffee and cocoa and the Organization of Pineapple and Banana Producers and Exporters, which coordinates distribution of bananas and pineapples to the European Union.

Export subsidies

An export subsidy introduced in 1984 was intended to pay exporting companies a subsidy assessed at 40 per cent of the added value of imported inputs. This subsidy has since been abolished.

Tariff and fiscal advantages

The temporary admission regime allows the import of raw materials as inputs for the manufacture of products which are subsequently exported. The duration of suspension is a maximum of 12 months (provisions under ordinary law). The guarantee required is 50 per cent of the suspended duties.

Although there is provision for it in the sectoral adjustment programme (PASCO), the drawback regime is not yet in place in Côte d'Ivoire.

Export promotion

The principal agency responsible for export promotion is the Abidjan International Trade Centre (CCI-A) established by Decree No. 84-933 of 27 July 1984. The CCI-A is a public agency of an industrial and commercial nature under the Ministry of Trade and Industry. Its activities consist of promoting and developing trade between the Côte d'Ivoire and its foreign partners.

Certain technical ministries and private bodies participate in the implementation of the export promotion policy. Notable amongst these are the Directorate for the Promotion of Foreign Trade (Ministry of Trade and Commerce) and the Côte d'Ivoire Chamber of Commerce and Industry (CCI-CI) financed by the private sector.

Obstacles faced by export promotion include lack of institutions capable of supporting private exporting initiatives, particularly an export credit insurance company, and a national export infrastructure, etc.

Measures affecting production and trade

Public enterprises and the privatization process

In 1985, some 50 per cent of the capital of Ivorian enterprises was held by the State, the rest being split between the Ivorian private sector (10 per cent) and foreign capital (40 per cent).

Reforms under the Sectoral Adjustment and Competitiveness Programme have led to a significant privatization programme.

At the present time, some 15 enterprises have been privatized. These include an electricity distribution company, two publishing houses, a livestock processing complex, a tourist group, three agro-industrial companies, etc.

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In all, some 60 enterprises will be privatized, 15 in the current year, and the others under restructuring plans. Companies which can be mentioned are:

- The large agro-industrial groups in the hevea, oil palm, sugar and cotton sectors;
- the railway company;
- the oil refinery;
- the telecommunications company; and
- various companies in the petroleum, hotel and service fields.

Tax and investment legislation

The new Investment Code (1995) grants significant fiscal and tariff advantages to enterprises. It clearly shows the Government's desire to encourage investment in general regardless of scale.

The new Code does not make any distinction concerning the source of capital goods. All capital goods, whether locally produced or imported, are eligible, under the same conditions and with the same effect, for the following advantages under the Code:

- Exemption from import duties (fiscal and customs) on all equipment needed to undertake the investment, including the first batch of spare parts, for an amount at least equal to the upper threshold (2 billion CFA francs). For investment amounts included between the lower threshold (500 million CFA francs) and the upper, a single import duty of 5 per cent is applied, with the exception of construction materials, movable assets and passenger vehicles, for which all import duties must be paid regardless of the amount invested;
- exemption from VAT on the cost of material and equipment, utility vehicles and spare parts for an amount of investment at least equal to the lower threshold, with the exception of building materials, movable assets and passenger vehicles;
- exemption from tax on profits;
- exemption from tax on licences; and
- in the case of investments at least equal to the upper threshold, exemption from property tax on buildings constructed.

An enterprise which wishes to benefit from the advantages under the approval regime must, among other things, comply with the following obligations:

- Employ Ivorian management staff, supervisors and other workers and provide for their training, in accordance with the current regulation, particularly the operation of the fund for the development of vocational training;
- comply with national or international quality standards applicable to goods and services, which are the subject of its activities;
- refrain from altering ecological conditions, particularly the environment; and
- respect the regulations concerning deposit of agreements and contracts concerning title to industrial property or acquisition of technology.

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The approval regime applies to all economic activities with the exception of building and public works and financial services.

Investments which are not eligible under the approval or declaration regimes are subject to the relevant ordinary law and particularly the provisions of the General Taxation Code and the Customs Code. Investments in financial services are subject to the provisions of Law No. 90-589 of 25 July 1990 containing the banking regulations in Côte d'Ivoire and their implementing decrees.

Under the terms of the current regulations, the exercise of financial or banking activities is subject to approval by order of the Minister Responsible for the Economy, Finance and Planning, after a favourable opinion by the Banking Commission of the West African Monetary Union (Articles 7 to 9 of Law No. 90-589 of 25 July 1990).

Likewise, financial institutions are classified by decree in distinct categories taking account of their activities.

They may not exercise the activities of another category without prior authorization (Article 10).

Lastly, under Article 25 of the above law, certain operations require prior authorization of the Ministry of the Economy and Finance. These particularly concern:

- Transfer by a bank or financial institution of more than 20 per cent of its assets related to its operations in Côte d'Ivoire;
- acquisitions or disposals of shares the effect of which would be to increase the share of a single person above the level required to block resolutions or the majority of voting rights or reduce such shareholding beneath such thresholds.

The Centre for the Promotion of Investment in Côte d'Ivoire (CEPICI), established by Decree No. 93-774 of 29 September 1993 and officially opened on 8 March 1995, is primarily intended to facilitate, firstly, the administrative procedures concerning the establishment and operation of enterprises and, secondly, completion of the formalities concerning the granting of investment-linked benefits, particularly those offered under the new Investment Code.

Price regulation and marketing

Until 1990, prices of all products could be fixed by decree (Law No. 60-273 of 2 September 1960, on price regulation in Côte d'Ivoire).

Since 1991, prices of goods and services traded in Côte d'Ivoire have been freely determined by market forces. Nevertheless, prices of goods and services of prime necessity or general consumption may be regulated following an opinion of the Commission on Competition. Thus, only 22 groups of goods and services were subject to price controls.

In January 1994, following the devaluation, the prices of 34 goods and services (including a list of 22 products) were frozen for a period of three months. At the end of that period, only the goods and services listed were subject to price controls. After the liberalization of prices of cement and rice, only the prices of 20 goods and services often considered as of prime necessity were regulated:

- water;
- electricity and gas;

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- urban transport;
- rail transport;
- telecommunications;
- oil products;
- charcoal;
- fees of doctors, clinics and hospitals;
- school and university fees;
- wheat, flour;
- vegetable oils;
- cotton;
- sugar;
- machetes;
- certain batteries; and
- pharmaceutical products.

In general, price regulation in Côte d'Ivoire concerns goods and services for which the domestic and foreign trade is restricted, and is thus aimed at preventing price abuses resulting from monopoly situations.

Legislation on competition

Ivorian legislation on competition dates from December 1991 (Law No. 91-999 of 27 December 1991 on competition).

A Commission on Competition was established to implement the above-mentioned law. The Commission gives its opinion on all questions concerning competition referred to it by the Government or on its own initiative.

It must be consulted by the Government on any draft legislation or regulations instituting measures to restrict competition.

The Commission may also give its opinion on the same matters at the request of:

- Local authorities (collectivités territoriales), professional and union bodies, accredited consumer organizations and chambers of commerce concerning interests for which they are responsible;
- an enterprise which is the victim of discrimination as regards investment advantages granted by the State.

The Commission on Competition gives an opinion, for the settlement of disputes over unlawful agreements and abuses of dominant position, as well as concerning control of a concentration of economic power, in the following circumstances:

- (1) Any concerted action, agreement, coalition, express or tacit understanding with the object or which might have the effect of preventing or restricting free competition is prohibited, notably when such action might result in:
 - (a) Restricting market access or the free exercise of competition by enterprises not involved;

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- (b) hindering the setting of prices by free market forces by artificially encouraging price increases or reductions;
 - (c) restricting or controlling production, outlets, investment or technical or commercial progress;
 - (d) sharing of markets or sources of supply.
- (2) In the same circumstances, any abusive practice or tactic by an enterprise or group of enterprises occupying a dominant situation in the domestic market or part of it, either as a result of a monopoly situation or by an excessive concentration of economic power, is prohibited.

Such abuses may consist of refusal to sell, linked sales or discriminatory sale conditions and breaking of established commercial relations, based solely on the refusal of a trading partner to accept unjustified trading conditions.

Current programmes for trade liberalization, including those agreed in the context of sectoral adjustment and/or debt negotiations

The marked and prolonged deterioration in the terms of trade during the 1980s plunged Côte d'Ivoire into a lasting economic recession.

The result was a significant loss of competitiveness, a general decline of economic activity, worsening of the budget deficit and soaring public debt.

In order to correct these imbalances, the Ivorian Government, with the support of international financial institutions, embarked upon a number of programmes which were strengthened, from 1990, by the economic stabilization and recovery plan based on the following principles:

- Return to and maintenance of strict macroeconomic stability;
- direct withdrawal of the State, through privatization of certain activities. The State now only intervenes in trading activities when private economic operators cannot undertake such activities in the general interest;
- indirect withdrawal of the State by deregulation aimed at more systematic use of adjustment by market forces.

From 1991, a new programme of stabilization and economic recovery was launched, supported by three sectoral adjustment programmes which made it possible to restructure the financial sector (PASFI), restore the overall competitiveness of the economy (PASCO) and initiate a programme to improve health and education services. In addition, a plan to reform the public sector and privatize some 60 public enterprises was also put into effect.

The programme to rehabilitate the financial sector made it possible in particular to reform and restructure the financial institutions (banks, insurance, stock exchanges), restore bank liquidity, introduce major improvements in monetary policy and improve financial intermediation mechanisms.

These measures taken as a whole resulted in the primary balance of financial operations of the State moving from a deficit of 225 billion CFA francs in 1989 to a surplus of more than 60 billion

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CFA francs in 1994. Parallel to this, the hitherto persistent downward trend in GDP was eliminated, with positive growth in 1994. The necessary foundations for growth have thus been established.

In order to attract investment, the Government has implemented an innovative policy of investment promotion and withdrawal of the State from the productive sector by introducing a package of measures aimed at improving competitiveness in the economy, strengthening the economic fabric and promoting the private sector. This includes in particular:

- Significant fiscal relief measures such as:
 - reduction of customs duties from an average rate of over 100 per cent to an average rate of about 40 per cent;
 - improving the neutrality of VAT by extending its scope;
 - reduction or abolition of certain charges;
 - reduction of rates on industrial and commercial profits, now at 35 per cent instead of 50 per cent;
 - reduction of TPS on bank agios from 25 to 10 per cent;
 - downward revision of employment tax for expatriates now fixed at 11.5 per cent compared with 16 per cent and abolition of this tax for local staff;
 - reduction of the rate of income tax on intangible assets applicable to the revenue from loans;
 - reduction in capital tax;
 - exemption from duties and taxes on certain products;
 - reform of certain taxes related to manufacture of local products;
 - extension of the period of carry-forward of losses from three to five years;
- greater flexibility in employment legislation in order to increase competitiveness of local labour;
- adoption of a law to simplify recovery of certain commercial debt;
- liberalization of foreign trade;
- ongoing revision of business law in the countries of the franc area;
- easing and simplification of the overall administrative procedures concerning both domestic and foreign trade;
- price liberalization;
- active promotion of competition;

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- improvement in the costs of certain factors of production such as labour, water, electricity, gas and increase in the energy capacity of the country, particularly implementation of the CIPREL project;
- introduction of the computerized registry in the Abidjan Court;
- improvement in security of property and persons.

The advantages and incentives for investment contained in the draft investment code of the Mining Law establishing better, more transparent, rapid and equitable conditions of access to all economic operators, regardless of their sectoral activity, should be added to this list which is not exhaustive.