

Trade Policy Review Body

TRADE POLICY REVIEW

MAURITANIA

Report by the Secretariat

This report, prepared for the first Trade Policy Review of Mauritania, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the Government of Mauritania on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr W. Alfaro (Tel. 022/739 5372) or Ms Ulla Kask (Tel. 022/739 5627).

Document WT/TPR/G/103 contains the policy statement submitted by the Government of Mauritania.

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on Mauritania.

CONTENTS

	<i>Page</i>
SUMMARY OBSERVATIONS	vii
(1) ECONOMIC ENVIRONMENT	vii
(2) INSTITUTIONAL AND TRADE POLICY FRAMEWORK	viii
(3) TRADE POLICY INSTRUMENTS	ix
(4) SECTORAL POLICIES	xi
I. ECONOMIC ENVIRONMENT	1
(1) BACKGROUND	1
(2) ECONOMIC DEVELOPMENTS	3
(3) TREND IN TRADE AND INVESTMENT	8
(i) Development in trade	8
(ii) Composition of trade	8
(iii) Composition of trade in services	10
(iv) Investment	11
(4) OUTLOOK	12
II. TRADE AND INVESTMENT REGIMES	13
(1) GENERAL INSTITUTIONAL AND LEGAL FRAMEWORK	13
(i) Overview	13
(ii) The Executive	13
(iii) The Legislature	13
(iv) The Judiciary	15
(v) Advisory organs	16
(vi) Trade policy formulation and implementation	17
(vii) Main laws and regulations	18
(viii) Transparency and governance	19
(2) TRADE POLICY OBJECTIVES	20
(i) General objectives	20
(ii) Sectoral objectives	21
(3) TRADE AGREEMENTS AND ARRANGEMENTS	22
(i) World Trade Organization	22
(ii) Regional agreements	26
(iii) Other trade agreements and arrangements	28
(4) FOREIGN INVESTMENT REGIME	29
(i) Overview	29
(ii) Regulatory framework	29
III. TRADE POLICIES BY MEASURE	32
(1) OVERVIEW	32
(2) MEASURES DIRECTLY AFFECTING IMPORTS	32
(i) Procedures	32

	<i>Page</i>
(ii) Customs valuation	34
(iii) Tariff regime and other taxes affecting imports	34
(iv) Rules of origin	41
(v) Import licences, prohibitions and other controls	41
(vi) Emergency measures	42
(vii) Standards and other technical requirements	43
(viii) Government procurement	44
(ix) State trading enterprises	46
(x) Other measures affecting imports	46
(3) MEASURES DIRECTLY AFFECTING EXPORTS	47
(i) Registration and documentation	47
(ii) Export taxes	47
(iii) Export prohibitions, controls and licensing	47
(iv) State trading	48
(v) Free points	49
(vi) Aid to export, promotion and financing of exports	49
(4) MEASURES AFFECTING PRODUCTION AND TRADE	49
(i) Incentives	49
(ii) Competition policy and regulatory issues	50
(iii) Pricing and marketing arrangements	50
(iv) Protection of intellectual property rights	51
IV. TRADE POLICIES BY SECTOR	55
(1) INTRODUCTION	55
(2) AGRICULTURE	56
(i) Overview	56
(ii) Agricultural policy	57
(iii) New guidelines for agricultural policy	60
(3) FISHERIES	61
(i) Overview	61
(ii) Fisheries Policy	62
(4) MINING	66
(i) Overview	66
(ii) Mining policy	66
(5) MANUFACTURING SECTOR	71
(i) Overview	71
(ii) Sectoral policy	71
(6) SERVICES	72
(i) Overview	72
(ii) Financial services	73
(iii) Telecommunications	76
(iv) Transport	77
(v) Tourism	79
BIBLIOGRAPHY	81
APPENDIX – TABLES	83

CHARTS

	<i>Page</i>
I. ECONOMIC ENVIRONMENT	
I.1 Real GDP per capita, 1960-2001	6
I.2 Trade in goods, 1992 and 1999	9
I.3 Trade in goods by destination, 1992 and 2000	11
III. TRADE POLICIES BY MEASURE	
III.1 Breakdown of MFN duties applied, 2001	36
III.2 Rate of MFN duties applied, by section of the HS, 2001	37
III.3 Tariff escalation, 2001	38
IV. TRADE POLICIES BY SECTOR	
IV.1 GDP by sector, 1990-2001	56
IV.2 Escalation of duties applied to manufacturing industry products, 2001	73

TABLES

I. ECONOMIC ENVIRONMENT	
I.1 Mauritania in figures 1990-2001	2
I.2 Main economic indicators, 1995-2001	4
III. TRADE POLICIES BY MEASURE	
III.1 Main characteristics of the structure of MFN duties, 2001	37
III.2 Simple average of MFN duties, according to the stage of processing, 2001	38
III.3 Percentage of lines bound before, during and after the Uruguay Round	39
III.4 Thresholds for the award of government procurement contracts	45
III.5 Principal amendments in the revised Bangui Agreement	52
IV. TRADE POLICIES BY SECTOR	
IV.1 Taxation applicable to the various types of mining licences	70
IV.2 Price of communications: international comparisons	77

APPENDIX TABLES

	<i>Page</i>
I. ECONOMIC ENVIRONMENT	
AI.1 Balance of payments, 1995-2001	85
AI.2 Exports by group of products, 1992-2000	86
AI.3 Imports by group of products, 1992-2000	87
AI.4 Exports by destination, 1992-2000	88
AI.5 Imports by origin, 1992-2000	89
II. TRADE AND INVESTMENT REGIMES	
AII.1 Mauritanian trade and investment laws and regulations	90
III. TRADE POLICIES BY MEASURE	
AIII.1 MFN tariff rates, by hs chapter	91
AIII.2 Tariff statistics by isic rev.2 categories, 2001	95
AIII.3 Tariff statistics, by group of products, 2001	99

SUMMARY OBSERVATIONS**(1) ECONOMIC ENVIRONMENT**

1. Since the end of the 1980s, but particularly since the end of the military regime in 1992, Mauritania has embarked upon economic reforms intended to liberalize its economy and foreign trade and strengthen the legislative framework. The major reforms focused on: freeing prices and eliminating barriers to international trade, liberalization of the exchange regime; stabilizing the financial sector; gradual privatization of State enterprises; and fiscal, customs and judicial reforms. The structural reforms have laid the bases for sustained economic development and have decisively improved the business climate in Mauritania.

2. The reforms, prudent micro-economic policies and foreign support have allowed Mauritania's economy to make notable progress that has led in particular to steady growth of the economy, a modest level of inflation and a marked improvement in government finance and the balance-of-payments. Since 1993, Mauritania's GDP has risen at an average annual rate of 4.5 per cent, sustained mainly by government investment (often financed by external funds) and to a lesser degree by exports. Real GDP per capita has increased substantially since 1992. Despite this progress, there is still a high level of poverty in Mauritania and it is one of the least developed countries (LDC).

3. Mauritania's external debt continues to remain at a high level (around US\$2.5 billion in 1999), equivalent to over 260 per cent of the GDP. There is also a relatively high level of debt servicing, although it has improved from 24 per cent of exports in 2000 to 15.5 per cent in 2001. Mauritania has qualified for debt relief under the enhanced Heavily Indebted Poor Countries Initiative (HIPC). In addition to its debt burden, Mauritania's economy remains highly vulnerable to external shocks because of its narrow production and export base. The arid

climate helps to make Mauritania dependent on food imports.

4. Mauritania's economy has traditionally been based on trade and agriculture, especially livestock, to which have been added mining and fisheries. The most important sectors in terms of share of GDP are: services (with around 50 per cent) and agriculture (with around 18 per cent). The fisheries and mining sectors as a whole, however, provide almost all exports of goods, despite their fairly modest share of the GDP (around 5 and 13 per cent respectively). The manufacturing sector remains relatively undeveloped.

5. International trade plays an important role in Mauritania's economy. The shares of imports and exports in the GDP are around 50 and 40 per cent respectively. Foreign trade remains highly concentrated, especially in terms of products. Commodities play the leading role in trade in goods, particularly exports (iron and fisheries products). The share of staple food products in imports has remained fairly stable (around 36 per cent of the total); petroleum products account for around 16 per cent of total imports.

6. The European Union (EU) is Mauritania's main trading partner. Depending on the year, it takes between two-thirds and three-quarters of Mauritania's exports; in 2000, the figure was 71 per cent. Asia's share has fallen since 1994, from almost 29 per cent to less than 14 per cent in 2000. As far as imports are concerned, the EU is also Mauritania's major supplier, with a market share ranging from 55 to 64 per cent in the 1990s. Although the shares of America and Africa have in general remained stable in recent years, Asia's share has continually decreased, especially since 1995. Regional trade (with the exception of petroleum products from Algeria) is not very substantial. Mauritania is a net importer of services, particularly transport services.

(2) INSTITUTIONAL AND TRADE POLICY
FRAMEWORK

7. In 1991, Mauritania introduced multiparty rule into its new Constitution, together with the principle of the separation of powers and recognition of individual and collective freedoms. The current political system consists of an Executive power, vested in the President of the Republic and the Government appointed by him, a Legislative power, exercised by the Parliament, which is composed of two houses, the National Assembly and the Senate, and a Judicial power, together with advisory institutions such as the Higher Islamic Council and the Economic and Social Council.

8. Primary responsibility for framing and implementing trade policy lies with the Ministry of Trade, Craft Industries and Tourism. Other ministries such as the Ministries of Foreign Affairs and Cooperation, Economic Affairs and Development, Finance, Fisheries and the Maritime Economy, Rural Development and the Environment, Interior, Post and Telecommunications, Mining and Industry, Public Works and Transport, and Water Resources and Energy have direct responsibility in their respective spheres. Closer coordination among these ministries would enable Mauritania to have a more consistent trade policy. A formal framework for consultation with the private sector was established in 1996; such consultation has become a regular practice since 1998 and appears to be highly valued by Mauritania's private sector.

9. Reducing poverty and improving the population's standard of living remain the key objectives of Government policy. The general objectives of the poverty reduction strategy are to reduce the proportion of Mauritanian citizens living below the poverty threshold to less than 17 per cent by 2015 and to attain the social development targets defined in respect of education, health, access to drinking water, and housing. The authorities consider international trade to be an essential tool in

economic development and, consequently, in combating poverty.

10. In recent years, Mauritania has revised and amended a large number of trade-related laws and regulations in order to enhance the trade and investment environment by liberalizing the economy and updating legislation to take into account its obligations under the multilateral trading system. The amendments concerned a variety of areas, including customs valuation, investment, government procurement and competition. The following are among the texts recently amended (2002): the Customs Code, the Investment Code, and the Government Procurement Law. The competition legislation, which establishes freedom of trade, pricing and competition, was incorporated into the new Commercial Code in 2000. Other texts recently adopted include the Arbitration Code, the Code of Obligations and Contracts, and texts regulating the organization of the Judiciary.

11. Mauritania's participation in the multilateral trading system and in regional and bilateral initiatives are a reflection of its efforts to become integrated in the global economy. It is one of the original WTO Members and grants at least MFN treatment to all its trading partners. Mauritania is neither a signatory to nor an observer in the WTO's plurilateral agreements. At the end of the Uruguay Round, Mauritania had bound 833 of its 5,533 tariff lines, corresponding to around 15 per cent of the total (including agriculture); 100 per cent of tariff lines for agricultural products have been bound. Nevertheless, some confusion still remains because Mauritania's previous commitments (Geneva, Annecy and Torquay Schedules) have not been transposed into the Harmonized System. According to an unofficial provisional transposition made by the WTO Secretariat, Mauritania's tariff bindings cover around 41 per cent of the total tariff lines.

12. Mauritania has also submitted its schedule of commitments on services. The list does not contain any horizontal restrictions

nor exemptions from the obligation to grant MFN treatment. Mauritania has undertaken specific commitments in the tourism sector. At the Fourth Ministerial Meeting of the WTO in Doha, Mauritania underlined the importance of international trade as a tool for poverty reduction and supported the launching of a new round of multilateral trade negotiations. As regards the WTO's dispute settlement mechanism, Mauritania has not been involved in any case. Mauritania has not yet fulfilled its obligations in respect of most of the annual notifications required under the WTO Agreements.

13. A study carried out by the World Bank in 2001 shows that, despite sustained growth in the economy and significant trade reforms, Mauritania is still not well integrated in the global economy. The key obstacles to development of Mauritania's trade include supply-side constraints (in particular the very limited number of exportable products), inadequate port and road infrastructure, and poor tourism facilities, the lack of human and institutional resources needed for more effective participation in the multilateral system, and in negotiations in particular. In order to tackle these constraints, a coherent programme of integrated technical assistance is needed. The trade-related areas in which Mauritania has the greatest need of assistance are: knowledge of issues relating to the multilateral system, especially in university circles and the private sector and among officials responsible for implementing trade policy instruments; notifications; implementation of the WTO Agreements and capacity-building for negotiations. Mauritania is one of the first three pilot countries for the implementation of the Integrated Framework for Trade-Related Technical Assistance to least developed countries.

14. Mauritania has signed a number of trade agreements with countries including Algeria, Egypt, Gambia, Mali, Morocco, Senegal and Tunisia. It did not prove possible to determine definitively the level of tariff preferences covered by these bilateral

agreements. Mauritania also belongs to the Arab Maghreb Union (UMA), which does not appear to be operational at present. It was a Member of the ECOWAS until the end of 1999, when it withdrew for political and economic reasons.

15. Mauritanian products enjoy non-reciprocal preferential treatment on the European Union market under the Cotonou Agreement and the "Everything but Arms" Programme for LDCs. Preferences are also granted to Mauritanian products on the United States market under the African Growth and Opportunity Act and on the markets of other developed countries under the Generalized System of Preferences (GSP).

(3) TRADE POLICY INSTRUMENTS

16. In recent years, Mauritania's trade regime has been liberalized. The purpose of the trade reform was to eliminate barriers to international trade and to enhance the competitiveness of Mauritania's exports. Customs procedures have been simplified, and the majority of customs duties rationalized, while most non-tariff measures have been abolished.

17. In June 2002, Mauritania amended its customs valuation legislation and now uses the transaction value as the basis for valuing imported goods. It would seem, however, that the minimum import value is still used for second-hand vehicles.

18. Customs tariffs are Mauritania's main trade policy instrument at the border. A statistical fee of 3 per cent is also imposed on the majority of imported goods. All the customs tariffs applied are ad valorem duties, which makes the Mauritanian tariff system more transparent. Seasonal duties are applied to a limited number of agricultural products. MFN duties have been reduced and rationalized in recent years (the number of rates has fallen from 13 in 1997 to 4 in 2000), and the maximum duty fell from 30 to 20 per cent over the same period. In 2002, the simple average of MFN duties applied (excluding the

statistical fee) is 10.6 per cent, with an average of 10.3 per cent for manufactured goods and 12 per cent for agricultural products (WTO definition). The level of binding of MFN duties remains higher. MFN duties on agricultural products have been bound at rates of 25 per cent, 30 per cent, 50 per cent and 75 per cent depending on the category of product; duties on other goods (including leather, rubber, footwear and travel goods, together with transport equipment) have been bound at a uniform rate of 30 per cent. Bridging the gap between bound rates and those applied, while maintaining the current level of openness in the market, would enhance the predictability of Mauritania's tariff regime. Although there is a certain degree of escalation of MFN rates in some branches, in general the situation is less clear-cut. Overall, the rates applied to raw materials are slightly higher than those applicable to intermediate goods, but are lower than the rates applied to processed goods, which shows a relatively high level of protection given to certain agricultural commodities. In general, escalation is slightly more marked in industry than in agriculture, although there are considerable discrepancies according to the branch of activity.

19. Imported goods are subject to a value added tax (14 per cent) and some products are subject to excise duty. The rates applied to imported products are the same as those applicable to domestic products.

20. Some operators are eligible for exemptions from general taxes at the border. Waivers and exemptions from import duties and taxes are classified into the following categories: exemptions for the National Industrial and Mining Company (SNIM); Investment Code; aid and grants; diplomatic exemptions; special exemptions; partial waivers; and other exemptions and waivers. The Customs Code also includes a regime for the refund of duties under which exporters are eligible for partial or total refunds of duty paid on imported inputs.

21. Mauritania's import regime includes few non-tariff barriers. The import of the majority of products does not require an import licence. There are very few import restrictions, which are mainly intended to guarantee safety, public order and health. The former quota system, which linked rice imports to purchase of local paddy rice, was abolished in 1999. Mauritania does not have any standardization or quality control systems and does not possess an adequate infrastructure for testing and metrology. It would appear that, for reasons such as safety or health, French, American or other international standards may be applied and required when products are imported into Mauritania.

22. The new Government Procurement Code came into effect in 2002 and it makes the regime more transparent, although Mauritanian enterprises may still be given a preferential margin of up to 15 per cent. Mauritania does not have any special legislation on the application of anti-dumping, countervailing or safeguard measures. Some provisions on anti-dumping measures can be found in the Customs Code, giving the President the right to impose anti-dumping or countervailing measures through a decree, where necessary, but no measure of this type has yet been applied.

23. The export regime has also been liberalized. Mauritania does not impose any bans or quantitative restrictions on exports and does not require export licences. Export taxes have been abolished, with the exception of products of the pelagic fishing industry and the small-scale fishing industry. The Government does not grant any special export subsidies.

24. There are no special incentives given to Mauritanian enterprises. Some measures currently in effect allow enterprises to enjoy fiscal advantages such as the reimbursement of VAT, declining and deferred balances, and a system of free points for exporting enterprises.

25. *The legislation on the protection of intellectual property has been revised at the regional level (within the framework of the African Intellectual Property Organization (AIPO)). Mauritania's international commitments on intellectual property rights are governed by the revised Bangui Agreement of 1999, which came into force in 2002. According to the Mauritanian authorities, the purpose of the revision was to bring the regional system into conformity with the TRIPS Agreement. The national authorities are responsible for ensuring observance of intellectual property rights.*

(4) SECTORAL POLICIES

26. *Mauritania does not apply any special sectoral trade policies. The new Investment Code, enacted in 2002, establishes free points as the major tool for promoting exports. The Code applies to all sectors of the economy and, unlike the previous Code, no longer defines priority areas. In general, the new Code considerably simplifies the financial incentives and abolishes the special regimes (with the exception of that applying to the national company SNIM).*

27. *In the past, the Mauritanian Government pursued a food self-sufficiency policy, but the agricultural sector has now been liberalized. One of the principal features of the reform has been the development of agricultural credit, formerly reserved for rice production, and subsequently made available for other activities. Several programmes are being implemented, the most important of which is the Programme for the Integrated Development of Irrigated Agriculture in Mauritania (PDIAIM). The objective is mainly to increase value added in the agricultural sector and improve the employment opportunities and income of the inhabitants of the Senegal river valley. The principal measures envisaged are the establishment of a favourable legal and institutional framework, the development of basic infrastructure, the diversification of production and the mitigation of the impact on the environment.*

28. *Fishing is one of the key sectors of the Mauritanian economy. Initially, in the 1970s, fisheries policy was more protectionist and aimed primarily at encouraging the creation of a national industrial fishing fleet; in 1994, it was revised and focused principally on the protection of resources, the rationalization of fishing, the improvement of the sector's performance and the continuing withdrawal of the State from production and marketing activities. The new Fisheries Code of 2000 is also based on these principles and stresses the controlled development of commercial fishing, the expansion of small-scale fishing and the reorganization and modernization of the Mauritanian fleet, together with development of exports of processed products. Mauritania has concluded bilateral fisheries agreements with Algeria, Japan, Morocco, Russia, Senegal, Tunisia and the European Union. With regard to exports, the Mauritanian Fish Marketing Company (SMCP) has a monopoly of marketing of fisheries products subject to the landing obligation (mainly cephalopods). Other species may be freely exported.*

29. *The mining sector is considered to offer great potential for Mauritania. It is also one of the key sectors in Mauritania's economy; iron ore exports account for around 60 per cent of Mauritania's total exports. In 1999, with the assistance of the World Bank, the Government drew up the Project for the Institutional Strengthening of the Mining Sector (PRISM) whose main objective is to build Mauritania's capacity and improve its competitiveness in order to attract private investment in the development of the mining sector. A new Mining Code was adopted in 1999 designed to stimulate and encourage investment in mineral exploration and production.*

30. *The Mauritanian manufacturing sector is comparatively undeveloped. The processing of fisheries products excluded, the sector contributes about 4.2 per cent to GDP (8.4 per cent including the processing of fisheries products). Almost all manufacturing output is consumed locally.*

31. *The liberalization and privatization of services such as financial or insurance services was initiated at the end of the 1980s. Almost all the banks have been privatized. To improve the financing of traditional sectors, in 1998, a new law on micro-financial intermediation was adopted. To finance the economic sectors with a strong potential for job creation, the authorities have encouraged the establishment of specialized institutions such as UNCACEM for agriculture or UNCOPAM for small-scale fishing. The liberalization of air transport and basic telecommunication services got under way in the early 1990s. New legislation on air transport is being prepared and the telecommunications legislation was drawn up in 1999. Air Mauritanie and Mauritel were privatized in 1999 and 2001 respectively. The tourism sector is largely open to foreign participation and, since the adoption of a new law in 1996, investment in this sector has increased.*