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Trade Policy Review Body

TRADE POLICY REVIEW

Report by the Secretariat

MAURITANIA

This report, prepared for the second 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 Mauritania on its trade policies and practices.

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Document WT/TPR/G/250 contains the policy statement submitted by Mauritania.

CONTENTS

Page

Page

CHARTS

TABLES

Page

APPENDIX TABLES

SUMMARY OBSERVATIONS

(1) ECONOMIC ENVIRONMENT

1. Since military power ended in 2009, Mauritania has declared that it is decisively committed to better governance, which should help to reinforce its economic growth. Despite the difficult socio-political context marked by several *coups d'état* since the previous Review of its Trade Policy (TPR) in 2002, economic growth surged ahead after crude oil, gold and copper started to be exported in 2006. Per capita income almost doubled between 2004 and 2009, reaching close to US$945, although this has not had any noticeable impact on the human development index, and Mauritania remains a least developed country.

2. Although most of the population still works in agriculture and rearing livestock (25 per cent of GDP) and - to a lesser extent - in trade (13 per cent), fisheries (5 per cent) and mining (15 per cent) together account for almost all exports of goods, with commodities (iron ore, fisheries products and, since 2006, crude oil, gold and copper) predominating. The share of staple foodstuffs in imports has risen sharply, highlighting the problem faced by the country in increasing its agricultural output. Because of the increase in their global price, there has also been a steep rise in the share of petroleum products in total imports in terms of value.

3. The European Union (EU) is Mauritania's leading trading partner. Its share of Mauritania's exports rose from 71 per cent in 2000 to 78 per cent in 2008. The EU is still the country's major supplier, but its share of the market fell steeply from 52 per cent in 2002 to 42 per cent in 2008. In Asia, only China's share of Mauritania's trade rose to any marked extent, exports to China increasing from 0.5 per cent to 8 per cent of the total, while imports from China grew from 1.5 per cent to 5 per cent of the total over the same period. There is still relatively little regional trade at the formal level (with the exception of petroleum products from Algeria) because most trade is in smuggled goods. Mauritania is a net importer of services, especially transport and engineering services; its fishing rights, recorded as exports of services, play a prominent role.

(2) OVERALL TRADE POLICY FRAMEWORK

4. Since 2002, few reforms have been undertaken in the area of customs, trade or investment regulations. Heavy State involvement and the lack of competition remain major challenges, together with combating both corruption and rent seeking.

5. The Mauritanian State in fact still has majority holdings in several commercial companies, to which it grants various benefits in the form of monopoly rights, tax concessions or subsidies, and which represent an obstacle to the growth of competitor companies in the private sector. This is the case for imports of hydrocarbons and gas, (inadequate) production of electricity, and imports of food products for the low-income sectors of the population, which are wholly or partly State monopolies.

6. Likewise, the majority of exports are by State-trading enterprises: the National Industrial and Mining Company, Mauritania's largest industry, accounts for 15 per cent of GDP and is almost 80 per cent owned by the Mauritanian State. It exports most of its production of iron ore, particularly to Europe and Japan. The State also holds 70 per cent of the capital of the Mauritanian Fish Marketing Company, and has a 12 per cent share in the consortium which exports all Mauritania's petroleum. The rest of the mining sector is widely open and is dominated by foreign companies. The latter mostly invest under agreements signed with the Mauritanian State, which are not covered by the provisions of the Investment Code, especially as regards transparency and review.

7. A handful of large family-owned groups control trade in imported food products

(rice and cereals in particular), construction, hotel and restaurant services, and the banking sector. Improving Mauritania's competition regime, and opening up to foreign competition, would not only help to lessen concentration in Mauritania's market, but would also raise the quality/price ratio for goods and services put up for consumption, because Mauritania is currently an expensive country at the regional level. For this purpose, in June 2011, Mauritania was on the verge of adopting new legislation to make government procurement more transparent.

8. In general, systematic publication of regulations on each government office's website, on which the public could post comments, would help to combat anti-competitive practices and would enable a list to be compiled of the reforms to be introduced as a priority.

(3) TRADE POLICY INSTRUMENTS

9. Mauritania is an original member of the WTO and grants at least most-favoured-nation treatment to all its trading partners; it is neither a signatory to, nor an observer in, the WTO's plurilateral agreements. Mauritania has bound almost 40 per cent of its tariffs lines in the WTO at ceiling rates. The average bound tariff is around 20 per cent on agricultural products and 38 per cent on non-agricultural products. Other duties and taxes are bound at 0 or 15 per cent.

10. The applied tariff is entirely *ad valorem*, with a relatively simple four-rate structure (0, 5 per cent, 13 per cent and 20 per cent). Since its previous TPR in 2002, Mauritania has raised its customs duty on non-agricultural products, which has meant higher prices for consumers of these imported goods; the average applied rate rose from 10.6 per cent in 2001 to 12.1 per cent in 2011. Moreover, for around 11 per cent of the tariff lines the applied rates exceed the rates bound in the WTO.

11. Mauritania is one of the few WTO Members that does not grant preferential tariffs to any country. Although there is no specific restriction in Mauritania's legislation, several practices, for example, lack of information on the documents and quality required in order to obtain an authorization to engage in trade, may explain the limited number of importers listed in the central register. Numerous documents are required for every import, including a "special authorization" for "sensitive" products, which in practice means that the lucrative trade in rice, sugar and medicines is reserved for a few privileged operators.

12. Furthermore, although Mauritania introduced the computerized customs system ASYCUDA++ in July 2010, trade facilitation has not been a priority. Physical inspection of imported goods remains the rule, and procedures are still lengthy and computerized either only in part or not at all. The transmission of information among those mainly involved (Customs, inspection company, port authority) goes by regular post or messenger. According to the Customs, Mauritania still uses reference values supplied by the preshipment inspection company, which levies almost 0.98 per cent on the value of imports for its fees.

13. Mauritania's participation in the WTO's technical assistance activities in connection with trade facilitation or Aid for Trade would allow trade to play its role as a catalyst for competition and in revitalizing the economy.

(4) SECTORAL POLICIES

14. There is a large foreign presence in Mauritania's two principal economic activities (mining and fisheries products), despite a high level of State involvement. Up until now, Mauritania has earned a large percentage of its income from selling licences to foreign companies, thus contributing towards intensified exploitation of its resources rather than sustainable development of local

exploitation more closely integrated into the national economy. This policy is at the root of the sharp decline in the main fisheries resources as a result of over-exploitation. It has proved attractive to numerous foreign economic partners, but has not contributed towards the expansion of the local private sector. As regards mining, a law that gives foreign companies tax concessions that are not available to Mauritanian companies should be revised in order to encourage local subcontractors in the sector as well.

15. The numerous plans for agriculture and livestock development have not been implemented. Legislation on international trade in animal products dates from the 1960s, and there is no proper coordination of sanitary and phytosanitary control at the border, which is not conducive to developing exports, despite Mauritania's advantages in this respect. Likewise, the lack of a food security strategy and consultation among the various stakeholders, combined with the scarcity of production credits, explain the persistence of food insecurity.

16. The telecommunications and electricity markets, open to competition, together with the water sector, are supervised by the Regulatory Authority. Despite the present shortcomings, Mauritania has advantages for the sustainable development of the electricity sector, including large reserves of natural gas and broad expanses of desert with potential for solar and wind energy. Moreover, mining projects could cover high demand for electricity.

17. Mauritania has managed to develop important manufacturing activities such as the processing of fisheries products, and to gain access to the major foreign markets, especially the European Union, where many Mauritanian firms are authorized to market their products. For this industry to develop, in addition to addressing the question of sustainability of fisheries resources, the authorities should ensure that the industries are able to recruit skilled personnel and that credit is available at affordable cost for companies and their subcontractors. An improvement in the business climate, together with less red tape, would contribute towards this.

18. The regulations on land transport were revised in 2007 in order to improve safety and quality and to lower costs. Road development receives a large part of the financial support given to Mauritania by its partners, notably the European Union and the World Bank. The limited extent of Mauritania's road network, however, is still hampering exploitation of its economic potential. Updating its legislation on civil aviation, which dates back to the 1970s, should help to improve governance in Mauritania's air transport sector and, consequently, boost its development and its contribution towards Mauritania's integration into global trade.