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Trade Policy Review Body

TRADE POLICY REVIEW

MALI

Report by the Secretariat

This report, prepared for the Trade Policy Review of Mali, 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 Mali on its trade policies and practices.

Document contains the policy statement submitted by the Government of Mali.

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SUMMARY OBSERVATIONS

(1) ECONOMIC ENVIRONMENT

1. Mali is a West African least-developed country (LDC) which became independent on 22 September 1960. Upon independence, Mali opted for a planned economy on the basis of five-year programmes drawn up by the State. In order to underpin this option, State enterprises were set up in all sectors. Mali left the franc zone and created the Malian franc in 1962.

2. The inherent limits of this development strategy (in particular poor management of bloated, State-subsidized government enterprises), compounded by Mali's "natural" economic difficulties as a land-locked LDC, prompted a first set of reforms in 1982, at a time when the country was accumulating internal and external payment arrears. Mali rejoined the West African Monetary Union and hence the franc zone in 1984. Notwithstanding a significant financial improvement the adjustment effort was interrupted in 1987.

3. The first structural adjustment programmes supported by the International Monetary Fund and World Bank were established in 1988. These programmes, aimed at opening up the economy and strengthening the role of the private sector, included a sectoral adjustment programme for State-owned enterprises (PASEP) and an agricultural sector adjustment programme (PASA). Two enhanced structural adjustment facilities were arranged, the first for 1992-1996 and the second for 1996-99. Implementation of these programmes was interrupted in January 1991 owing to socio-political disturbances which led to the establishment of a democratic regime in Mali, and between August 1993 and April 1994 owing to renewed socio-political tension.

4. These various reforms led to a break with the policy of State-planning of the economy. Public enterprises were wound up, reorganized and/or privatized, the tax burden lightened, and the tax and customs services reorganized. The reforms also brought about the dismantling of non-tariff barriers to trade on most products, the elimination of export duties and taxes on many products, and a significant simplification of the structure of import duties and taxes. The devaluation in 1994 of the African financial community franc (CFA franc), as a result of which the parity moved from CFAF 50 to 100 for one French franc, boosted domestic production of cotton (exports of which increased sharply), cereals, and fruit and vegetables. The real GDP growth rate (rising steadily since 1994), has generally been higher than that of population growth, which is about 2 per cent. After peaking at 23.2 per cent in 1994 (due to the devaluation), inflation has been brought down to 7 per cent. Nevertheless, the reforms have had generally little effect on the Government deficit (except in 1996-97) and balance of payments (except in 1997).

5. Agriculture accounts for about 48 per cent of Mali's real GDP and 80 per cent of employment of the active population. Mali obtains about 50 per cent of its merchandise export earnings from cotton, of which it is the biggest producer in sub-Saharan Africa. Gold mining was responsible for the revival of mining activity: gold accounted for 17 per cent of merchandise export earnings in 1996. The industrial manufacturing sector remains undeveloped and contributes only some 13 per cent of GDP. It is largely directed towards the domestic market and produces essentially textile and food products. The services sector accounts for about 40 per cent of real GDP, predominantly accounted for by commercial services: these attract the bulk of informal activities, which represented about 29 per cent of Malian GDP in 1994.

6. Malian exports, consisting primarily of cotton, livestock products and gold, are vulnerable to world price fluctuations and climatic factors. Exports cover only about half of imports, leading to a chronic trade deficit. With a chronic deficit in services trade owing to large payments on account of freight *and insurance services and debt servicing, compounded by the devaluation of the CFA franc, the current account also has a structural deficit.*

7. Mali's main trading partners are Côte d'Ivoire, the European Union and Senegal. Mali derives more than half of its export earnings from developing countries, in particular those of the West African sub-region. The action taken to create a customs union among West African countries which use the CFA franc (the countries of the West African Economic and Monetary Union - WAEMU) and the substitution effect on non-WAEMU imports induced by the devaluation of the CFA franc have boosted trade with other countries of the Union, especially Côte d'Ivoire and Senegal. Switzerland is also a major outlet for Malian products, especially cotton. From the European Union, Mali imports capital goods, building materials and chemicals and pharmaceuticals. Rice is imported from Asian countries and other food products from the other countries of the West African sub-region, which in turn import live animals and fish from Mali.

(2) INSTITUTIONAL FRAMEWORK

8. Under its 1992 Constitution, Mali is a pluralist democracy. The President of the Republic (Head of State) is elected by universal suffrage for a term of five years, renewable once only. The President appoints the Prime Minister (Head of Government) and the other members of the Government on the proposal of the Prime Minister. The single-chamber parliament (National Assembly) votes the laws. The High Council of the Communities is responsible for studying and issuing a reasoned opinion concerning all local and regional development policies. The Economic, Social and Cultural Council makes proposals for reforms and must be consulted on all bills or provisions.

9. Since 1988, Mali has carried out a sweeping revision of its laws and regulations in order to back up the liberalization of its economy. The Investment Code which came into force in March 1991 grants investors many tax and customs advantages and guarantees commercial freedom and freedom to repatriate capital for foreign investors. Nevertheless, for reasons of public utility, the State reserves the right to limit foreign investment in certain sectors (defence and security). Mali's mining legislation offers administrative, mining and real-estate guarantees, as well as guarantees of non-expropriation and of transfer of mining-linked funds, including transfers of staff savings, in addition to the tax and customs benefits. Within WAEMU, a community investment code is planned for 1998. This would in principle lead to the elimination of duty and tax exemptions on imports of capital goods, which are subject to low rates under the WAEMU Common External Tariff (TEC).

10. Mali became a WTO Member on 31 May 1995, after having applied the GATT since 1967. Mali grants most-favoured-nation (MFN) treatment to all countries except Israel. Like other WTO Members, Mali adopted the whole of the results of the Uruguay Round. It benefited, among other things, from the preferential and differential treatment granted to LDCs, in particular in the form of waivers or delayed application of certain provisions, and it should profit above all from the strengthening of rules and disciplines in the multilateral trading system and particularly and in the sectors of importance to it, such as agriculture, including livestock farming. Mali's main concern is to increase and diversify production so as to take fuller advantage not only of existing opportunities but also of those that should result from further multilateral liberalization. While recognizing the need to continue to improve the quality of its products, Mali highlights technical barriers to trade as one of the areas calling for special surveillance in the multilateral trading system.

11. Mali is a founder member of the West African Economic and Monetary Union (WAEMU). The aim of this Organization is to create an economic union by bringing about the convergence of macroeconomic and *sectoral policies and the harmonization of fiscal legislation of member countries; monetary integration, with a central bank (the Central Bank of West African States) and a common currency (the African Financial Community Franc – CFAF), has already been achieved. The structure of the Common External Tariff (TEC) with four rates (1 per cent, 6 per cent, 11 per cent and 31 per cent, plus the Community levies totalling 1 per cent) has been drawn up, and implementation was due to begin in July 1998 and end in January 2000, by which date the customs union should have been completed. Mali is also a member of the Economic Community of West African States (ECOWAS), whose Treaty also provides for the creation of a customs union; the timetable for establishing this union has not been respected.*

12. As a signatory to the Fourth Lomé Convention, Mali receives aid from the European Union and benefits from the system for stabilizing export earnings (STABEX). However, Mali has received no compensation under STABEX since 1992 as it has not suffered from lost export earnings (more specifically of cotton exports). In addition, under the Convention, many Malian exports to the EU enjoy non-reciprocal preferential treatment in the form of exemption from import duties. Likewise, Malian goods enjoy non-reciprocal preferential access to the markets of developed countries other than the European Union member States under the generalized system of preferences. The scope of this non-reciprocal preferential treatment is limited, especially owing to the small number of products exported by Mali, namely raw materials that generally are subject to zero or very low MFN import duties in the importing countries.

13. Mali has also signed several bilateral Agreements in the field of international trade. The agreement signed with Algeria in July 1996 provides for payment and credit facilities, and contains provisions relating to the organization of or participation in trade fairs or exhibitions, as well as to intellectual property rights. As at July 1998, Mali had not been involved in any dispute-settlement proceedings in GATT, the WTO or under any other trade agreement to which it is a party.

(3) TRADE POLICY FEATURES

(i) Trade policy instruments and their effects

14. Today, Mali's trade policy is essentially based on duties and taxes. On the export side, the only levies in force are the service provision contribution (CPS) of 3 per cent on the f.o.b. value of gold and the tax of CFAF 7.5 per kg. of fish, which are also levied on domestic sales. Mali adopted the Harmonized System Nomenclature in 1994. Several duties and taxes (entry duties) are levied on imports. These import duties, the number of which will be reduced with the introduction of the TEC, consist of: a customs duty (DD) of zero or 5 per cent; a fiscal import duty (DFI) of zero, 10 or 25 per cent; a service provision contribution (CPS) of 3 per cent on petroleum products and 5 per cent on other products; a community solidarity levy (PCS) and a community levy (PC) of 0.5 per cent each, levied on non-WAEMU and non-ECOWAS imports respectively; and a short-term import tax (TCI) levied on sugar at a rate of 55 per cent (which is reduced during the month of Lent and restored to the previous level following this "sensitive" period). The simple arithmetic average of these duties (excluding the PCS and the PC) is 22.1 per cent, with a minimum of 3 per cent and a 35 per cent maximum. This maximum rises exceptionally to 75 per cent on sugar as a result of the TCI. Import duty rates are not highly dispersed and show a generally negative escalation from unprocessed products to semi-finished goods. The least-taxed goods are those of the chemical and pharmaceutical industries, non-electrical machinery and petroleum. The most heavily taxed are fishery products, tobacco, clothing, leather products, footwear, furniture (other than metal furniture), pottery and china.

15. In addition to import duties and taxes, value-added tax at two rates (10 per cent and

15 per cent) has been in force since 1991. Exports are zero-rated for the purposes of reimbursement of the VAT levied on the inputs and factors of production used in their manufacture. A service provision tax (TPS) is also payable by all persons who provide services and have an annual turnover of more than CFAF 1 million. The TPS also has a reduced rate of 7 per cent which is applied to transport, entertainment and water supply and evacuation activities, and telephony. Other services are subject to the normal 15 per cent rate. A special tax on certain products (ISCP) is also levied on a number of goods. Import duties and taxes are charged on the c.i.f. value, and excise duties on the c.i.f. value plus customs duties. However, the amount of the ISCP is included in the VAT assessment basis.

16. Under the Uruguay Round, Mali bound the customs duty rates applicable to agricultural products (like other WTO Member countries) and those applicable to products coming under Chapters 44 (wood and wood products), 81 (other base metals) and 92 (musical instruments) of the Harmonized System. A 60-per cent ceiling rate was granted for this purpose by Mali for all these products. The other duties and charges on imports of these products were bound at 50 per cent. Thus the bindings cover a relatively small number of products, and leave Mali a great deal of room for manoeuvre in view of the large gap between the bound rates and rates actually applied. In addition, the CPS is currently applied although it does not appear in the list of other duties and charges bound by Mali. With the introduction of the TEC, the WAEMU Commission intends to renegotiate the tariff concessions of all member countries, including those on the old lists for which bindings were made at a time when the countries were colonies.

17. The only prohibitions still in force in Mali exist for reasons of security or health, or pursuant to international conventions to which the country is a party. However, trade with Israel is banned. Imports of a c.i.f. value exceeding CFAF 250,000 are subject to the certificate of intention to import issued by the National Directorate of Economic Affairs (Ministry responsible for trade), under the import verification programme set in place in 1989. In this connection the National Tax Directorate levies stamp duties and registration fees amounting to CFAF 3,000 per tranche of CFAF 500,000 in c.i.f. value of imports; for the first tranche, these duties are set at CFAF 6,000, i.e. CFAF 600 per sub-tranche of CFAF 50,000 of imports. In addition, imports of an f.o.b. value exceeding CFAF 3 million are subject to compulsory preshipment inspection by the General Inspection Company (SGS); the values certified by the SGS are not binding on the customs administration, although it appears to have used them in most cases. With the exception of provisions in trade agreements which it has signed, Mali does not have laws on rules of origin, nor does it have domestic legislation on anti-dumping, countervailing or safeguard measures.

18. The measures taken by Mali to boost exports include the introduction of VAT, the elimination of duties and taxes on most exports and the creation of free zones. Under the 1991 Investment Code, free enterprises (which must export at least 80 per cent of their output) enjoy exemption from all fiscal, parafiscal and customs duties and taxes. The Mali Mining Code also provides for exemption from duties, charges and taxes on exports of mining products as well as on the related turnover and proceeds of sales. However, exports of young male bovine animals, aged five years or less and non-sterile breeding female bovine animals are prohibited, except where specifically provided for under special agreements between Mali and other countries wishing to constitute stock-raising centres. There is also an export prohibition on precious substances (e.g. gold and diamonds) in the unprocessed state. Exports of hides and skins are subject to special authorization. All other products are subject to the certificate of intention to export (IE). Stamp duties are levied on the IE for gold and cotton in accordance with the scale of charges applied to certificates of intention to import.

19. Price freedom and freedom of competition have existed in Mali since 1992. In special situations, however, such as times of crisis, the Council of Ministers may regulate prices by decree. On the other hand, implementation of the State enterprise adjustment programme (PASEP) launched in 1988 has proved rather slow. At the end of 1997, a total of 20 State enterprises had been dissolved or wound up, and 40 wholly or partially privatized. Other enterprises had merely been reorganized.

20. Intellectual property rights are protected in Mali by the Bangui Industrial Property Agreement signed by some 15 African countries, under which the African Intellectual Property Organization (AIPO) was set up, as well as by a 1984 Copyright Law. Work is in hand at AIPO to bring the provisions of the Bangui Agreement into conformity with the obligations of WTO Members under the Agreement on Trade-Related Intellectual Property Rights. Counterfeiting in Mali primarily concerns medicinal products, audio cassettes, sporting goods and leading brands. Pirating and counterfeiting give rise to infrequent convictions, which are only of a token nature. Aware of the increase in consumption of counterfeit medicines, owing to the higher cost of imports following the devaluation of the CFA franc, the Malian authorities have decided not to levy import duties and taxes on essential medicines.

(ii) Policies by sector

21. Through the reforms undertaken since 1988, Mali has substantially liberalized its economy and reduced State participation in production activities. In the agricultural sector, most activities, including production and marketing, have been liberalized for all products with the exception of cotton and tobacco. Nevertheless, aside from these two subsectors, State enterprises are directly involved in the production and/or marketing of livestock products and rice. The agricultural sector has the highest tariff protection, followed by mining and quarrying, and then manufacturing. The 55 per cent TCI makes sugar the most heavily protected product in terms of import duties (75 per cent).

22. The various advantages, including tax and customs advantages, offered by the 1991 Mining Code have helped to revive mining in Mali, which is carried out both industrially and non-industrially; only gold, phosphates and some building materials are exploited primarily on an industrial basis. Under certain provisions of the Code, the State reserves the right to hold up to 20 per cent (including a free holding of at least 10 per cent) in the capital of mining enterprises. Mining resources are subject to an ad valorem tax of 3 per cent on pit-head value. Exports of precious substances (e.g. gold) in the unprocessed state are prohibited; sales of these substances (in the processed state) are subject to the 3 per cent CPS. These measures, especially prohibition, have encouraged the proliferation of informal activities, including non-industrial processing and sales of gold and gold products. The multiplicity of categories of rights (currently seven), all accompanied by establishment agreements, are among the most restrictive provisions of the Malian Mining Code, narrowing the range of activities to which each category of right gives access, and increasing costs, beginning with those of administrative procedures. A review of the Mining Code is planned so as to make the sector more attractive to investors and promote exports of processed products.

23. Mali has substantial potential in the textile and agri-food industries, which have contributed to the signs of revival of the manufacturing sector following the devaluation of the CFA franc. However, excluding exemptions, the negative escalation of import duties does not favour the development of the manufacturing sector; the introduction of the TEC should reduce import duties on raw materials. Furthermore, the high cost of energy, transport and telecommunications, climatic difficulties jeopardizing regular supplies of agricultural inputs, the higher cost of inputs (largely *imported) following devaluation, problems of access to financing and of obtaining land for industrial sites, and low purchasing power are among the factors hindering the development of Mali's industrial sector.*

24. Dominated by informal trading, the services sector has been substantially liberalized. In branches such as tourism, buyers have yet to be found for enterprises (including hotels). Telecommunications services remain the main service activity in which the State is still heavily involved, through a public enterprise, the Mali Telecommunication Company (SOTELMA): this explains the high cost of these services in Mali (among the highest in the sub-region). Owing to the low level of its commitments at the multilateral level, Mali is not fully benefiting from the liberalization efforts it has already made unilaterally. Mali's bindings remain limited to modes of supply of adult education services in the handicraft sector, and hotel and catering services, which does not guarantee investors, and in particular foreign investors, that the existing situation will be irreversible.

(4) TRADE POLICIES AND TRADING PARTNERS

25. Mali has unilaterally carried out major liberalization efforts under the structural adjustment programmes being implemented since 1988. The effects of these reforms are appreciable on the agricultural and mining sectors but remain limited. In the mining sector, apart from the multiplicity of categories of rights, it is primarily the provision relating to State participation in the capital of companies which is worth reviewing as it can hardly promote investment. The introduction of measures to promote exports of processed mining products (one of the current objectives of trade policy) should be a clear feature of the code being drawn up, as the present prohibition on unprocessed precious substances could foster smuggling unless a suitable environment is created to encourage local processing. Again, the charges levied directly or indirectly on exports of the main products and the special authorization to which exports of hides and skins are subject are unlikely to encourage exports.

26. The introduction of the TEC could increase nominal tariff protection and effective rates of protection by increasing the (positive) escalation of import duties. As fiscal concerns generally outweigh the protectionist intent in Malian import duties, the complete elimination of export levies could be expected if the TEC brings in more substantial government revenues. Apart from fiscal concerns, it is the lack of information on the range and scope of the WTO Agreements, and on the contours of Members' obligations, that explains the introduction of measures such as the CPS, which is not included in the list of other duties and charges bound by Mali. Accordingly, assistance aimed at enhancing awareness of the contents of the WTO Agreements could help to ensure Malian compliance. This assistance, which would also cover the provisions of the General Agreement on Trade in Services, could help to increase Mali's participation in the world trading system and encourage the binding of certain modes of supply of services it has already unilaterally liberalized. Commitments of this kind will make the reforms more credible and encourage the flows of investment, particularly foreign investment, which the country badly needs at present.

27. Under the integrated programme of technical assistance for LDCs set in place by WTO and other organizations, Mali has also requested assistance in various fields. These include the introduction of trade finance and export promotion structures, the search for foreign trade and investment partners, quality control, trade information collection and management, and rationalization of customs procedures. Assistance in these fields will help to step up Mali's participation in international trade and raise the standard of living of its people, and to dispel the fears of marginalization currently being voiced in Mali.