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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.

Any technical questions arising from this report may be addressed to Mr Sergios Stamnas (022.739.5382).

Document WT/TRP/G/133 contains the policy statement submitted by the Government of Mali.

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SUMMARY OBSERVATIONS

1. Since the first review of its trade policy in 1998, Mali, one of the poorest of the "least developed countries (LDCs)", has continued with its programme of trade, structural and macroeconomic reform. The efforts made by the State to withdraw from key activities for Mali's economy, particularly in the agro-food sector, should be underlined. For Mali, the tariff reform put into effect in the West African Economic and Monetary Union (WAEMU) has led to a substantial reduction and streamlining of the customs tariff, achieved unilaterally. Even though the development of gold mining has underpinned economic growth during the period under review, it does not appear to constitute a sustainable base for economic activity. Mali is facing major problems of competitiveness as a result of its landlocked situation and the high cost of inputs such as energy, water, communications, credit, transport, as well as the burden of taxation. The objectives of the Poverty Reduction Strategy Paper (PRSP) could be achieved by giving impetus to the rural sector (particularly cotton-growing), industrial activities, business services, and traditional (cotton) and non-traditional exports.

(1) ECONOMIC ENVIRONMENT

2. As was already the case in 1998, Mali's economic growth chiefly depends on trends in the primary sector, which is highly vulnerable to climate variations. Nevertheless, increased gold production has enabled an average rate of economic growth of around 5.2 per cent (1998-2002) to be achieved. The excellent performance during the 2003-2004 agricultural season led to a rate of economic growth of 5.6 per cent for 2003 in the context of controlled inflation. Cereal production reached 3.6 million tonnes, the best yield for two decades, and the source of a substantial cereal surplus. Favourable rainfall also increased cotton production by 37 per cent in comparison with the 2002-2003 season, reaching a record level of some 600,000 tonnes, as a result of which Mali took first place among African producers of seed cotton. Continued good rainfall raises hopes of an even better economic growth rate of 6.7 per cent in 2004.

3. Since the first review of Mali's trade policy, the government finance situation has deteriorated, above all because of the reduction of grants included in the GDP; the overall balance excluding grants has remained at around the same level, notably because of the efforts made to collect taxes, especially customs duties and taxes, and the royalties paid by enterprises in the gold mining sector. As a result of the development of gold mining, Mali exceptionally had a surplus in its trade balance in 2002 (on an f.o.b.-f.o.b. basis), even though the trade balance still shows a deficit when the cost of transport is added (on an f.o.b.-c.i.f. basis). In March 2003, it was decided to alleviate Mali's external debt under the Heavily Indebted Poor Countries Initiative (HIPC).

4. Gold has become the major source of Mali's export earnings and accounted for 71.8 per cent of their total in 2002 compared with 40.6 per cent in 1998. This change has been mainly at the expense of cotton, whose share of the total fell from 44.1 per cent in 1998 to 17.7 per cent in 2002. Even though the volumes exported have increased since the first review, Mali's earnings from exports of cotton fibre have been affected by the decline in global prices (expressed in United States dollars) and the trend in the euro/US dollar exchange rate as the CFA franc is anchored to the euro. According to data from importing countries, America's share (principally Mexico) of Mali's exports has increased, whereas the shares of Europe and Asia have fallen. The European Union (in particular, France, Belgium and Luxembourg) is still Mali's main supplier of goods.

5. The main trade impact of the crisis in Côte d'Ivoire has been a move away from traditional routes for transporting cotton fibre from the port of Abidjan to Tema, Dakar and Cotonou and, as a result, there has been an increase in transport costs.

(2) TRADE POLICY FRAMEWORK

6. Mali was a contracting party to the GATT (as of 11 January 1993 after having applied the Agreement de facto since 1967) and became a Member on 31 May 1995. It grants at least MFN treatment to WTO Members (with the exception of Israel, with which Mali still has no official relations, including trade relations) and benefits from the "special and differential treatment" provided in the WTO Agreements. Mali is one of the sponsors of the sectoral initiative in favour of cotton in the WTO, which seeks to tackle the subsidization practices of certain WTO Members and this has recently given Mali's trade policy a more important multilateral dimension.

7. Mali does not have sufficient human and financial resources to participate fully in the WTO's work. The action planned and the action that could be envisaged for Mali in the WTO consists of trade policy courses in Geneva; regional trade policy courses; short trade policy courses on the Doha Development Agenda; workshops or seminars at the regional or subregional level on a number of issues, and negotiating techniques; meetings to promote awareness among parliamentarians; and various activities at WTO headquarters. They will deal, inter alia, with the issues identified by the authorities such as building negotiating capacity, implementing the WTO Agreements, and integrating Mali into world trade.

8. Since 1998, there have been few major changes in the 1992 constitutional framework or in the overall legal framework. At the institutional level, the Executive has adopted a new public-private consultation structure with responsibility for making proposals to enhance the economy's competitiveness and to promote the modernization of enterprises (technology, economic and trade information, training, infrastructure). The Minister for Industry and Trade is responsible for formulating and implementing trade and industrial policy.

9. In their plans for Mali's future, the authorities attach great importance to regional economic integration. The Government has committed itself to strengthening the WAEMU and the Economic Community of West African States (ECOWAS) with a view to achieving African union, as well as to the implementation of the New Partnership for Africa's Development (NEPAD). In the context of the customs union created among its members, the WAEMU Commission is gradually defining a common trade policy, which is taking shape in particular through the negotiation of trade agreements and in common positions at the WTO. The integration process within the larger Economic Community of West African States (ECOWAS) was revived and accelerated when negotiations were initiated with the European Union (EU) in October 2003 with a view to the conclusion of an Economic Partnership Agreement (EPA). Since 2004, the members of the ECOWAS have accorded each other preferential treatment for the same products as those within the WAEMU and it is planned to establish a customs union by 2007. The new trade arrangements with the EU replace those under the ACP-EU Partnership Agreement and are the subject of a waiver granted by WTO Members. In principle, they should apply as of 2008.

10. Mali's Investment Code has not changed since Mali first appeared before the TPRB; investment in mining and tourism each receives special treatment and access to the telecommunications, financial services and electricity sectors is regulated. The Investment Code gives tax concessions and guarantees for approved investment projects; enterprises that mainly export (more than 80 per cent of their production) may be approved under the free enterprise regime and receive full exemption from duties and taxes (including import duties) related to their export activities for a period of 30 years; there three free enterprises are currently in operation.

(3) TRADE POLICY DEVELOPMENTS

11. Mali's trade policy chiefly consists of implementing the relevant WAEMU regulations. The customs tariff is currently Mali's main trade policy instrument, together with VAT and excise duty levied by the customs. In all, 46.3 per cent of budgetary income (excluding grants) was levied by the customs in 2002, a slight decrease in comparison with 1999. Mali has implemented the WAEMU's Common External Tariff (CET) since 1 January 2000. This groups tariff lines into four major categories: staple goods (zero per cent); basic commodities, including basic raw materials, capital goods, and specific inputs (5 per cent); inputs and intermediate goods (10 per cent); and final consumer goods (20 per cent). Mali has unified the customs tariff by replacing customs duty and fiscal import duty existing at the time of the first review with a single duty. One other major change has been the reduction in the maximum rate (customs duty) from 35 per cent to 20 per cent, which has significantly narrowed the standard variation.

12. Taking into account the standing supplementary duties of the WAEMU and the ECOWAS levied solely on imports from third countries (including community levies of 1 and 0.5 per cent ad valorem respectively and the statistical fee of 1 per cent ad valorem), the simple average of MFN customs duties actually applied by Mali has fallen from 22.1 per cent in 1997 to 14.6 per cent (tariff of October 2003). Mali nevertheless continues to give a marked degree of protection to agricultural products, thereby reducing the purchasing power of households. The maximum rate actually applied is 77.5 per cent and is applicable to sugar, a product that is subject to a supplementary tax in the form of a 55 per cent special import tax (TCI); the TCI already existed at the time of the first review in 1998. The country's authorities point out that imported sugar is the subject of subsidies granted by exporters and the purpose of the TCI is to compensate for this unfair competition.

13. Mali waives import duties on imports of goods originating in the WAEMU. This applies to local products and traditional handicrafts, as well as industrial products from enterprises approved by the WAEMU Commission. This preferential treatment has been extended to goods originating in the ECOWAS since 1 January 2004. The rules of origin in the ECOWAS have been harmonized with those adopted by the WAEMU in order to make the two preferential regimes compatible and to expand the scope of free trade. Applications to benefit from the preferences for products of WAEMU or ECOWAS origin must be substantiated by a certificate of origin.

14. According to the analysis made by the WTO Secretariat for the purposes of this review, 42 per cent of Mali's tariff lines are bound, of which 54.6 per cent (fish and fish products, milk and dairy products, soap, plastics, cotton, man-made fibres, clothing, footwear, and electrical machinery and equipment) are subject to applied customs duties of up to 20 percentage points above the bound levels (not taking into account the binding of other duties and levies at 50 per cent). These higher levels are the result of tariff concessions made by France on behalf of French West Africa during the colonial era. Only Côte d'Ivoire and Senegal have renegotiated these under Article XXVIII of the GATT 1994, but it would appear that the WAEMU Commission is considering the submission of a new schedule for its members.

15. Regarding customs valuation, Mali has applied the transaction value since 1 January 2004 (three and a half years after 1 June 2000, the final date for deferred application of the relevant WTO Agreement). Reference values apply, however, to certain products (for example, cotton fabrics), and cover at least 76 tariff lines, which in the majority of cases constitutes a form of protection. In connection with the implementation of the WTO Agreement on Customs Valuation, the WAEMU Commission is seeking a solution to the issue of reference values.

16. A contribution to the import inspection programme (PVI) amounting to around 0.65 per cent of the f.o.b. value is levied on imported and exported goods; up to 2000, the Government paid the costs related to the PVI. This programme has been in existence since 1989 and applies to imports and exports whose f.o.b. value is CFAF 3 million (US$50,000) or more that are not exempt from controls under an order (for example, crude petroleum). Any import transaction, whether or not subject to the PVI, is liable to a contribution to the PVI. The automation of customs clearance procedures and formalities concerning documentation have facilitated import and export.

17. Mali has maintained the distinction between imports subject to a prohibition and those subject to restrictions and consequently to the issue of an import licence. One of the major changes since the first review is the ban imposed on imports of bovine meat of any origin. Although the import of matches has been liberalized, imports of cigarettes and tobacco still require an authorization from the Ministry of Trade. The Malian authorities explain this requirement by the vulnerability of the cigarettes and tobacco sector, on the one hand because of its contribution to the national budget (in terms of customs duty and the special tax on certain products (ISCP)) and, on the other, because of the risk that smoking represents for the population. All imports and exports must be the subject of a notice of intent, but Mali's latest notification to the WTO on this subject, dating from 2001, states that this document is issued without any limitation as to value or volume. Mali has moved ahead with the introduction of national standards and 93 have been adopted since the first review. These are non-discriminatory and are usually based on international standards or aligned on them. No product is subject to mandatory standards (technical regulations). Mali has once again become a subscriber member of the ISO so that it can keep abreast of ongoing work, but it does not have the resources to participate actively in the Organization. A regional accreditation programme is under consideration by the WAEMU.

18. The State still grants tax and customs exemptions to enterprises approved under the Mining Code, the Investment Code, the special Code for tourism and hotels, the special Code on real estate investment, and enterprises that build social housing. The annual amount of revenue lost as a result of these exemptions depends on the level and nature of the investment (for example, the opening of new goldmines). In 2003, customs exemptions amounted to CFAF 35.8 billion (US$59.7 million). The agricultural sector also receives substantial support, amounting on average to 16 per cent of Mali's budgetary expenditure.

19. Even though the WAEMU has adopted regulations on competition and State aid, there have been no changes for the time being apart from the strengthening of Mali's institutional framework. The members of the WAEMU, including Mali, have not yet completed the implementation of these regulations. At the national level, all prices have now been liberalized with the exception of petroleum prices at the pump, which are determined monthly according to fluctuations in supplier prices, together with the prices of water, electricity and telephony.

20. The State has continued to withdraw from economic activity by opening up the capital of State enterprises to private interests, especially in the agro-food subsector, but it retains a minority holding in a number of key enterprises that sometimes enjoy a legal monopoly (cotton ginning). The Government's programme for 2004 includes the sale of residual State holdings in many industrial enterprises.

21. Mali appears to have made significant progress in the procedures for awarding government procurement contracts. A new Code was adopted in 1999 in order to strengthen the measures to fight corruption. According to the information provided by the authorities, private agreement is used for only

11.8 per cent of contracts financed from the national budget in value terms, a sharp drop in comparison with previous financial years. The 15 per cent preference for domestic enterprises in contracts for supplies (10 per cent in the case of services) still applies. In order to benefit from this, foreign enterprises must establish themselves as groups under certain conditions.

22. The industrial property regime of the African Intellectual Property Organization (OAPI) has also been updated in order to harmonize it with the requirements of the TRIPS Agreement. Mali ratified the 1999 revision of the Bangui Agreement on 19 June 2000. It has still not completed the revision of its copyright and related rights regime, which dates back to 1984, and the authorities mention the lack of technical assistance as one of the reasons for this. Mali is a member of only a few treaties administered by the WIPO and, since the first review, it has ratified only those on copyright, performances and phonograms (in 2002). The authorities draw attention to some problems in protecting intellectual property rights, for example, the piracy of musical works by Malian artists and the import of counterfeit goods. The State lacks the resources to promote awareness among the population and the human and financial resources to prevent the sale of pirated works.

(4) SECTORAL POLICY DEVELOPMENTS

23. Since the first review of its trade policy, Mali has continued the reform of the agricultural sector initiated under the Master Plan for Rural Development (SDDR), updated in 2000, through State withdrawal from production and distribution (except for cotton) and restructuring of administrative bodies. The State is currently focusing on support for producers by developing infrastructure in rural areas, providing training programmes, and expanding financial services (banking, decentralized financing schemes, loans for projects). The organization of small farmers into cooperatives is only in the initial stages. The introduction of the WAEMU's CET has significantly lowered the simple average of duties and taxes applicable to agricultural products, which has fallen from 29.2 per cent in 1997 to 17.5 per cent. Other measures of a restrictive nature (reference values, supplementary taxes, high domestic taxes) exist under policies implemented in favour of certain domestic products (for example, sugar, meat, tobacco and cigarettes).

24. Cotton fibre, 96 per cent of which is exported and therefore undergoes little processing in Mali, remains the cornerstone of trade in agricultural products. It is of vital importance for the manufacturing sector (cotton ginning is the major manufacturing activity). Giving impetus to the cotton subsector has a vital role to play in alleviating poverty. The subsector is still dominated by the Mali Textile Development Company (CMDT), in which the State is the major shareholder. The CMDT has a legal monopoly on cotton ginning and marketing of cotton fibre in the cotton-growing area attributed to it, where virtually all Mali's cotton is grown. Reform of this subsector was outlined in the Policy Letter on Development of the Cotton Sector (LPDSC) and adopted in mid-2001 with the objective of allowing the entry of new operators in order to take full advantage of Mali's cotton potential and of privatizing the CMDT in 2006. Consequently, the CMDT is now focusing on cotton ginning and marketing, slimming its payroll, and withdrawing from its various tasks (maintaining rural roads, education and social activities, etc.), which should in principle be taken over by the State. Since the 2003-2004 season, a new formula for fixing producer prices takes into account the estimated income of the CMDT (as well as its production costs), the equal sharing of the surplus or deficit in the subsector between producers and cotton ginners, and each one's capacity to assume the price risk; a link with global prices has therefore been established. For the 2003-2004 season, the floor price is 43 per cent higher than that for the 1998-1999 season, which has increased producers' incomes and makes a more effective contribution to combating poverty in rural areas. As part of the sectoral *initiative on cotton, in March 2004 the WTO organized a regional workshop on cotton in Benin with the objective of examining the possibilities for financial and technical assistance to cotton-producing LDCs, including Mali.*

25. The situation in the sugar subsector has changed little since the first review. Although it is still the most protected subsector owing to the additional imposition of the TCI, the Complexe Sucrier du Kala Supérieur (SUKALA-SA), which controls all sugar cane production and its processing into sugar in Mali, is finding it difficult to face up to competition from imported sugar. The State has opened up its capital to private sources in an effort to enhance the competitiveness of its production. SUKALA covers around one quarter of Mali's sugar requirements. A new production facility is planned in order to cover all national requirements and sell any surplus on regional markets. The protection afforded by the TCI plays a central role in the profitability of this investment, but its effects are mitigated by sugar smuggling, which appears to be widespread.

26. Mali is the third largest producer of gold in Africa. Industrial production of gold rose threefold between 1998 and 2002 as a result of the opening up of new mines, but it fell to 51.6 tonnes in 2003. Mining prospection has benefited from the incentives provided under the 1991 Mining Code, revised in 1999 in order to increase the State's income while at the same time maintaining the incentives for exploration, prospection and operation of mines. The tax and customs exemptions given to mining enterprises are not so advantageous during the operating and start-up phases under the new Code. Gold mining enterprises are subject to a contribution for the supply of services (CPS) of 3 per cent on their turnover (6 per cent at the time of the first review), levied at the time of export. The State also has holdings in mining enterprises and receives royalties.

27. The main change in the manufacturing sector since 1998 has been the progress made by the State in selling its assets, which should also include cotton ginning, still a CMDT monopoly. The major part of private industry is composed of former State enterprises, chiefly producing for the domestic market and vulnerable to competition from imports. Tariff protection has been lowered since the first review, but the introduction of new measures such as reference values and the continuing marked escalation of the customs tariff in favour of finished products means that the success of liberalization is mixed. The competitiveness of Malian products on both domestic and international markets remains hampered by the high price of energy, transport and telecommunications, and the high cost of inputs, which are mostly imported. This was already noted at the time of the first review and the situation remains unchanged. It explains the continued protection granted to the sector by the State through various tariff and non-tariff measures. Consequently, although several incentives are available to investors, there is still a low level of investment in the industrial sector (with the exception of bakeries).

28. From 1998 onwards, Mali undertook an in-depth reform of the electricity sector, one of the major objectives being to make electricity available to the largest number of inhabitants (around 10 per cent of households had access to electric power in 2002) at the lowest possible cost. The main results of this reform have been the introduction of a regulatory framework that reaffirms the opening up of the sector to new operators and the State's withdrawal from generation and distribution of electricity. The privatization of the traditional operator occurred in 2000 and since then the company EDM-SA has provided the public with electricity under a concession agreement; rural electrification is the responsibility of local administrative authorities. The Electricity and Water Regulatory Commission (CREE) approves and monitors rates for water and electricity.

29. Telecommunications is another sector in which there has been reform, although it is not included in the GATS (Mali only made *commitments on tourism services). Mali's telephone rates are still among the highest in the subregion. The Telecommunications Code was adopted in 1999 and determines the conditions for access to licences and the establishment of the regulatory authority for the sector. The traditional operator, SOTELMA, obtained a GSM mobile licence in 1999, followed by a competitor in 2002. The sale of a minority holding (49 per cent, of which 33 per cent is reserved for the strategic partner and the remainder for Malian nationals) in SOTELMA is included in the privatization programme for 2004. The company would retain its monopoly on infrastructure and basic services until the end of 2005.*

30. The availability of financial services remains one of the most significant obstacles to Mali's economic development because the offer available in the banking sector focuses on the CMDT, formal industry, and import-export, neglecting the demand from SMEs and farmers. Since 1998, there has been strong expansion in microfinance in Mali, mainly through mutual funds or savings and loan cooperatives or decentralized financing schemes (SFDs), and institutions financed by NGOs or by the State. Like all banking establishments, these are subject to the common regulations of the WAEMU.

(5) OUTLOOK

31. The liberalization of foreign trade, structural reform and the intensified efforts made to achieve macroeconomic stabilization have helped to enhance Mali's economic environment and have led to more positive economic performance than that recorded at the time of the first review in 1998. However, this is chiefly due to favourable rainfall during the last two agricultural seasons and to the development of the gold mining sector, which nevertheless seems to be slowing down. Recent reforms in the water, electricity and telecommunications sectors and the progress made in the privatization programme have not yet boosted activity in the industrial sector. The structure of exports still focuses essentially on gold and cotton, with low value added and revenue depending on trends in global prices as well as the euro exchange rate. Completing the reforms under way, streamlining the regulatory framework for economic activity, achieving the objective of a functional judicial system and enhancing governance appear to be the priorities that will increase the confidence of economic operators.

32. As an LDC, Mali receives substantial technical and financial assistance from its development partners. It has also benefited from considerable assistance from the WTO since the first review, although this has not always resulted in a satisfactory level of participation in the multilateral system. It is planned to increase this aid under Phase II of the JITAP and the pilot programme of the Integrated Framework. Negotiations on cotton under the Doha Agenda could make a major contribution to the efforts of cotton-producing LDCs, including Mali. Nevertheless, the benefits which Mali could derive from access to markets at both regional and multilateral level will not be fully realized until its economy is able to respond competitively to external demand.