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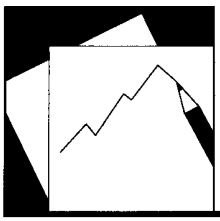

IMF Working Paper

Trade Restrictiveness in the CEMAC Region: The Case of Congo

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Policy Development and Review

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Abstract

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Congo's vital dependence on trade for development stands in contradiction with its trade policy. As a member of the CEMAC, Congo's tariff scheme at least formally is guided by CEMAC's 1994 trade regime agreement. This paper shows CEMAC's customs code is restrictive relative to that of comparable regional integration groups. The paper also discusses a number of quantitative and qualitative barriers to trade applied by Congo that render its current regime complex, nontransparent, and relatively unpredictable, compromising efforts to develop the non-oil sector and the country's export base. Moreover, Congo's high tariffs and other taxes have not led to higher fiscal revenues, as the number of exemptions granted in recent years has surged and customs administration remains weak.

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I. INTRODUCTION

External trade is vital to Congo's economy. Oil exports are an essential source of government revenue, and Congolese consumers rely heavily on imports of food, machinery, transportation equipment, medicines, and other goods. In 2005, the ratio of merchandise trade to GDP amounted to 137 percent—a ratio that has remained quite stable over time (Oliva 2007). Yet, Congo's trade system is plagued with trade barriers that strain the country's capacity to rebuild from years of civil war and to progress toward the Millennium Development Goals (MDGs).

This paper examines Congo's trade policy—which is, at least officially, mainly defined by its commitments under the Communauté Economique et Monétaire de l'Afrique Centrale[1] (CEMAC), a customs union established in 1994, and its commitments as a member of the World Trade Organization (since 1995). In addition to identifying trade-related bottlenecks that keep Congo from fully integrating into the multilateral trading system, the paper compares Congolese trade policies with those of other customs unions within the region—West African and Monetary Union (WAEMU), East African Customs Union (EAC), and Southern African Customs Union (SACU)—and outside the region—Mercosur and the European Union. The paper also reviews Congo's agreements with the European Union, the United States, and the WTO.

There is relatively little information on Congo's trade policies. To date, papers examining CEMAC performance exclude Congo from the analysis due to the lack of recent information on trade flows and trade policies. The most recent data on imports and exports incorporated in the TRAINs database, published by UNCTAD, dates back to 1995. The exceptions include the World Trade Organization (WTO) trade policy report of September 2006 and the U.S. data on United States-Congo trade exchanges under the African Growth and Opportunity Act (AGOA). The 2006 WTO report is the first report on Congo during its 11 years of WTO membership and its over 30 years as a member of the GATT[2]. Trade flows data, however, rely on mirror statistics from trading partner countries. Congo joined the WTO in 1995, but did not subscribe to a number of agreements, exempting the country from reporting some types of data. This paper takes stock of the information available and identifies the main distortions derived from CEMAC's framework and those stemming from Congolese current practices.

The CEMAC trade policy framework appears to be quite restrictive relative to that of other comparable regional integration groups. With an average common external tariff of about 19 percent, CEMAC's average Most Favored Nation (MFN) tariff rate exceeds by at least 50 percent that of comparable customs unions included in the study. Moreover, the CEMAC duty regime also displays relatively high dispersion.

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[1] The CEMAC region comprises Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon.

[2] Republic of Congo became a member of GATT in May 3, 1963.

Congo's trade regime appears to be less transparent, and more restrictive than that envisaged under the CEMAC framework, which is considered restrictive. Congo's applied trade policy appears to be more complex than its official policy as it is complemented by a number of other taxes, not contemplated in the engagements taken under the WTO[3] and its regional agreements, and by a number of non-tariff barriers that include quantitative measures like licensing procedures and price fixing and less transparent qualitative measures.

Congo's trade-related revenue collection has declined as a share of fiscal revenues and of trade in goods and services. Higher tariffs and taxes have not translated into higher revenues. Part of the explanation can be found in the exceptionally high number of exemptions granted to certain imports, and the discriminatory application of these tariffs in practice. Overall, the regime is plagued by measures and practices that burden external trade with distortions and inefficiencies that jeopardize the diversification of the economy and do not generate additional revenues.

The paper is organized as follows. Section II presents an overview of the main economic traits of the Republic of Congo, in particular, and of CEMAC countries, in general. It identifies the challenges CEMAC countries face ahead and for which trade policy has an important role to play. Section III summarizes CEMAC's trade regime. Sections IV and V examine Congo's use of tariffs, para-tariffs and nontariff measures, and their revenue impact. Section VI summarizes Congo's partnerships and preferential agreements. Finally, Section VII discusses the benefits of trade, provides some policy recommendations, and proposes the design of a medium term diversification strategy for Congo's production structure.

II. Congo and the CEMAC Zone: An Overview

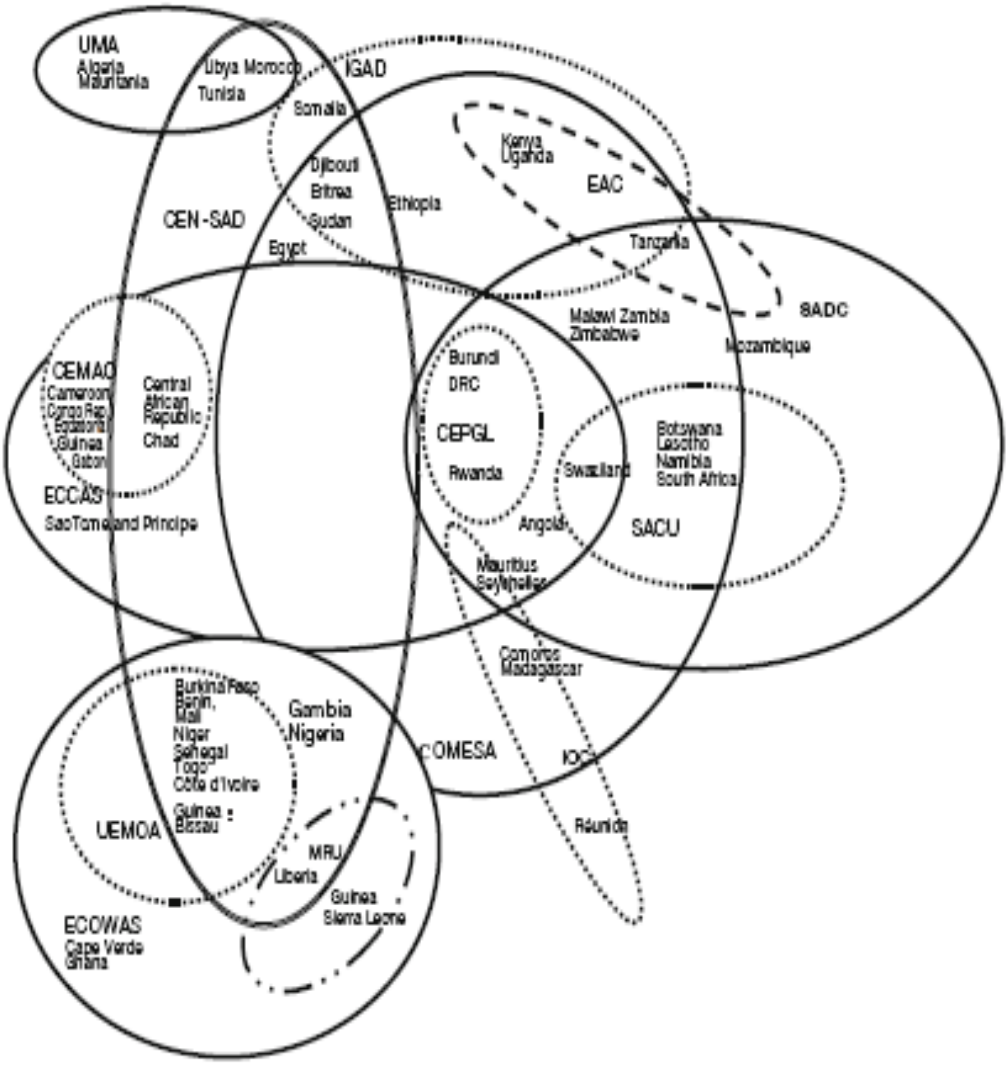
Africa's extended overlapping trade agreements coexist with de facto high levels of trade protectionism and uncertainty. (Figure 1 illustrates the spaghetti bowl of Africa's overlapping trade agreements). Currently, Africa has 14 regional trade arrangements, 3 of which are in Central Africa: the Economic Community of Central African States (ECCAS), the Central African Economic and Monetary Community (CEMAC), and the Economic Community of Great Lakes Countries (CEPGL). Of the 53 African countries, only 6 belong to a single regional economic community; 26 belong to two regional economic communities; 20 belong to three such regional agreements; and one to four of them (UNECA 2006). Congo is not an exception, as officially it is a member of CEMAC and ECCAS. In practice, however, Congo's trade policy is mainly defined by its engagements under CEMAC.[4] By the end of 2006, ECCAS members[5] agreed to establish a free trade

[3] Some applied rates exceed WTO-agreed bindings, and a number of para-tariff instruments (i.e., automation fee, OHADA levy, and others), not allowed under CEMAC dispositions and bounded to zero under the WTO, are de facto non-zero (WTO 2006).

[4] CEMAC succeeded the Customs and Economic Union of Central Africa (UDEAC) in 1994. Under CEMAC, member countries agreed to liberalize trade and establish a single market. As such, members agreed to abstain from (i) introducing new import and export duties, (ii) increasing established duties, or (iii) adopting any equivalent tax that could affect commercial exchanges among members. They also agreed not to introduce new quantitative restrictions on imports or exports (or introduce new measures with equivalent effects and not contemplated as exceptions to the rule). See Doe (2006a, b).

area, which would require Congo to adopt a zero-duty rate on intra-ECCAS imports. To date, however, Congolese law has yet to incorporate the terms of the new free-trade area agreement (WTO 2006). Overlapping membership is often associated with weak implementation of commitments, incompatibility of agreed trading schemes, the duplication of efforts, and lack of transparency, credibility, and predictability of the trade regime in place.

Figure 1: Africa's Spaghetti Bowl



[5] Economic Community of Central African States (ECCAS) was created in 1983 and it comprises 11 members—Angola, Burundi, Cameroon, Congo, Gabon, Equatorial Guinea, Central Africa, Democratic Republic of Congo, Rwanda, Sao Tomé and Principe and Chad. In July 2004, members approved the creation of a free trade area (FTA) to be in place by January 1, 2008. To date, there are no details on exemptions, rules of origin, and other measures to be put in place.

The signing of regional arrangements, however, has not translated into deeper economic integration in Central Africa. Back in 1994, the CEMAC customs union was seen as an important step towards the integration of Central Africa and the liberalization of the region's trade policies. More than a decade later, however, the outcome is far from encouraging. Little progress has been made: intra-regional trade remains sluggish; the implementation of the agreement has been poor; numerous cumbersome, nontransparent and costly procedures continue to hamper trade flows and impeding the efficient allocation of resources; exemptions are rampant and often applied on a discretionary basis; and surveillance mechanisms (through the CEMAC secretariat) are limited (see Gulde-Wolf et al. 2006). Moreover, as it stands today, the 1994 framework is perceived as broadly outdated vis-à-vis comparable agreements such as the WAEMU.

What features distinguish CEMAC from other custom unions?

The economies of the CEMAC region share a number of distinctive structural traits, including high dependence on oil and forestry, volatile economic growth, weak intra-regional linkages, lack of transportation infrastructure, political instability and security problems, juxtaposition of wealthy coastal and poorer landlocked economies. Besides, the zone is economically dominated by two countries—Cameroon and Gabon—whose economies account for more than two-thirds of the region's GDP. Moreover, with an estimated 2005 population of 30 million, CEMAC's six member countries depend on imported food, largely owing to the region's low agriculture productivity and the large number of people moving from rural to urban areas. As also identified in Zafar and Kubota (2003), from a trade perspective, the CEMAC zone is characterized by:

- *High dependence on oil and forestry*. Offshore oil extraction is particularly important in the region, and especially in the Congolese economy. In Congo, oil exports account for about 90 percent of total exports, followed by wood exports, which account for about 8 percent of total exports. This high dependence on natural resource exports could lead to mistakenly conclude CEMAC countries lack economic complementarities. The development of the non-oil sector should, however, bring forward underlying complementarities that permit enhancing trade in the region.

- *Limited intraregional trade*. CEMAC's intra-regional trade is relatively low (an estimated 3 percent of total trade as opposed to about 9.4 percent for WAEMU), though it is close to the levels predicted by the standard gravity models other control for economic size and distance (Masson and Pattillo 2005). Trade between CEMAC and WAEMU is almost nonexistent, while trade between CEMAC and France is more than 10 times CEMAC's intraregional trade.

- *Lack of economic complementarities*. Most CEMAC economies share similar structural characteristics and undiversified production structures. Exports tend to be dominated by a few primary products, mainly natural resources: Congo, Equatorial Guinea, and Gabon primarily export oil; the Central African Republic exports diamonds; and Chad exports oil and cotton. The lack of diversification stems from poor infrastructure, a weak banking system, nontransparent trade policies, social instability, and other factors.

- *High tariff and nontariff barriers.* A broad gamut of policies in place is thwarting trade, especially with neighboring markets. Traditionally, the CEMAC markets have been sheltered from competition with high tariff and nontariff barriers in all sectors other than unprocessed raw materials (Hinkle et al 1997). Political and administrative obstacles, as well as poor transportation and telecommunications infrastructure, have reinforced market segmentation and further hindered regional trade integration. Moreover, CEMAC's trade structure resembles a "hub and spoke" arrangement, in which France is the hub and the CEMAC economies are the spokes, with weak intra-regional linkages.

- *Factor mobility is de facto minimal.* Despite wage differentials and absence of formal migration barriers, labor factor mobility remains negligible. Lack of a common CEMAC passport and visa requirements, high unemployment levels, and other factors limit worker mobility.[6] Moreover, regional financial integration remains low, despite the region having a common currency and a regional institutional framework with a shared central bank (BEAC) and bank supervisor (COBAC), a common legal framework, and regional decision-making bodies (IMF 2006).

CEMAC countries' lack of complementarities and narrow export base are an endogenous outcome of current institutional and organizational constraints. Diversification of the economic structure and the creation of a business environment that promotes entrepreneurship are both endogenous outcomes that respond to appropriate policies on: (1) physical variables such as investment growth and human capital; (2) trade and industrial development; (3) macroeconomic variables including monetary policy, and fiscal policy, and exchange rate stability; (4) institutional variables such as governance and investment climate, and (5) structural policies that strengthen infrastructure, and market access improvements, among others (see, for example, Eifert et al 2005).

III. CEMAC TRADE REGIME

There are strong arguments for reforming CEMAC trade policies. Back in 1994, the CEMAC agreements were seen as a step forward towards trade liberalization. Today, the consensus is that the framework, while not having been fully implemented, lags well behind many other regional initiatives. In June 2005, at a summit in Malabo, Equatorial Guinea, CEMAC Heads of State seconded calls for progress in implementing and reforming the CEMAC trade regime. This message was reiterated in the April 2007 CEMAC Heads of State summit, which concluded with calls for removing the 30 percent tariff rate. Gulde-Wolf et al. (2006) propose a number of measures to improve policy implementation and reform CEMAC's trade policy framework.

[6] In the last CEMAC meeting held in Chad last August 2006, there were calls to adopt a regional passport, originally envisaged for 2003.

CEMAC's 1994 Trade Regime

CEMAC's import regime is based on three pillars: the Common External Tariff (CET), a preferential duty rate, and legislation on franchises. The CET is the main component of CEMAC countries' import taxation regime. It comprises: an import duty ranging from 5 to 30 percent, depending on the import in question, and a temporary surcharge that could not exceed 30 percent of the import's customs value, which was supposed to be phased out by 1999. As of January 1998, the preferential tariff rate, applicable to CEMAC's intra-regional trade, is officially 0 percent. Table 1 summarizes the main instruments that constitute the formal basis of CEMAC trade policy (and of Congo trade regime by default).

Table 1: CEMAC's Tariff Code: Summary of Main Instruments

Term	Base	Rate	Comments 1/
Customs value ([cif price + transporation costs+ assurances + other costs] * exchange rate * adjusting coefficient)			
Applicable to Imports			
Common External Tariff (CET)	Customs value	5%	Basic goods
		10%	Primary goods and equipment
		20%	Intermediary goods and others
		30%	Consumption goods
Statistical Tax	Customs value	0-2%	
Applicable to Domestic Production and Imports			
Value Added Tax (VAT)	Customs value + CET	18.0%	
Excise taxes	Customs value + CET	0-25%	

Source: CEMAC Code (2001) and IMF Staff.
1/ The CEMAC code specifies the applicable rates by tariff line.

CEMAC's 1994 trade regime also contemplates levying a statistical tax and some taxes and duties on all external trade, including intra-CEMAC trade. Applied rate levels for these taxes and levies, which must fall within a predetermined range, are determined at the country level. CEMAC-compatible border measures include a statistical tax, with a rate on imports that cannot exceed 2 percent. The statistical tax is assumed to cover the costs of computerizing customs processes, data collection and administrative costs. In practice, however, the members earmarked a separate tax to cover computerization costs. Domestic taxes applied on a non-discriminatory basis include: an excise tax, with a basic rate of 0–25 percent of the customs value; and the value-added tax (VAT), with a basic rate of 15–18 percent. The excise and VAT taxes apply to domestic consumption spending.

Under the CEMAC trade code, all tariffs are ad-valorem and, at least officially, are applied to the imports' customs transaction value. WTO rules require an item's customs value to be based, under normal circumstances, on its transaction import value rather than on a reference value derived from a preexisting list of reference prices. Reference valuation has sometimes been linked to discretionary and corruption practices. CEMAC countries have had some difficulty in the application of transaction-based import valuation and have continued to rely, at least occasionally, on a reference-value's approach (WTO 2006).

CEMAC's Import Regime and the Common External Tariff

CEMAC's Common External Tariff (CET) framework is more restrictive than that of other similar arrangements. The CET is a key part of CEMAC countries' import taxation regime. It is applied to imports' customs value and it ranges from 5 to 30 percent. WAEMU's maximum rate is 20 percent. In 2005, Congo's average MFN rates remained well above the rates of other similar customs unions. Table 2 summarizes average MFN rates (the rate is the same for all CEMAC countries) for 2005 as reported by the TRAINs database.

CEMAC's average MFN tariff, at about 19 percent, exceeds by at least 50 percent that of other comparable customs unions. Indeed, CEMAC unweighted average MFN rate is about 50 percent higher than that applied in Kenya under the East African Customs Union, 60 percent higher than that of WAEMU members, and about 140 percent higher than that being applied by South Africa under SACU. Mercosur's average applied MFN rate is about half CEMAC's MFN rate.

Table 2: The Common External Tariff by Regional Agreement

Custom Union	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate	Likelihood 2/
CEMAC	19.1	9.6	0	30	-3.7
WAEMU	12.1	6.8	0	20	-3.1
East African Customs Union	12.9	11.9	0	100	-3.5
SACU	8.0	10.8	0	55	-3.3
Mercosur 1/	9.7	7.1	0	35	-3.0
EU 1/	5.3	5.3	0	75	-2.6

1/ Applied MFN rates.

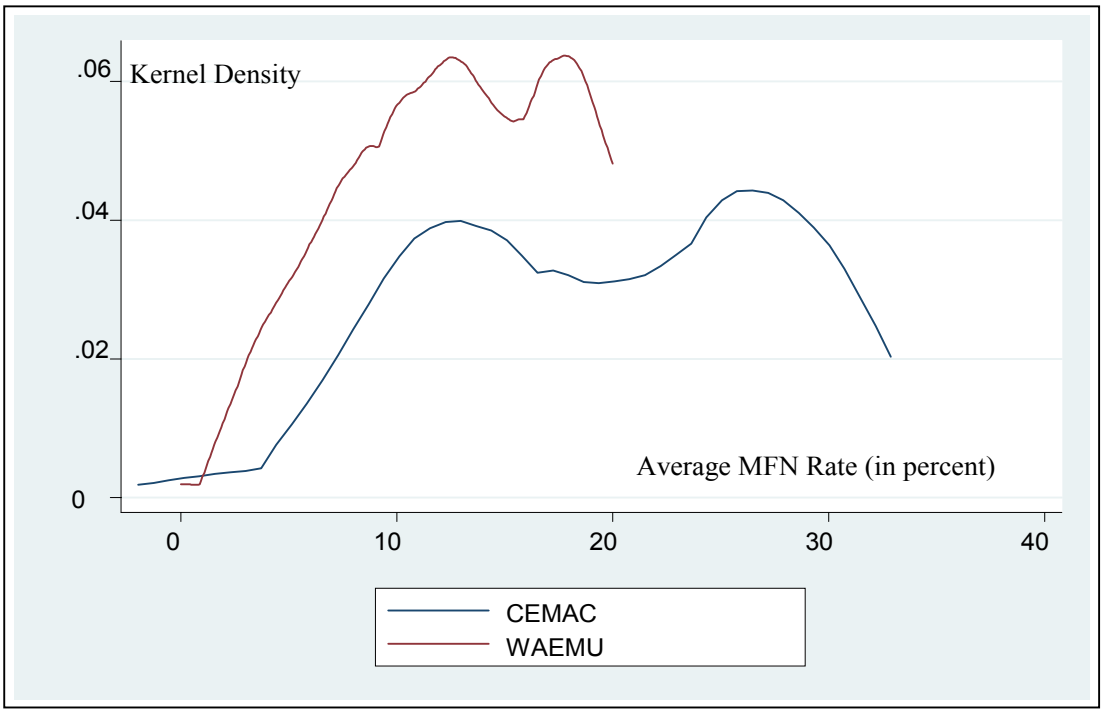
2/ The Likelihood function permits measuring the mass function that lies above the mean. In this context, it can be interpreted as the higher the likelihood value (in absolute value), the larger the barriers to trade. To combine the information provided by the standard deviation and the mean we use the normal density function (so that results can be interpreted as a continuous histogram). We use as average value the average MFN for all regions, which equals 11%).

Source: TRAINS (2006) and IMF.

CEMAC's MFN tariff regime is also significantly more dispersed than that of other customs unions like WAEMU and Mercosur, though not relative to the East African Customs Union's regime. In 2005, the standard deviation of CEMAC's unweighted MFN average rate was 9.6 percent, while WAEMU and Mercosur schedules showed a standard deviation of about 7 percent. Variability, or dispersion, of tariff rates is associated with inefficiencies and large deadweight losses. Uniform tariff schemes, by contrast, tend to be more transparent, simple to administer, and more immune to interest group pressures.

CEMAC's and WAEMU's tariff structures show a bipolar density function profile. Figure 2 illustrates the kernel density functions of CEMAC's and WAEMU's officially adopted MFN tariff schemes. WAEMU's MFN tariff scheme has two peaks: rates of 12–13 percent and 19–20 percent. Similarly, CEMAC's distribution has two clusters: rates of 12–14 percent and about 28 percent, both with similar prominence. Note also that CEMAC's structure is overall more disperse and more restrictive than that of WAEMU.

Figure 2: The Distribution of CEMAC and WAEMU's MFN Tariff Schemes



1/ The Kernel density provides an estimate of the smooth underlying density function of the data.
Source: IMF staff

As suggested by its high MFN tariff rates and relatively high levels of dispersion, CEMAC's tariff scheme is more restrictive than other similar arrangements. The last column in Table 2 presents a combination of average MFN and dispersion levels, using the normally-distributed likelihood function. The higher the absolute value, the more restrictive is the regime. Of all the arrangements included in the sample, the CEMAC integration group is the most restrictive, followed by the East African Customs Union, whose tariff regime has a lower MFN average rate but with more dispersion.

CEMAC's tariff structure seems to embrace the infant industry argument by taxing manufactures and agricultural products the most. Appendix Table 1 summarizes the MFN tariff structures by sector and different regional integration groups. The CEMAC regime levies higher rates on footwear, wood products, and farm products (animal, vegetables and foodstuff), items for which average tariff rates exceed 23 percent.

For almost all sectors, the CEMAC tariff scheme sets higher average MFN rates compared to other arrangements. On average, larger differences apply to CEMAC-SACU rates, followed by Mercosur and WAEMU. By product, the biggest disparities apply to wood and wood products. The gap between CEMAC average rates and those of the rest of regional agreements ranges in between 10 and 19 percent. That is, CEMAC rates on wood products are at least 10 percentage points higher on average than that of the rest of regions. Appendix Table 2 provides a more detailed summary of the rates applied within the CEMAC and WAEMU.

Initiatives to reduce CEMAC's CET rates towards WAEMU levels have had thus far little success. In 2002 a team of experts—supported by the EU, France, and the World Bank—prepared the so-called Steenlandt report, an initiative to improve customs procedures. The report was followed by a workshop held in Brazzaville, Congo, in October 2003 to design a roadmap for further reform. Proposals envisaged: (i) reducing the number of CET rates from four (i.e., 5 percent, 10 percent, 20 percent, and 30 percent) to three (i.e., 5 percent, 10 percent, and 20 percent), including making a top rate comparable to the WAEMU's top rate, and (ii) conducting a detailed review of both the nomenclature and the applied tariff rates. Little progress has been made since then. Instead, a number of regional taxes—the regional integration tax, (which has a base rate of 0.4 percent in Congo); a community integration contribution of 1 percent on non-CEMAC imports to finance CEMAC institutions, and a OHADA[7] levy—not originally included in the original agreement have been added.

Departures from the CEMAC's 1994 Trade Regime

A number of other so-called para-tariffs and surcharges, not contemplated in CEMAC tariff regime, are often applied on CEMAC countries' imports and exports. These additional charges increase the cost of imports in the same fashion as tariffs do, but render the regime non-transparent, complex, uncertain, and subject to discretionary practices. In the case of Congo, these surcharges are, on average, about 3.3 percent of the customs value applied on non-CEMAC imports. Examples of para-tariffs and other taxes not included in the original CEMAC Agreement are: a computer user fee, ranging from 1.5 percent of the c.i.f value of imports in Cameroon to 2 percent in Congo; and a timber levy. Except for those tied to services provided by public administrations (which rates can be selected by the member countries), these other taxes would not seem consistent with the 1994 CEMAC tariff code (Article 2.3).

Moreover, the CEMAC trade code does not regulate export taxation. CEMAC countries exports are subject to a number of duties and taxes intended to enhance government revenue. In practice, however, these measures erode export competitiveness without, in the case of Congo, enhancing government revenue collection (shown below). Common instruments used by CEMAC countries to tax exports are export duties, royalties on wood and diamonds, an exit tax, a road tax on timber for export or in transit, a tax for the computerization of the Ministry of Finance, and a reforestation tax. Earmarked taxes tend to be the main component of CEMAC countries' export regime, though export duties, while reporting little revenue, tend to be quite common also.

CEMAC Countries and Non-Tariff Barriers

In Africa, nontariff barriers[8] are blamed for the little volume of intra-regional trade, highly concentrated production structures, and the vulnerability of the economy to terms of trade fluctuations. The removal of non-trade barriers therefore remains a challenge that CEMAC countries, and African countries more generally, must face in order to enlarge markets, diversify production, and successfully cushion shocks.

CEMAC countries, on average, impose more requirements on importers and exporters **than do WAEMU country members.** Table 3 summarizes major trade-related impediments as identified in the 2007 Doing Business survey conducted by the World Bank. CEMAC countries, on average, require more time to import and export than WAEMU and average Sub-Saharan economies. Overall, the cost of trade is well above that in other Sub-Saharan economies.

Table 3: The Use of Non-Tariff Barriers 1/

Trading Across Borders	CEMAC Countries	WAEMU Countries	Sub-Saharan Economies
Documents for Export (number)	8	8.2	8
Time for Export (days)	51	40.8	40
Cost to Export (USD per container)	1,924	1,182	1,561
Documents for Import (number)	14	13.9	12
Time for Import (days)	62	54.1	52
Cost to Import (USD per container)	2,313	1,837	1,947

1/ Averages.

Source: World Bank (2006) and IMF Staff.

Promoting export diversification requires improving the business climate in the region. CEMAC economies' export profile is highly skewed in favor of few natural resources (oil and forestry mainly), a feature that makes these economies prone to a noncompetitive production structure. The Republic of Congo is not an exception. Table 4 summarizes factors that hamper entrepreneurship and block further development of the non-oil, non-forestry sectors in CEMAC and WAEMU countries. The figures reported represent the relative ranking of each country in each variable vis-à-vis the 175 countries included in the sample. CEMAC countries as well as WAEMU countries occupy the latter part of the ranking (Chad and the Republic of Congo ranking 172 and 171, respectively).

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[7] OHADA stands for Organisation pour l'Harmonisation en Afrique du Droit des Affaires. Their main objective is to enhance the legal environment in Africa by proposing a modern and uniform business law.

[8] Nontariff barriers refer to nonmonetary restrictions on trade. These range from quantitative measures such as quotas, licensing procedures or prohibitions to qualitative measures like technical specifications, or restrictions deriving from poor physical infrastructure, lack of access to financing sources, and other burdensome measures raising barriers to the free movement of goods and services. Nontariff barriers are less transparent than tariff barriers and also more distorting and difficult to account for.

In sum, CEMAC trade policy remains more restrictive than originally envisaged under the 1994 CEMAC Agreement, which in turn is restrictive if compared to other similar arrangements. There are strong arguments calling for tariff cuts and other steps to ease the cost of doing business in the region.

Table 4: Business-Related Non-Tariff Barriers, 2006

Business Climate	CEMAC Countries		WAEMU Countries		Sub-Saharan Economies
	average	dispersion	average	dispersion	average
Ease of Doing Business	159	17	150	10	131
Starting a Business	149	16	149	16	125
Dealing with Licenses	112	40	129	33	110
Employing Workers	153	12	143	16	118
Registering Property	131	27	122	33	121
Getting Credit	114	7	136	13	112
Protecting Investors	77	24	102	30	92
Paying Taxes	142	32	139	17	104
Trading Across Borders	146	21	131	40	124
Enforcing Contracts	147	40	129	24	111
Closing a Business	128	25	92	20	111

Source: World Bank (2006) and IMF Staff.

IV. CONGO'S TRADE REGIME: THEORY AND PRACTICE

Import Policy Scheme

Congo's trade regime is restrictive. Table 5 summarizes the complex customs regime that was formally adopted by Congo in 2001. The simple average applied MFN rate is 18.7 percent; the average rate rises to 22 percent after accounting for other duties and taxes applied to imports.

Congo's trade policy regime includes a number of fees and taxes to trade that render the regime complex. Other taxes and duties include, for example, an automation fee that was supposed to be included in the statistical tax, and the municipality tax applied on imports from the Democratic Republic of Congo (DRC). In addition, Congo imposes a levy of 5 percent of the import value that accounts as an advance payment on income taxes, and a maritime transportation fee to be paid to SOCOTRAM[9] on all imports and exports shipped to and from the country. Under its WTO

[9] SOCOTRAM is a state-owned company that holds the national traffic rights for 40 percent of operations. Although Congo officially abolished traffic sharing back in 2000, traffic sharing continues in practice.

commitments, these other taxes and duties—including the OHADA levy, statistical tax, the automation fee, as well as a number of integration-related duties which are applied to imports originating outside CEMAC countries—were bound at zero but continue being collected (WTO 2006, p. viii). However, since 2003 Congo's applied rate on the automation fee has been 2 percent, doubling the 1 percent rate mentioned in the trade code approved by Congolese authorities in 2002.

Table 5: Congolese Tariff Code. Summary of Main Instruments

Term	Base	Rate (2001 Code)	Rate (WTO, 2006))
Customs value ([cif price + transporation costs+ assurances + other costs] * exchange rate * adjusting coefficient)			
Import Regime			
Applicable to Imports Only			
(i) CEMAC's Tariff Code			
Common External Tariff	Customs value	5%, 10%, 20%, 30%	18.7% (average rate)
Statistical Tax	Customs value	0.2%	0.2%
(ii) Regional Taxes			
Regional Integration tax (TCI)	Customs value	1%	1.0%
Tax CEEAC (CCI)	Customs value	0.4%	0.04%
OHADA Levy			0.05%
(iii) Others			
Automation fee	Customs value	1.0%	2%
Municipality Tax (MT)	Customs value + all other taxes	20.0%	
Advance payment on income taxes			5.0%
Tax on imports of wood and derivatives (except for those to supply local industries)			15.0%
Applicable to Domestic Production and Imports			
Value Added Tax	CV+ CET+ET+RIT+ST+CR+CTRI	0.18	
CEMAC's Value added tax	Customs value	18.0%	
Excise taxes	Customs value + CET	24%	
Export Regime			
Export duty	FOB value	2% to 20%	
Royalties on Wood	Variable	--	
Routing fond	Specific tax	75 franc/m3: Congolese wood; 100 franc/m3: CEMAC wood; 250 franc/m3: Third countries' wood	
Royalty on diamonds	FOB value	2%	
Access rights to exit	FOB value + ExT	2%	

Source: Congolese authorities, WTO (2006) and IMF Staff.

Congo's trade regime also exhibits some tariff escalation, a feature most economists consider to lead to an inefficient allocation of scarce resources. The average applied rate on raw materials is 20 percent, on semi-finished products is 15.2 percent, and 20.4 percent on finished products. Higher protection levels target agricultural products, which are subject to average rates of 23 percent. Manufactures and mining products are subject to average rates of 18.4 and 11.4 percent respectively. At the product level, more significant differences emerge according to the WTO (WTO 2006, page 31).

Congolese Import/Export Policy Scheme by Instrument

After the CET, royalties on wood exports and the automation fee are the most important instruments of the Congolese trade policy framework in terms of revenue collection. The CET and VAT account for about 44 and 35 percent of revenues collected at customs,

respectively. Table 6 reports the importance of each tariff instrument on Congo's customs revenues. It shows the share of total revenues collected by Congolese authorities in 2002–2005, by instrument, relative to total revenue collection from trade taxes.

Table 6: Revenue from Trade Taxation, by Instrument

	2002	2003	2004	2005 1/	2006 1/
	(as percentage of total revenues from taxing trade)				
Import Regime					
Applicable to Imports Only					
(i) CEMAC's Tariff Code					
Common External Tariff	42.1	44.1	40.9	44.1	42.4
Statistical Tax	0.4	0.6	0.8	0.8	0.8
(ii) Regional Taxes					
Regional Integration Tax (TCI)	2.2	2.5	2.3	2.6	2.7
Contribution Tax on Regional Integration	0.0	0.0	1.1	1.2	1.4
Ohada Levy	0.0	0.0	0.0	0.0	0.1
(iii) Others					
Automation fee	0.0	5.3	8.7	6.8	6.9
Municipality Tax	0.1	0.1	0.3	0.3	0.3
Disputes	0.3	0.7	0.7	0.4	1.0
Ancillary charges	0.2	0.0	0.0	0.0	0.0
Surcharge	0.0	0.0	0.0	0.1	0.0
Preferential Tax	0.1	0.0	0.0		0.0
Tax not in the Budget	3.9	3.6	4.6	0.0	0.0
Applicable to Domestic Production and Imports					
Value Added Tax	37.3	34.7	31.9	34.7	35.2
Excises taxes	1.2	1.0	0.8	1.0	0.9
Export Regime					
Export duty	0.0	0.0	0.0	0.1	0.1
Royalties on Wood	3.4	10.4	12.2	7.6	8.0
Tax on exports' value	0.1	0.1	0.1	0.1	0.1
Road Fund	0.1	0.1	0.1	0.1	0.1
Import and Export Duty Revenues					
Import-only related	49.4	57.0	59.4	56.3	55.6
Export-only related	3.5	10.5	12.4	7.9	8.3
Applicable to Domestic Production and Imports	38.5	35.7	32.7	35.8	36.1

1/ Data for 2005 and 2006 covers up to June 2005 and June 2006 respectively.
Source: Congolese authorities, WTO (2006) and IMF Staff.

A number of instruments have been gaining prominence in Congo's trade taxes since 2001. These instruments include the automation fee, export duties and royalties on wood, the Chamber of Commerce and Industry (CCI) fee, and preinspection fees. Together, these instruments account for 20–25 percent of total revenues from the taxation of trade (Table 6). It is noteworthy that a number of instruments in place do not contribute to tariff collection but make the regime cumbersome and less transparent.

There are inconsistencies between the current trade regime and a pro-growth strategy as illustrated by the case of cement (Box 1):

Box 1: The Case of Cement

Barriers to trade are having an important negative effect on Congo's development efforts. A clear example concerns the measures affecting cement imports, a basic input needed for the reconstruction of the country. Formally, under the 2001 Congolese customs code, cement is subject to the following taxes:

- the common external tariff of 30 percent;
- the automation fee of 1 percent of cement's customs value;
- the VAT with a rate of 18 percent;
- the CEMAC regional tax of 1 percent of the customs value and a 0.4 percent of customs value financing the ECCAS;
- a transportation fee (redevance fluviale) of CFAF 650 (about $1.20) per ton on imports from the Democratic Republic of Congo;
- the price of cement sold in Congo is an administered price fixed by the government. And, the reference value used to calculate the customs value was increased from CFAF 20.000 per ton to CFAF 40.000 in 2006.1/

Such high level of trade protection creates substantial bottlenecks for construction activity.

1/ On February 12, 2007, authorities announced the liberalization of cement prices.

- *Artificially high import costs apply to key inputs*. Besides cement, other products like electrical appliances and rubber products, to cite a few among many examples, face average rates well above the 20 percent tariff rate.
- *The number of other duties, taxes and surcharges, is well beyond those approved under the CEMAC's code.* As a result, the regime becomes quite cumbersome and non-transparent. Apart from the customs duty rate and the VAT, cement is subject to four more import-related fees (see Box 1).
- *Departures from the WTO transaction-based import valuation method.* Cement import prices, for instance, are based on a preset reference list of prices and not on the actual value of imports.
- *Prices are controlled by the government*. Therefore, the supply of scarce products, rather than adjusting to market forces, tends to decline when import costs increase (i.e., importers' markups decline), leading also to a non-transparent allocation.

- *Lack of storage capacity* is of special relevance, as it exposes the supply of staple foods, cement and other basic goods to great volatility. As such, shortages tend to occur frequently, harming mostly the poor.

- *The lack of transparency.* According to Congo's trade code, cement is subject to close to 30 percent duty rate. According to the WTO (2006), the applicable rate is 0 percent. However, Congolese Law (number 20–2004) re-established in 2004 the 30 percent CET rate as the official rate.

To enhance trade, Congo should simplify its currently applied tariff and para-tariff schemes, and to make its current trade regime more transparent and predictable. The analysis permits drawing a number of policy recommendations that, if implemented, could significantly simplify the trade policy scheme being applied in Congo. The consolidation of taxes to trade and elimination of those para-tariff measures (automation fee, transportation fees, OHADA levy, among others)—which may raise issues of consistency with the country's international commitments and, de facto, yield little revenue to Congo's treasury—would greatly enhance the transparency of the regime and reduce the scope for discretionary practices. Measures that limit uncertainty faced by importers and exporters, enhance transparency, and make Congo's business environment more efficient include the publication of the full list of tariff lines subject to para-tariff measures and of exemptions to the VAT and excises (see Oliva 2007).

Nontariff Barriers

Despite its dependence on trade, some nontariff barriers are quite prominent in the Congolese legislation. For instance, on average, Congo requires 12 documents for export and 15 documents for imports, above the average for all CEMAC countries and WAEMU economies (Appendix Tables 3a and 3b). The time required to import and export is roughly equal to the CEMAC average. However, the cost to import and exports remains well above that afforded by WAEMU and Sub-Saharan economies on average.

Nontariff barriers include price control measures, finance measures, quality control measures and monopolistic measures. Moreover, despite food shortages, imports of staple food supplies are subject to licensing requirements and price controls. Table 7 summarizes the main quantitative non-tariff barriers faced by importers and exporters in Congo, as identified in WTO (2006).

Table 7: Congo's Use of Nontariff Barriers

Instruments	Products
Import Licensing 1/	Staple food (meat, poultry, saltwater and salted fish, Forest products, petroleum products
Import/Export Licensing	Diamonds (outside Kimberley Process)
Monopoly	SARIS, sugar MINOCO, wheat flour
Quotas	Sugar and wheat flour Processed wood exports
Price Controls	Petroleum, water, electricity Postal and telecom services Staple foods
Tax concessions	Enterprises in the petroleum sector Commercial activities related with collection, storage, SARIS' exports to US and EU up to a limit
Others	
Non-linear export surcharges	
Absence of comprehensive competition policy	
Complex license registration procedures	
Rules of origin	
Customs and inspection programs	
SPS certificates	

1/ The import licensing procedure is being revised.
Source: WTO (2006)

Two products, sugar and wheat flour, deserve special attention, as they are subject to a complex mix of government protection and export promotion instruments that hamper domestic consumers' welfare as they are designed to keep prices artificially high. As a by product, these measures are behind the recurrent staple food shortages and capacity constraints. Sugar and wheat flour production are under the full control of two monopolies: SARIS has the monopoly of sugar,[10] and MINOCO has the monopoly for the production of wheat flour; and these products are subject to price controls. Moreover, these two monopolies are sheltered from competition with import licensing procedures and the application of quotas. MINOCO, for instance, dictates the import policy for wheat flour. In addition, up to a certain level, sugar exports to the United States and to the EU also benefit from export subsidies through tax concessions.

[10] The Societe agricole de raffinage industriel du sucre (SARIS) is expected to see its income decline as a result of the reform of the European Union's sugar regime, which took effect in June 2006. As a result of this reform prices are expected to adjust downwards by 30 percent. The authorities plan to transfer CFAF 13.3 bn to SARIS to restructure the company (WTO 2006).

Apart from a number of quantitative non-tariff barriers, importers and exporters also must contend with a number of qualitative barriers. These include: the imperfect implementation of preferential arrangements, red tape, poor and inefficient customs administration, costly and cumbersome transit procedures, double taxation, discretionary application of exemptions, and weak and costly infrastructure—especially in transportation leading to shortages and a de facto monopoly in many sectors where supply depends on imports. Also, lack of information and uncertainty of the trade regime render the current regime unpredictable and noncompetitive.

Congo performs below WAEMU countries in such areas as tax payments, enforcement of contracts, and labor market rigidity (Appendix Table 3a). Relative to other African regions, Congo has ample room for improvement in its business climate. Other areas for progress include reducing the cost of dealing with licenses, closing a business, and registering property. Congo performs poorly in the labor market variables, particularly in the rigidity of the labor market (i.e., difficulty of firing and rigidity in hours worked).

V. CONGO'S TRADE REGIME AND REVENUE COLLECTION

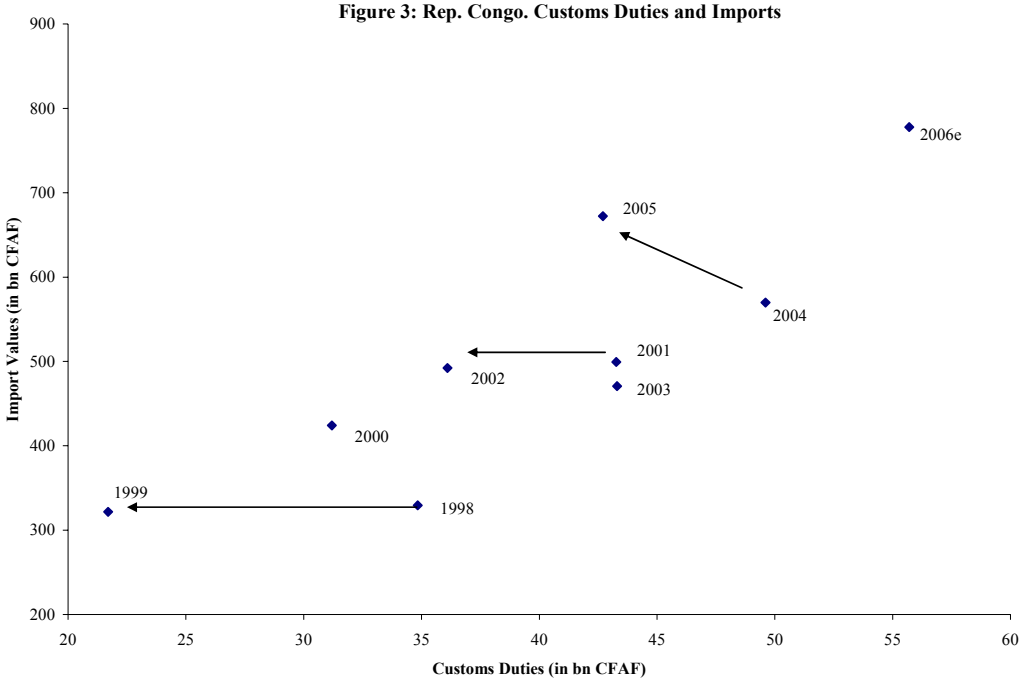
Trade Regime and Low Revenues

In 2002–2003 and 2004–2005 higher import values coexisted with lower custom duties revenues. In principle, one should expect a positive correlation between import duties and import values. In the case of Congo, import duties declined despite high tariff rates and a jump in imports to Congo in 2005. Figure 3 shows customs duty collections against import values for years 1999 to 2006.

Moreover, customs duty taxation has not risen from its 2001-02 levels. Revenue from taxation of international trade was about 3.6 percent of the total trade in 2003 and 2004, down from the 4.7 percent share recorded in 2001 (Table 8). In terms of fiscal revenues and trade in goods and services, collections have declined. This weak performance—recorded despite the high tariff rates envisaged under the Congolese tariff code—raises questions about the effectiveness of customs administration[11] and about important leakages in the system. How can this be explained? The answer hinges on a number of factors: the number of exemptions provided in these years, a weak customs administration, and the difficulties in the application of the WTO-agreed transaction based customs valuation system.

[11] The adoption of the ASYCUDA computerization system is expected to be fully operational by 2007.

Figure 3: Rep. Congo. Customs Duties and Imports



Source: Congolese authorities and IMF staff.

Table 8: Revenue from Taxation of International Trade

	2000	2001	2002	2003	2004	2005 1/	2006 1/
In CFA Million	69,303	97,061	86,939	73,582	83,058	72,792	92,916
In percent of nominal non-oil GDP	3.0	4.7	4.1	3.6	3.6	2.6	2.2
In percent of nominal GDP	8.8	10.9	8.9	7.1	7.6	5.8	6.9
In percent of Fiscal Revenue	11.4	15.4	15.1	12.0	11.1	6.7	4.4
In percent of trade of G and NFS	2.6	2.4	2.5	2.1	1.6	1.6	1.4
Memorandum items: (in CFA bn)							
Nominal GDP	2,293	2,048	2,105	2,072	2,294	3,150	3,770
Nominal Non-oil GDP	790	890	979	1,035	1,089	1,247	1,353
Fiscal revenue	609	632	575	614	746	1,246	1,871
Exports of G and NFS	1,586	1,716	1,642	1,938	2,743	2,722	3,403
Imports of G and NFS	(1,092)	(1,135)	(1,112)	(1,315)	(1,581)	(1,579)	(1,694)

1/ Projections are based on 2005 and 2006 data for the first semester.
Source: WTO (2006) and IMF

Trade Regime and Revenues: Exceptions and Discretionary Practices

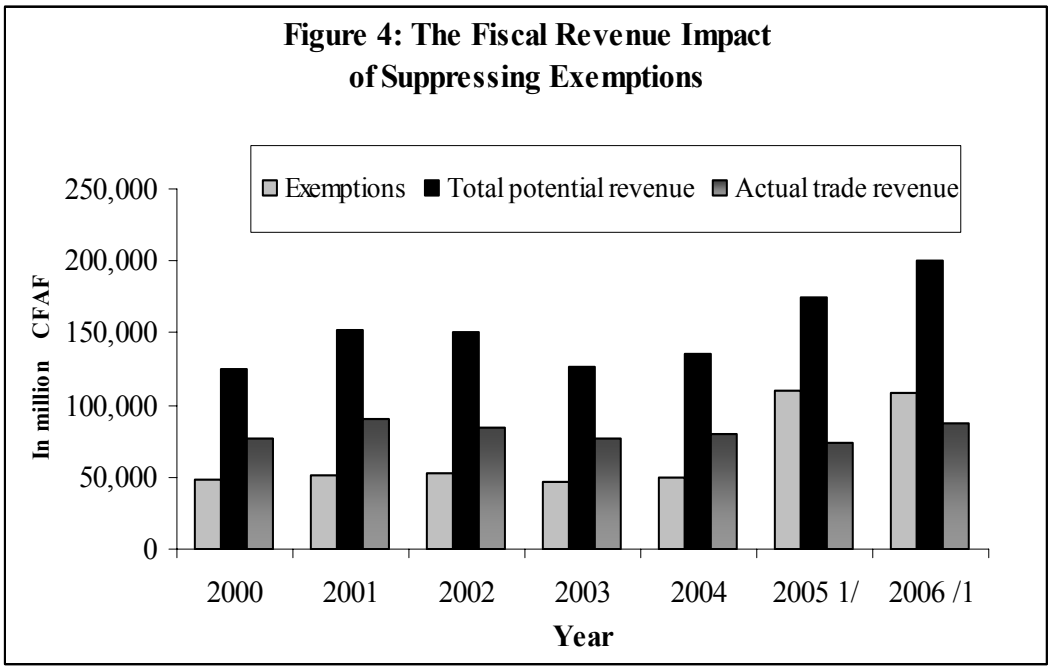
Overall exemptions in the first semester of 2006 matched the levels reached in 2005, which in turn more than doubled those of 2004. In 2005, overall exemptions, amounted to CFAF 109 billion (3.5 percent of GDP and about 9 percent of non-oil GDP), more than twice the level reached in preceding years. In 2004, exemptions amounted to 2.3 percent of GDP. Exemptions granted to oil products, wheat flour imports by MINOCO, and for exceptional reasons were especially high in 2005 (Table 9). In the first semester of 2006, the bulk of exemptions concentrated in the oil sector, municipalization projects, and other public investments, and CEMAC imports under the chapter of statutory exemptions. Officially, (and appropriately) Congo grants exemptions on products that are in transit, under temporary admission and products placed under customs warehousing. However, in practice, a number of other products are also exempted, as shown in Table 9.

Table 9: Congolese Exemptions to Trade (in bn CFAF) 1/

Exemptions	2000	2001	2002	2003	2004	2005	2006 First Semester
Total	46,398	55,219	59,390	45,955	52,086	108,957	107,298
Petroleum Sector o/w	38,480	36,052	43,711	30,490	36,057	91,166	90,751
related to conventions	38,299	35,863	43,340	30,133	25,631	18,374	39,205
total exemptions	0	0	0	0	9,674	60,758	49,439
automation fee	0	0	0	0	475	11,520	1,897
Statutory o/w	1,314	3,973	4,100	4,379	6,715	5,569	10,154
CEMAC Imports-related	0	0	0	0	781	2,453	9,044
Pro-Investment, o/w	4,931	8,549	9,841	9,993	6,562	8,056	4,709
Public contract-related	2,190	4,112	5,662	3,661	3,645	2,282	3,847
Minoco (wheat flour)	0	0	0	0	206	1,486	776
Plasco (mineral water)	0	0	0	0	0	166	86
Exceptional Measures	1,673	6,646	1,738	1,094	2,752	4,166	1,685

Source: WTO (2006), Congolese authorities and IMF.

1/ Revenue foregone as a result of exemptions to the customs tariff and other taxes imposed on imports (e.g., excise taxes and statistical taxes).



The fiscal revenue impact of reducing the use of exemptions would be significant (Figure 4). In 2005 and 2006 exemptions are projected to account for 60 and 54 percent, respectively, of potential fiscal revenue associated to trade. Such weak customs duty collection calls for the consolidation and harmonization of tax measures, the rationalization of exemptions, and the strengthening of customs.

VI. Regional Integration and other Partnerships

Most Congolese trade is with the United States, the European Union, and China. Trade relations vis-à-vis the United States, Congo's major trading partner according to the WTO report, are skewed towards exports, which account for about 94 percent of trade exchanges (Table 10) and oil-related products in particular. Congo mostly imports machinery and transportation equipment, agricultural products and minerals and metals.

Table 10. US and Congo Trade Relations: The AGOA Program (in thousand dollars)

	US Exports to Congo			US Imports from Congo			US Imports of duty-free items added under Agoa		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
All sectors	64,512	103,429	137,310	849,730	1,662,438	3,045,473	342,248	571,419	774,536
Agricultural products	7,571	10,404	6,721	3,021	3,500	141	-	-	-
Forest products	552	5,674	224	2,887	8,168	5,581	-	-	-
Chemicals and related products	3,615	3,446	5,020	1,605	147	126	-	-	-
Energy-related products	126	266	18,658	829,263	1,645,975	3,029,433	342,248	571,419	774,536
Textiles and apparel	6,502	5,897	4,896	10	-	-	-	-	-
Footwear	19	66	268	-	-	-	-	-	-
Minerals and metals	6,374	10,678	15,506	11,289	2,693	1,781	-	-	-
Machinery	7,552	14,751	12,822	25	-	61	-	-	-
Transportation equipment:	26,987	43,629	58,008	-	-	126	-	-	-
Electronic products	2,978	4,564	8,402	198	54	68	-	-	-
Miscellaneous manufactures	366	420	336	1,138	915	5,777	-	-	-
Special provisions	1,870	3,634	6,450	294	986	2,380	-	-	-

Source: US ITC and IMF

Congo reaps little benefit from its preferential arrangements despite being beneficiary of different preferential programs with some major trading partners: A weak business climate environment, poor infrastructure, stringent rules of origin, standards and other technical barriers constitute important constraints on Congo's ability to utilize unilateral preferences granted by the United States, the EU, and others. To date, at least formally, Congo benefits from: AGOA with the United States, the Africa, Caribbean, and Pacific (ACP)-European Union (EU) Agreement, now being renegotiated, and the generalized system of preferences granted to least developed economies. That is,

- *The Economic Partnership Agreement (EPA) with the European Union.* Congolese industrial products and processed agricultural products exports to the European Union have been the beneficiary of non-reciprocal duty-free treatment. Under the umbrella of the Cotonou Agreement, signed by the EU and 79 ACP countries in 2000, the European Union and ACP countries are engaged in negotiations[12] to convert the current agreement into a reciprocal agreement (and thus compatible with the WTO Agreements). This EPA, to be implemented in 2008, is expected to lead to the progressive and reciprocal liberalization of trade in goods and services, in accordance with WTO rules. The EPA is also expected to cause revenue losses (estimated to be around 1 percent of GDP[13]) to be phased in gradually, allowing time to bring alternative revenue measures into place.

[12] The Cotonou Agreement, also known as the The ACP-EU Partnership Agreement, is a comprehensive aid and trade agreement signed last June 2000 between the EU and 77 ACP countries. This agreement provides the framework for the negotiation of new reciprocal, and therefore WTO-compatible, trading arrangements between the EU and the 77 ACP countries. It is expected to enter into force in 2008.

[13] UNECA (2006) estimates loses could amount to $75 million.

- *United States and African Growth and Opportunity Act (AGOA)*. Despite gaining preferential treatment to the U.S. markets, Congo's use of such preferences is quite limited. According to the WTO, no product exported to the United States has benefited from the AGOA's program. USITC data show that (i) only energy-related exports to the United States have been granted zero-duty status under the AGOA's regime, and (ii) the share of energy-related exports benefiting from duty free treatment under AGOA has plummeted from 88 percent in 2003 to 26 percent in 2006[14] (Table 10). USAID (2004) refers to the numerous obstacles to trade and constraints the Congolese economy faces in order to explain the limited use of AGOA's benefits. In particular, they stress high costs of production due to transport and fuel prices/ tariffs, the chaotic and unregulated cross border activity, and the need to streamline goods transshipment procedures in a transparent fashion.

- *The Generalized System of Preferences (GSP)*. Congo is a beneficiary of the GSP preferential tariff program granted by many countries according to the WTO (2006). The number of products covered under the GSP program granted by the US to Congo has declined, however. In 2005, according to USITC, U.S. imports from Congo under the GSP regime remained close to 0 percent of Congo's exports to the United States.

- *Other Bilateral Agreements*. There are indications that Congo is mired by the process of regionalism. The Economic Sub-Community of Central African States (ECCAS), comprising CEMAC members and other countries such as the Democratic Republic of Congo, Angola, Burundi, Rwanda, and São Tomé and Principe, has approved the adoption of a free trade area by year-end 2007, raising yet more questions about the benefits and drawbacks of overlapping regional trade arrangements. Moreover, the authorities have signed bilateral agreements with Brazil, Cuba, China, South Korea, Turkey, South Africa, and Vietnam, the specifics of which have yet to be made clear.

There is very limited information about Congo's actual trade practices and trade flows as well as on Congo's bilateral trade agreements with non-CEMAC countries. Lack of reliable trade flow data has several implications. For example, it makes it difficult to estimate the revenue impact of the ongoing ACP-EU EPA negotiations. Also, in order to avoid making the system even more cumbersome and unpredictable, and to limit the costs of regional arrangements, it is important that the authorities negotiate clear, transparent, and liberal rules of origin and ultimately publish the legislation and regulations of the signed agreements.

VII. Policy Recommendations: Trade Reform and Growth

It is widely accepted that trade openness has positive effects on growth. The literature also emphasizes the significant positive spillovers trade has on other aspects of policy reform.[15] In the case of Congo, the links seem to be especially relevant given that the economy is highly dependent on

[14] According to U.S. authorities, Congo claims for duty-preferences for all its exports of energy-related goods have declined. Most of these exports are in HTS 27090020 which has a MFN tariff of around $10.5c per barrel, a rate that is already considered quite low.

[15] See Berg and Krueger (2003) for a survey of the literature on the link between trade and growth.

exports and imports, and suffers from capacity constraints that severely limit its capacity to recover from the effects of past civil wars.

Enhancing Congo's trade performance also requires the following measures:

- *Simplifying its applied tariff and para-tariff schemes.* This encompasses the consolidation of taxes to trade and the elimination of para-tariff measures (automation fee, transportation fees, OHADA levy, among others). Some of these measures may raise issues of consistency with the country's international commitments and, moreover, yield de facto little revenue to Congo's treasury.

- *Increasing transparency and the predictability of the current regime* to enhance the volume of trade and limit the scope for discretionary practices and corruption. Measures to be considered include the publication of the full list of tariff lines subject to para-tariff measures, and reducing the scope of VAT and excises exemptions, among others. Also, transparency can be sharply improved with the publication of all applicable quantitative nontariff measures (e.g., licensing requirements, prohibitions, and quotas).

- *Easing quantitative and qualitative nontariff barriers*. Measures to be considered cover the elimination of SARIS's and MINOCO's monopolies and the simplification of licensing procedures; the elimination of subsidies and tax concessions favoring domestic monopolies; the progressive phasing out of administrative prices; and the strengthening of customs administration.

- *Encouraging the reduction of CEMAC's official external tariffs and other barriers against imports from non-regional partners.* The study shows that the CEMAC framework, which constitutes the skeleton of Congo's trade regime, is quite restrictive. The existing WAEMU CET, with a maximum rate of 20 percent contrasts with CEMAC's maximum rate of 30 percent.

- *Rationalizing the "spaghetti bowl" of regional arrangements and avoiding the costs of overlapping membership and complex rules of origin*. In order to avoid making the system even more cumbersome and unpredictable, and to limit the costs of regional arrangements, it is important that the authorities: (i) engage in regional integration projects that do not discriminate against outsiders and (ii) negotiate clear, transparent, and liberal rules of origin. Easing trade costs at the regional level encompasses enhancing customs operations, harmonizing product standards, and rationalizing any "other duties and charges" (other than the customs tariffs) that are applied exclusively to imports (such as automation fees, customs fees, and surcharges).

- *Enhancing cooperation with the CEMAC Secretariat and facilitating surveillance.* Congo's data on trade flows dates back to 1995. Lack of data reporting explains the gap. Data collection—both on trade flows and on country-specific regulations and practices—is crucial to the effectiveness of the CEMAC Secretariat.

The diversification of Congo's trade structure is a must, given the projected oil production decline. As such, enhancing the business environment, promoting entrepreneurship, and removing supply side barriers is critical. Engaging in a review like that conducted under the Integrated Framework Initiative[16] could help the authorities move in this direction. The Diagnostic Trade Integration Study (DTIS) has proven to be a very useful tool in identifying sectors with potential comparative and competitive advantage and in better understanding bottlenecks that limit reaping efficiency gains.

[16] See http://www.integratedframework.org for further details.

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Appendix Table 1. Average MFN Rates by Region and Sector

	CEMAC's MFN rate					WAEMU's MFN rate					East African Customs Union 's MFN rate				
HS Classification	Number of Tarif Lines	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate	Number of Tarif Lines	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate	Number of Tarif Lines	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate
Animal & Animal Products	258	22.7	6.4	5	30	240	15.1	6.1	5	20	233	25.6	9.7	0	60
Vegetable products	404	23.4	9.8	5	30	379	14.3	6.8	5	20	326	18.8	11.9	0	75
Foodstuffs	261	25.3	9.1	0	30	230	16.5	5.6	5	20	208	23.2	14.2	0	100
Mineral products	178	10.1	2.2	0	20	176	6.1	3.4	0	20	174	6.3	8.6	0	55
Chemicals& Allied Products	853	11.3	6.6	0	30	838	7.1	5	0	20	822	3.0	7.2	0	35
Plastics/Rubbers	219	16.5	9.4	0	30	226	10.7	6.2	0	20	241	10.6	9.9	0	25
Raw, Hides, Skins, Leather & Fun	77	19.5	10	10	30	76	12.0	5.7	5	20	74	14.1	8.1	0	25
Wood & wood products	734	26.3	8.1	0	30	239	10.6	6.3	0	20	247	16.0	10.8	0	25
Textiles	862	22.1	8.6	10	30	867	17.1	5	0	20	861	21.0	9.2	0	50
Footwear/Headgear	57	29.3	2.6	20	30	57	17.7	4.2	10	20	55	21.5	6.7	0	25
Stone/Glass	199	24.9	9.3	0	30	208	15.3	6	0	20	201	19.1	8.8	0	25
Metals	607	16.7	7.9	10	30	631	12.7	6.8	5	20	596	10.3	9.1	0	40
Machinery	829	14.2	7.1	0	30	817	8.8	5.8	0	20	814	6.6	9.2	0	35
Transportation	226	16.5	9.4	0	30	221	10.3	6.2	0	20	167	7.2	9.7	0	25
Miscellaneous	408	21.3	9.4	5	30	441	14.4	6.6	0	20	403	14.9	11.1	0	25
Unweigthed Average	6,172	19.1	9.6	0	30	5,646	12.1	6.8	0	20	5,422	12.9	11.9	0	100

	SACU's MFN rate					Mercosur's Applied MFN rate					EU's Applied MFN rate				
HS Classification	Number of Tarif Lines	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate	Number of Tarif Lines	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate	Number of Tarif Lines	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate
Animal & Animal Products	190	2.9	7.9	0	27	342	9.0	3.8	0	16	697	9.5	5.8	0	23
Vegetable products	351	7.1	8	0	35	410	8.0	3.7	0	14	621	6.3	5.5	0	20.8
Foodstuffs	218	14.4	12.4	0	55	269	14.9	4	2	20	761	15.2	8.7	0	74.9
Mineral products	174	1.9	4.8	0	20	214	2.5	1.8	0	6	252	0.7	1.5	0	8
Chemicals& Allied Products	994	2.5	5.4	0	22	2,933	6.8	5.5	0	18	2,033	4.8	2.4	0	12.8
Plastics/Rubbers	439	8.5	8.1	0	43	406	11.6	5.8	0	18	728	5.4	2.2	0	6.5
Raw, Hides, Skins, Leather & Fun	82	10.8	11.9	0	30	121	11.1	5.8	2	20	174	3.0	2.6	0	9.7
Wood & wood products	294	7.0	7.4	0	30	337	10.3	4.9	0	16	440	1.3	2.5	0	10
Textiles	979	21.6	12.8	0	40	976	17.0	4.1	2	20	1,661	8.0	3.2	0	12
Footwear/Headgear	74	20.8	10.9	0	30	62	19.1	1.4	16	20	148	8.0	5.4	0	17
Stone/Glass	244	6.4	7.7	0	30	274	10.4	5	0	20	376	3.5	2.9	0	12
Metals	751	5.6	7.04	0	30	738	11.8	5.2	0	25	1,368	2.0	2.4	0	10
Machinery	1,025	3.9	6.9	0	30	1,765	7.6	7.9	0	26	2,071	2.4	2.7	0	14
Transportation	214	8.7	11.1	0	34	211	14.9	13.3	0	35	315	4.5	4.8	0	22
Miscellaneous	421	3.7	7.4	0	30	668	11.8	8.3	0	20	736	2.3	1.8	0	7.7
Unweigthed Average	6,450	8.0	10.8	0	55	9,726	9.7	7.1	0	35	12,733	5.3	5.3	0	74.9

Source: TRAINS DATABASE (2006) AND IMF STAFF

Appendix Table 2. CEMAC and WAEMU's Tariff Rates

HS		CEMAC's MFN rate (Rep. Congo as reference)					WAEMU's MFN rate (Senegal as reference)				
		Number of Tariff Lines	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate	Number of Tariff Lines	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate
1	Live Animals	31	21.9	11.8	5	30	27	15.7	6.7	5	20
2	Meat and edible meat offal	61	20	0	20	20	59	20	0	20	20
3	Fish & crustacean, mollusk & other aquatic invert	112	22.9	4.5	20	30	97	13.76	4.9	5	20
4	Dairy prod; birds' eggs; natural honey; edible prod.	36	26.3	6.8	5	30	39	15	7.2	5	20
5	Products of animal origin, next or incl.	18	24.5	9.2	10	30	18	5	0	5	5
6	Live tree & other plant; bulb, root; cut flowers	13	14.6	12.7	5	30	12	11.25	7.7	5	20
7	Edible vegetables and certain roots and tubers	65	29.2	4.4	5	30	66	19.1	3.6	5	20
8	Edible fruit and nuts; peel of citrus fruit or me	60	29.6	3.2	5	30	60	19.5	2.7	5	20
9	Coffee, tea, mate and spices	91	28.6	5.7	5	30	62	19.4	2.5	10	20
10	Cereals	27	14.8	10	5	30	18	6.1	2.1	5	10
11	Prod. Mill. Indust; malt; starches; inulin; wheat	31	22.2	8.4	10	30	32	13	5.4	5	20
12	Oil seed, foliage fruits, miscell grain, seed,	51	10.1	5.4	5	30	51	5.3	1.2	5	10
13	Lac; gums, resins & other vegetable saps & extracts	12	10	0	10	10	12	5	0	5	5
14	Vegetable plaiting materials; vegetable products	8	10	0	10	10	9	5	0	5	5
15	Animal/veg fats & oils & their cleavage prods.	46	25.7	8.3	10	30	57	13.3	5.8	5	20
16	Prep. Of meat, fish or crustaceans, mollusks etc	27	30	0	30	30	28	20	0	20	20
17	Sugars and sugar confectionery	19	21.6	10.1	10	30	18	12.2	7.3	5	20
18	Cocoa and cocoa preparations	15	30	0	30	30	20	13.3	6.5	5	20
19	Prep. Of cereal, flour, starch/milk; pastry cooks	27	24.8	9.95	5	30	21	17.4	5.6	5	20
20	Prep. Of vegetable, fruit, nuts, or other parts of	77	29.6	2.5	10	30	57	19.8	1.3	10	20
21	Miscellaneous edible preparations	20	23	9.8	10	30	23	15.2	6.3	5	20
22	Beverages, spirits and vinegar	37	28.2	5	5	30	28	19.6	1.4	10	20
23	Residues & waste from the food indust; prep. Animal	26	7.5	7.5	0	30	26	9.8	1	5	10
24	Tobacco and manufactured tobacco substitutes	13	22.3	10.1	10	30	9	12.2	7.5	5	20
25	Salt; sulphur; earth & ston; plastering mat; lime	77	10.2	3.1	0	20	75	6.7	4.7	5	20
26	Ores, slag and ash	41	10	0	10	10	41	5	0	5	5
27	Mineral fuels, oils & products of their distillation	60	10.2	1.3	10	20	60	6	2.4	0	10
28	Inorgn chem; compds of prec mtl, radio act element	191	10	0.88	5	20	183	5.1	0.5	5	10
29	Organic chemicals	340	9.85	0.85	5	10	340	4.9	0.65	0	5
30	Pharmaceutical products	36	0.83	1.9	0	5	32	0	0	0	0
31	Fertilizers	33	5	0	5	5	26	5	0	5	5
32	Tanning/dyeing extract; tannins & derives; pigm.	46	13.04	6.95	10	30	56	10.3	6.3	5	20
33	Essential oils & resinous; perf, cosmetic/toilet	35	20.857	10.11	10	30	39	15.4	5.1	10	20
34	Soap, organic surface-active agents, washing prep.	26	25	7.6	10	30	27	15.4	5.4	5	20
35	Albuminoidal subs; modified starches; glues; enzy	22	13.18	4.77	10	20	15	9.4	1.8	5	10
36	Explosives, pyrop allo	9	23.3	10	10	30	9	13.4	7.9	5	20
37	Photographic or cinematographic goods	38	21.6	11.3	5	30	37	18.5	4.4	5	20
38	Miscellaneous chemical products	77	11.9	6.9	5	30	74	8.8	2.8	0	20
39	Plastics and articles thereof	130	13.8	7.6	10	30	135	10.4	6.3	5	20
40	Rubber and articles thereof	89	20.3	10.4	0	30	91	11	6.1	0	20
41	Raw hides and skins (other than fur skins) and leather	38	10	0	10	10	38	8.7	2.2	5	10
42	Articles of leather; saddlery/harness	24	27.9	5.9	10	30	24	18.8	3.4	10	20
43	Fur skins and artificial fur; manufactures thereof	15	30	0	30	30	14	9.3	5.1	5	20
44	Wood and articles of wood. Wood charcoal	563	29.7	2.8	0	30	73	10.6	4.6	5	20
45	Cork and articles of cork	7	10	0	10	10	7	10.7	6.7	5	20
46	Manufactures of straw, esparto/other plaiting mat.	5	30	0	30	30	6	20	0	20	20
47	Pulp of wood/of other fibrous cellulose mat.	20	10	0	10	10	20	5	0	5	5
48	Paper & paperboard; art of paper pulp, paper	116	16.4	9.1	0	30	112	11.7	6.2	0	20
49	Printed books, newspapers, pictures & other prod.	23	10	12.4	0	30	21	6.7	9.1	0	20

Appendix Table 2. CEMAC and WAEMU's Tariff Rates (Cont.)

HS		CEMAC's MFN rate (Rep. Congo as reference)					WAEMU's MFN rate (Senegal as reference)				
		Number of Tariff Lines	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate	Number of Tariff Lines	Average MFN Rate	Standard Deviation	Min MFN Rate	Max MFN Rate
50	Silk	10	15	7.1	10	30	10	12	7.1	5	20
51	Wool, fine/coarse animal hair, horsehair yarn	38	15.8	9.2	10	30	38	11.1	6.8	5	20
52	Cotton	133	18.5	6.8	10	30	143	14.8	5.4	5	20
53	Other vegetable textile fibers; paper yarn & wove	29	12.4	5.1	10	30	30	9.8	6.1	5	20
54	Man-made filaments	73	14.7	6.7	10	30	67	15.4	5.1	5	20
55	Man-made staple fibers	115	15.7	6.9	10	30	118	16.2	4.9	5	20
56	Wadding, felt & no woven; yarns; twine, cordage	37	16.5	9.5	10	30	34	15.7	5.2	5	20
57	Carpets, and other textile fab. Lace; tapestry	23	30	0	30	30	23	20	0	20	20
58	Special woven fab; tufted tex. fab; lace;	41	28.8	3.3	20	30	41	20	0	20	20
59	Impregnated, coated, cover/laminated textile	25	20	10	10	30	24	15.8	5	10	20
60	Knitted or crocheted fabrics	44	20	0	20	20	44	20	0	20	20
61	Art of apparel & clothing access; knitted or croc	116	30	0	30	30	116	20	0	20	20
62	Art of apparel & clothing access; not knitted or croc	119	30	0	30	30	119	20	0	20	20
63	Other made up textile articles, sets, worn cloth.	59	28.1	5.7	10	30	60	19.4	3.2	0	20
64	Footwear, gaiters and the alike	29	28.6	3.5	20	30	31	18.1	4	10	20
65	Headgear and parts thereof	13	30	0	30	30	11	16.4	5	10	20
66	Umbrellas, walking-sticks, seat sticks, whips	7	30	0	30	30	7	15.7	5.3	10	20
67	Prep. Feathers & down; arti flower; articles human	8	30	0	30	30	8	20	0	20	20
68	Art of stone, plaster, cement, asbestos, mica/sim	49	24.7	8.9	10	30	50	17.1	4.7	5	20
69	Ceramic products	30	26.7	7.6	10	30	30	18	5.2	5	20
70	Glass and glassware	63	22.6	9.8	5	30	75	16.2	5.2	5	20
71	Natural/Cultured pearls, prec stones & metals	57	26.8	9.3	0	30	53	10.7	6.1	0	20
72	Iron and steel	173	14.5	4.98	10	20	175	8.5	5.9	5	20
73	Articles of iron or steel	132	19.2	8.5	10	30	152	16.2	5.9	5	20
74	Cooper and articles thereof	60	15	8.3	10	30	60	12	6.8	5	20
75	Nickel and articles thereof	17	10	0	10	10	18	12.2	6.7	5	20
76	Aluminum and articles thereof	41	17.8	9.08	10	30	42	13.3	6.7	5	20
78	Lead and articles thereof	10	12	6.3	10	30	10	9.5	6	5	20
79	Zinc and articles thereof	12	13.3	7.8	10	30	11	10.9	7.4	5	20
80	Tin and articles thereof	8	12.5	7.1	10	30	8	11.9	7	5	20
81	Other base metals; cements; articles thereof	52	11.5	5.4	10	30	51	10.4	7	5	20
82	Tool, implement, cutlery, spoon & fork, of base	66	20.3	7	10	30	67	15.2	5	10	20
83	Miscellaneous articles of base metal	36	27.5	5.5	10	30	37	18.4	3.7	10	20
84	Nuclear reactors, boilers, mchy & mech appliance	541	11.95	5.04	0	30	522	6.8	4.2	5	20
85	Electrical mchy equip parts thereof; sound record	288	18.5	8.4	10	30	295	12.3	6.5	0	20
86	Railw/tramw locum, rolling-stock & parts thereof	38	10	0	10	10	24	5	0	5	5
87	Vehicles o/t railw/tramw roll-stock, pts & access	145	20.6	8.4	5	30	153	12.2	6.2	0	20
88	Aircraft, spacecraft, and parts thereof	16	1.25	3.4	0	10	16	5	0	5	5
89	Ships, boats and floating structures	27	12.6	7.6	0	30	28	7.7	5.4	5	20
90	Optical, photo, cine, meas, checking, precision	167	12.8	7.7	5	30	166	9.5	6.4	0	20
91	Clocks and watches and parts thereof	53	25.1	5.04	20	30	53	19.6	1.9	10	20
92	Musical instruments; parts and access of	23	27.8	4.2	20	30	23	10	0	10	10
93	Arms and ammunition; parts and accessories thereof	22	25.9	5.03	20	30	60	14.8	5.4	5	20
94	Furniture, bedding, mattress, matt support,	41	26.95	6.4	5	30	38	17.9	4.6	5	20
95	Toys, games & sports requisites; parts & access	44	30	0	30	30	44	18.7	4.3	5	20
96	Miscellaneous manufactured articles	51	26.7	5.9	10	30	50	19.5	2.5	5	20
97	Works of art, collectors' pieces and antiques	7	30	0	30	30	7	20	0	20	20

Source: TRAINS Database (2006)

Appendix Table 3A. Business-related Nontariff Barriers, 2006

	CEMAC						WAEMU								Sub-Saharan Economies (average)
	CEMAC Countries (min,max)	Cameroon	Chad	Central African Republic	Gabon	Rep. Congo	WAEMU Countries (min,max)	Benin	Burkina Faso	Côte d'Ivoire	Mali	Niger	Senegal	Togo	
Business Climate															
Ease of Doing Business	[132,172]	152	172	167	132	171	[137, 163]	137	163	141	155	160	146	151	131
Starting a Business	[132,174]	152	174	132	142	146	[126, 169]	126	131	154	163	147	150	169	125
Dealing with Licenses	[54, 151]	151	114	148	54	95	[66, 168]	133	168	158	122	126	66	132	110
Employing Workers	[135, 163]	135	148	160	159	163	[131, 168]	121	153	133	131	168	152	145	118
Registering Property	[92, 163]	131	122	92	149	163	[85, 164]	85	164	101	93	103	151	155	121
Getting Credit	[101, 117]	117	117	117	101	117	[117, 143]	117	117	143	143	143	143	143	112
Protecting Investors	[46, 99]	60	99	46	99	83	[46, 135]	46	99	99	99	99	135	135	92
Paying Taxes	[94, 171]	143	132	171	94	170	[115, 162]	162	129	134	141	115	159	130	104
Trading Across Borders	[112, 166]	140	157	156	112	166	[64, 174]	130	154	132	167	174	94	64	124
Enforcing Contracts	[77, 171]	170	171	161	77	155	[92, 162]	162	143	92	140	104	138	123	111
Closing a Business	[96, 151]	96	151	151	130	110	[68, 129]	98	90	68	99	129	74	88	111

SOURCE: WORLD BANK (2006) AND IMF STAFF

Appendix Table 3B. Trade-related Nontariff Barriers, 2006

Trading Across Borders	CEMAC Countries 1/	Cameroon	Chad	Central African Republic	Gabon	Rep. Congo	WAEMU Countries 1/	Benin	Burkina Faso	Côte d'Ivoire	Mali	Niger	Senegal	Togo
Documents for Export (number)	8	10	7	9	4	12	8.2	8	9	9	10	..	6	7
Time for Export (days)	51	38	87	63	19	50	40.8	35	69	21	66	..	22	32
Cost to Export (USD per container)	1,924	524	1,860	1,502	4,000	1,732	1,182	980	1,215	781	1,752	..	978	463
Documents for Import (number)	14	14	14	19	10	15	13.9	11	13	19	16	19	10	9
Time for Import (days)	62	51	111	60	26	62	54.1	48	66	48	61	89	26	41
Cost to Import (USD per container)	2,313	1,360	2,400	1,572	4,031	2,201	1,837	1,452	1,700	1,395	2,680	3,266	1,674	695

1/ In average

Source: World Bank (2006) and IMF Staff