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**2007 SURVEY OF NON TARIFF BARRIERS TO
TRADE:
COMOROS**

FINAL REPORT



RTFP

Regional Trade Facilitation Programme

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1. EXECUTIVE SUMMARY

During the last 20 years the economic situation in Comoros has been quite irregular with a deep recession in 2000. The country has limited natural resources, a small and fragmented market and a very narrow export base which makes it vulnerable to external economical shocks. Almost half of the population live under the poverty threshold and have limited access to education, portable water and electricity.

Trade between the Comoros and the COMESA region tends to be a very small fraction of Comoros total world trade. In 2006, the COMESA region only represented 5.3% of total imports to the Comoros. This figure fell from around 11% of imports in 2002 and 2003. Imports from COMESA countries are dominated by Mauritius, Madagascar, Kenya, and more recently Egypt. Imports from the region tend to fluctuate substantially but tend to range between US\$ 5-7 million. Exports into the COMESA region are even lower, representing less than 1% of Comoros total exports. Although in 2006 Madagascar was the largest export destination, Mauritius has traditionally been the largest export destination for the Comoros within the COMESA region.

In general, very few direct instances of NTBs were reported, and particularly so for exports. Major impediments to imports revolved around customs issues and infrastructure constraints. Within the customs issues, customs formalities such as excessive “check points” continue to burden trade as well as time consuming preshipment inspection routines and requirements. With regard to infrastructure issues, port constraints such as storage capacity and congestion as well as general infrastructure and port operations were highlighted as hindering trade. A major recommendation that emerged during the study was that the port area be expanded, and a deep sea port be constructed in Moroni. Aside from controls over the importation of ordinary rice there do not appear to be any other legislated NTBs. Likewise, aside from the importation of various other conventionally restricted or prohibited goods no import or export permits are required.

2. TRADE IN COMOROS

2.1. General Trade

The Comorian economy is faced with a number of weaknesses:-

- A low level of industrialisation, where only 4.1% of the GDP is attributed to manufactured products
- Low levels of FDI
- Highly dependency on only 3 main export products representing 98% of the exports
- A deterioration of the trade deficit (Comoros imports 3-4 times as much as it exports)

The slow growth in 2005 and beginning of 2006 is due to 3 main factors:

- deterioration of the public finances prior to the election period.
- a drop in the proceeds from main exports products (Vanilla, Ylang Ylang and Clove) as a result of increased competition on the world markets
- the closure of one of the main hotels resulting in a drop of the tourist arrivals.

In such an economy, which depends on consumption rather than production, the source of funds for the government rests mainly on taxes and customs duty which represent 60-70% of the total government revenue.

The main economic activity in Comoros lies in the primary sector (mainly agriculture, animal farming and fishing) and trade. Agriculture and fishing represent 41 % of the GDP. Fishing is mainly of subsistence nature. As mentioned earlier, the industrial sector accounts for 4.2% of the GDP.

Given the fact that Comoros is not a major producer of consumer goods it has to import almost 3 to 4 times as much as it exports. This results in a significant deficit of the balance of payments. However this situation is compensated by huge transfers of the Comorian Diaspora which is estimated at US\$ 55million annually (representing 16% of the GDP).

The outlook for the Comorian economy looks bleak due to international price tendencies both for export and imports. World indicators for vanilla do not look favourable as far as prices are concerned.

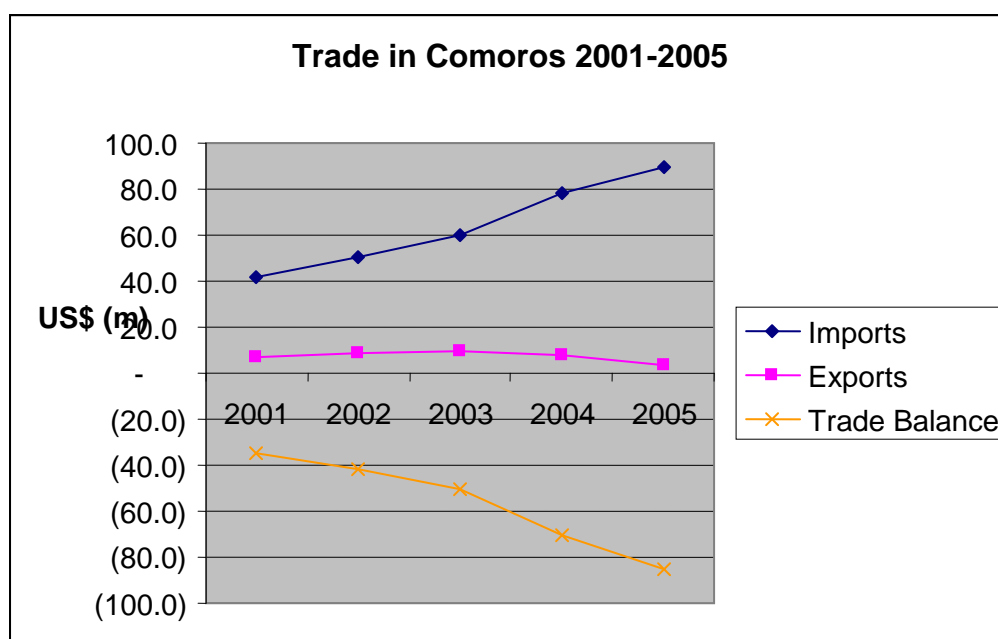
Table 1: External trade in Comoros (US\$)

	2001	2002	2003	2004	2005
Imports	42,001,467	50,388,325	59,770,433	77,923,651	89,345,058
Exports	7,187,785	8,476,808	9,417,935	7,804,973	3,814,925
Total	49,189,252	58,865,132	69,188,367	85,728,624	93,159,983
Trade Balance	(34,813,683)	(41,911,517)	(50,352,498)	(70,118,678)	(85,530,133)

Source : Ministère des Finances, du Budget, de l'Economie, du Plan, Charge de la Promotion, de l'Emploi

The significant disparity between imports and exports in Comoros results in a high trade deficit. In 5 years, the level of imports has almost doubled in terms of value. Exports have on the contrary experienced sharp reductions in value due to drops in world export prices. The level of exports during the same period has almost been halved.

Graph 1: Trade in Comoros 2001-2005



2.1.1 Exports

Vanilla has been the main source of revenue compared to other products. However due to international competition prices have significantly dropped as shown in the table. This has led to a 60% drop in the revenues in 2005 compared to 2004. The figures for 2006 are even lower and represent half of the 2005 proceeds.

Clove which is the second export revenue product has also been experiencing a reduction both in volume and value terms mainly due to variations on the world market. The main destinations for cloves are France, Singapore and UAE. The demand for Ylang shot up in 2005 due to international demand but since dropped rapidly to low levels. The main market for Ylang is France. The concentration of the Comorian exports on 3 main products and their vulnerability on world market shows one of the main weaknesses of the economy.

The COMESA region has traditionally been a largely insignificant export destination for Comoros exports and generally represents a market for around 1% of total exports. The table below indicates a spike of exports in 2002, but this data looks suspicious as the entire trade pattern is different to all other years.

Table 2: Exports by main regions (as a % of total)

	2001	2002	2003	2004	2005
COMESA	0.98%	14.25%	0.61%	1.68%	0.60%
Other African countries	0%	61.69%	0.46%	0.18%	0.11%
EU	63.08%	0.64%	89.18%	22.07%	91.78%
Asia	8.74%	21.09%	0.00%	1.76%	0.66%
America	0.00%	0.29%	1.26%	69.67%	0.00%
Rest of the World	27.19%	2.03%	8.49%	4.64%	6.86%
Total	100%	100%	100%	100%	100%

Source : Ministère des Finances, du Budget, de l'Economie, du Plan, Charge de la Promotion, de l'Emploi

2.1.2 Imports

Comoros is a net importer of goods. Within the last 5 years the main supplier to Comoros has been Europe with 36% of the total imports followed by Asia (7.2%). Within Europe, France remains the dominant exporter. From the African continent (under other African countries), South Africa is a major supplier with 6% of the Comorian imports. The COMESA region is a more important supplier of goods to Comoros than it is an export region. However, import values appear to fluctuate substantially and in 2004 and 2005 were between 5 and 6 %, down from about 11% in 2002 and 2003.

Table 3: Imports by region (% of total)

	2001	2002	2003	2004	2005
COMESA	0.04%	10.88%	11.01%	5.97%	5.32%
Other African countries	0.04%	3.40%	6.33%	6.96%	16.00%
EU	7.71%	34.59%	69.96%	62.42%	36.10%
Other European Countries	68.56%	0.00%	0.47%	0.03%	0.00%
Asia	6.13%	0.79%	6.78%	15.52%	7.26%
America	0.36%	0.02%	0.11%	0.03%	0.01%
Rest of the World	17.16%	50.32%	5.34%	9.07%	35.31%
Total	100%	100%	100%	100%	100%

Source : Ministère des Finances, du Budget, de l'Economie, du Plan, Charge de la Promotion, de l'Emploi

2.2 Imports from COMESA countries

Table 4: Imports by country - COMESA

Countries	Value in US\$			
	2003	2004	2005	2006
BURUNDI	-	-	-	-
DJIBOUTI	-	-	166	1,267
DR CONGO	-	-	-	-
EGYPT	-	398,860	1,577,866	1,752,311
ETHIOPIA	-	-	18	-
KENYA	1,903,541	2,420,397	1,109,475	253,229
MADAGASCAR	509,709	739,411	657,164	859,225
MALAWI	-	-	-	-
MAURITIUS	2,196,339	3,520,303	2,184,907	4,402,933
SEYCHELLES	62,111	3,265	-	-
SUDAN	266	375	73	143
UGANDA	-	-	-	-
ZAMBIA	-	-	-	-
ZIMBABWE	42,852	6,802	-	-
SWAZILAND	-	383	135	1,040
RWANDA	3,061	-	-	-
NAMIBIA	3,061	-	-	-
BOTSWANA	-	-	-	24,017
ERYTREA	-	-	-	-
	-	-	-	-
TOTAL COMESA	4,720,941	7,089,796	5,529,805	7,294,164

Imports from COMESA countries are dominated by Mauritius, Madagascar, Kenya, and more recently Egypt. Imports from the region tend to fluctuate substantially but tend to range between US\$ 5-7 million. In 2006, imports from COMESA countries only represented around 5.3% of total imports to the Comoros.

No data was available from the Customs Department regarding trade in specific products but as Mauritius contributed around 60% of COMESA exports to Comoros, Mauritian mirror trade statistics have been utilised to identify some key products imported from the region. This analysis identified wheat, animal feed, soap, pharmaceuticals, garments and fabrics as key imports. The top ten products imported from Mauritius were as follows:

- Wheat or meslin flour
- Preparations used in animal feeding excl sub heading
- Men/boy trouser breech & short of cotton not knitted/crocheted
- Soap/organic surface active agent in bars, cakes etc not for toilet use
- Medicament nes not contg antibiotic/harmone/alkaloid/vitamin.
- Hydrogenated/esterified vegetable fats/oils and fractions.
- Printed woven fabrics,
- Garments
- Sugar confectionery (incl. white chocolate), not containing cocoa, nes
- Lubricating oils

2.3 Exports to COMESA countries

Exports to the region are marginal, representing only 0.6% of total exports in 2006. In 2006, the majority of exports were destined for Madagascar, but in previous years Mauritius was by far the dominant export destination. As with imports from the region, Comoros exports to COMESA tend to fluctuate substantially, but unlike the import values, the total export value in 2006 was substantially lower than that of 2003. This is mainly due to lower volume of exports to Mauritius.

Table 5: Exports by country - COMESA

COUNTRY	Value in US\$			
	2003	2004	2005	2006
BURUNDI	-	-	-	-
DJIBOUTI	3,012	-	-	-
DR CONGO	-	-	11,388	1,939
EGYPT	-	-	2,309	-
ETHIOPIA	-	-	-	-
KENYA	2,449	-	3,616	-
MADAGASCAR	44,265	14,285	30,333	13,713
MALAWI	-	-	-	-
MAURITIUS	288,000	42,037	66,650	3,071
SEYCHELLES	-	-	-	-
SUDAN	1,436	153	7,143	-
UGANDA	-	-	-	-
ZAMBIA	-	-	-	-
ZIMBABWE	-	-	-	-
SWAZILAND	-	-	-	-
RWANDA	-	-	-	-
NAMIBIA	-	-	-	-
BOTSWANA	-	-	-	-
ERYTREA	-	-	-	-
	-	-	-	-
Total COMESA	339,162	56,475	121,440	18,723

Again, using Mauritius mirror trade data, the main products exported consisted of fish, vanilla, essential oils.

Other live fish excluding ornamental fish, trout, eels and carps
 Vanilla, neither crushed nor ground
 Essential oils of other mints excluding peppermint
 Essential oils other than those of citrus fruits, excl 330121-330126
 Odiferous substances and mixtures thereof not for food or drink industry
 Printed books, brochures, leaflets etc excl 490110-991

3. NTB MEASURES DIRECTLY AFFECTING EXPORTS

NTB measures directly affecting exports are very limited and in the main revolve around transport infrastructure and port operations.

Table 6: WTO NTB Categorisation Codes

INVENTORY CATEGORY	DESCRIPTION				
Part I	Government Participation in Trade and Restrictive Practices Tolerated by Governments				
	WTO Inventory Code	Problem Area	Description of the most severe NTBs	Impact of NTB to businesses and trade	Responsibility/Source of NTB
Part II	Customs and Administrative Entry Procedures				
	WTO Inventory Code	Problem Area	Description of the most severe NTBs	Impact of NTB to businesses and trade	Responsibility/Source of NTB
Part III	Technical Barriers to Trade				
	WTO Inventory Code	Problem Area	Description of the most severe NTBs	Impact of NTB to businesses and trade	Responsibility/Source of NTB
Part IV	Sanitary and Phytosanitary Measures				
	WTO Inventory Code	Problem Area	Description of the most severe NTBs	Impact of NTB to businesses and trade	Responsibility/Source of NTB
Part V	Specific Limitations				
	WTO Inventory Code	Problem Area	Description of the most severe NTBs	Impact of NTB to businesses and trade	Responsibility/Source of NTB
Part VI	Charges on Imports				
	WTO Inventory Code	Problem Area	Description of the most severe NTBs	Impact of NTB to businesses and trade	Responsibility/Source of NTB
Part VII	Other				

INVENTORY CATEGORY	DESCRIPTION				
	WTO Inventory Code C	Problem Area Port of Moroni	Description of the most severe NTBs Large vessels cannot anchor in Moroni	Impact of NTB to businesses and trade: Goods have to be shipped to Anjouan Island to be loaded onto larger vessels	Responsibility/Source of NTB Transport infrastructure

4. MEASURES DIRECTLY AFFECTING IMPORTS

Table 7: WTO NTB Categorisation Codes

INVENTORY CATEGORY	DESCRIPTION				
Part I	Government Participation in Trade and Restrictive Practices Tolerated by Governments				
	WTO Inventory Code D	Problem Area Importation of ordinary rice	Description of the most severe NTBs Monopoly	Impact of NTB to businesses and trade: Lack of business opportunity	Responsibility/Source of NTB Ministry of Finance and Trade
Part II	Customs and Administrative Entry Procedures				
	WTO Inventory Code G	Problem Area Customs Formalities	Description of the most severe NTBs Numerous “check points”	Impact of NTB to businesses and trade: Delays trade	Responsibility/Source of NTB Comoros Customs
	I	Preshipment Inspection	Takes a long time to clear mixed containers in particular	Increased delays	Comoros Customs
	Medical and Pharmaceutical products	Permits	None	None	Ministry of Health
Part III	Technical Barriers to Trade				
	WTO Inventory Code	Problem Area	Description of the most severe NTBs	Impact of NTB to businesses and trade	Responsibility/Source of NTB
Part IV	Sanitary and Phytosanitary Measures				

INVENTORY CATEGORY	DESCRIPTION				
	WTO Inventory Code Meat and edible meat offal, fresh, frozen or chilled Animal and animal by-products not treated Edible fruits and vegetables (fresh only)	Problem Area Permits Permits	Description of the most severe NTBs None	Impact of NTB to businesses and trade: None	Responsibility/Source of NTB Ministry of Agriculture
Part V	Specific Limitations				
	WTO Inventory Code	Problem Area	Description of the most severe NTBs	Impact of NTB to businesses and trade	Responsibility/Source of NTB
Part VI	Charges on Imports				
	WTO Inventory Code	Problem Area	Description of the most severe NTBs	Impact of NTB to businesses and trade	Responsibility/Source of NTB
Part VII	Other				
	WTO Inventory Code C C	Problem Area Distribution constraints Port of Moroni	Description of the most severe NTBs Lack of proper infrastructure, storage capacity and congestion Large vessels cannot anchor in Moroni	Impact of NTB to businesses and trade: Delays in clearing goods Goods have to be shipped to Anjouan Island to be loaded onto larger vessels	Responsibility/Source of NTB Transport infrastructure

5. DESK & FIELD RESEARCH TRADE PRACTICES - IMPORT AND EXPORT REGULATIONS AND PROCEDURES

5.1 Import licensing

Since the implementation of the Structural adjustment programmes, Comoros has been taking a number of liberalisation measures especially on the trading side. It has reduced and simplified the customs duties significantly. Trade is totally liberalised with no licence or quotas on imports as well as exports. The only product which is still under state control is (basic quality) rice which is considered non-luxury. There are only few products which are under the environmental and national security prohibitions list. Comoros has also liberalised exchange controls.

There is however a form called « fiche de circulation des marchandises » which is used to record trade (import and export) transactions for statistical purposes.

There are two categories of products for which permits are required. These concern the imports of pharmaceuticals and live animals and fresh and dried vegetables. For Pharmaceuticals authorisation is obtained from the Ministry of Health whereas for animals and vegetables authorisation is obtained from the Ministry of Agriculture.

5.2 Prohibited goods

Comoros has a list of prohibited products mainly for reasons related to national security, safety, religious purposes and environment. The products are arms and explosives, dangerous drugs, literature and objects which might be considered as against religion, and products which may affect religion.

5.3 Key issues from interviews

Trade policy formulation in Comoros is carried out from the Department of International trade in the Ministry of Finance Budget and Economic Planning responsible for the promotion of employment. International trade is also regulated through the Code des Douanes (Customs Act) especially concerning tariffs and prohibited goods.

The liberalisation process has been in place for a few years and the trading environment has been improving. Traders seem to be very satisfied with the fact that no permits are required for both imports and exports.

However during interviews one of the main problems that came out is that of delays regarding clearing goods. The lack of proper infrastructure, storage capacity and congestion results in delays for clearing goods. The average time to clear a container is 3-4 days.

Clearing mixed containers especially those with personal items takes sometimes up to a week. A number of pre-inspections (especially in the case of mixed containers) are necessary as all those who have goods in one container have to be present at the same time. This creates significant delays.

Despite the fact that customs has made efforts to reduce the number of “check points” the traders still complain about red tape.

The fact that large vessels cannot anchor in Moroni is a major constraint. All traders have to depend on transshipments of goods from Anjouan Island. This is another reason for increased delays.

At the moment traders in Comoros do not benefit from duty free COMESA goods. Comoros has notified the Secretariat but they have not officially been ratified by the COMESA.

6. ASSESSMENT OF PROCEDURES FOR HARMONISATION OF TRANSIT TRAFFIC BETWEEN COUNTRIES IN THE REGION

Not applicable due to island status. All transit issues are handled at the port of destination.

7. RECOMMENDED ACTION ON NOTIFICATION, MONITORING AND ELIMINATION OF NTBs

The Comorian private sector consists of two main institutions consisting of the Chamber of Commerce and the OPACO (Organisation Patronale des Comores – Employers association). The administration of the Chamber of Commerce is designated by the government although most of its members are from the private sector. OPACO on the other hands is considered as being more independent. At the moment, they indicated that are trying to establish a communication channel with the government. Up to now there is no formal channel of communication between the two parties except that meetings are organised on ad hoc basis to discuss specific problems.

The private sector did not seem to be aware of the COMESA NTB reporting mechanism most probably due to the non-existence of any significant NTBs in Comoros.

There needs to be more dialogue between Government and the private sector to resolve trade related problems, and establish an appropriate notification, monitoring and elimination mechanism of NTBs within the COMESA context. Other recommendations that emerged during the interviews include improving the port infrastructure and management at Moroni.

Annex1.

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