Central African Republic Trade Brief

Trade Policy

The Central African Republic's tariff policy is based on the Common External Tariff (CET) of the Central African Economic and Monetary Community (CEMAC), which was adopted in 1993. However, due to fiscal problems, the country obtained a waiver on application of the CEMAC generalized preferential tariff (GPT) and, consequently, grants no tariff preferences to any country. Its MFN Tariff Trade Restrictiveness Index (TTRI)[1] of 21.8 percent, which is almost double the Sub-Saharan Africa (SSA) regional and low-income country averages of 11.3 percent and 11.6 percent, respectively, indicates a relatively more restrictive trade regime than its comparators'. Based on the MFN TTRI, it ranks at the bottom out of 125 countries (where 1st is least restrictive). The agricultural and non-agricultural sectors enjoy a similar level of tariff protection with TTRIs of 23.0 percent and 21.6 percent, respectively. Based on the TTRI, the Central African Republic ranks last out of 125 countries. The average MFN applied tariff has remained relatively stable over time and was 17.9 percent in 2007. The maximum MFN tariff imposed on imports was 30 percent as of 2007. The country's trade policy space, as measured by the wedge between bound and applied tariffs (the overhang), was also 20 percent. Regarding its commitment to liberalizing services trade, the Central African Republic ranks 140th (out of 148) on the GATS Commitments Index.

External Environment

As judged by the Market Access TTRI[2] including preferences, the Central African Republic's exports face a very favorable trading environment (1.3 percent for the country versus averages of 3.9 percent and 5.6 percent for the SSA region and low-income countries, respectively). Similarly, the country faces a low weighted average tariff (including preferences) of 1.1 percent from the rest of the world. This value corresponds to tariffs of 0.2 percent and 1.3 percent for agricultural and non-agricultural exports, respectively. In 2008, the national currency, the CFA franc, appreciated by 7.5 percent in real, trade-weighted terms, reducing the competitiveness of the country's exports.

As negotiations between the Central Africa group and the EU towards a full Economic Partnership Agreement (EPA) could not be completed prior to the December 2007 deadline, the preferences under the Cotonou Agreement elapsed. The Central African Republic, however, maintains a similar level of preferences to the EU market under the "Everything But Arms" (EBA) initiative for least developed countries. The country continues to negotiate an EPA with the EU as part of the Central Africa group.

Behind the Border Constraints

Regarding its business environment, the Central African Republic ranked last in the 2010 Ease of Doing Business out of 183 countries, the same as its rank in 2008. With relatively high costs of exporting and importing, the country, which is landlocked, fares poorly as well in the Trading Across Borders category of the Doing Business Index with a rank of 181st, suggesting a less conducive environment for trade than its comparators'. Among the countries ranked on the index, other than Chad, the Central African Republic has the highest costs of importing and exporting.

Trade Outcomes

Real trade growth (in constant 2000 US dollars) decelerated from 13 percent in 2007 to 8.6 percent in 2008, with further deceleration to 3 percent expected in 2009. Export growth was 6.9 percent in 2008, down from 12.7 percent in 2007, while import growth decreased to 10 percent from 13.2 percent in 2007. Both export and import growths are expected to

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Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at http://www.worldbank.org/wti.

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decelerate to 4.1 percent and 1.8 percent, respectively, in 2009.

In nominal terms, trade grew at an estimated 20.3 percent, marginally above the growth rate of 17.7 percent in 2007. Exports grew at a higher estimated rate of 17.7 percent in 2008 compared to 11.9 percent in 2007. Imports also experienced higher growth of 21.6 percent in 2008 compared to 20.8 percent the previous year. Goods exports are estimated to have grown at 17.7 percent in 2008, compared to 12 percent the year before, but are expected to fall by 4.2 percent in 2009. Services exports performed even better in 2008, growing at 18.7 percent compared to 6.9 percent in 2007, although they are expected to grow at only 3.2 percent in 2009.

Notes

1. TTRI calculates the equivalent uniform tariff that would keep domestic welfare constant. It is weighted by import shares and import demand elasticity.
2. MA TTRI calculates the equivalent uniform tariff of trading partners that would keep their level of imports constant. It is weighted by import values and import demand elasticities of trading partners.

References

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