Benin: Trade Brief*

Trade Policy

Since the early 1990s, Benin has undertaken a number of important structural reforms including trade liberalization. The country has abolished virtually all quantitative restrictions on imports, relying instead on customs duties as the main instrument of trade policy (import duties in 2005 accounted for 15.1 percent of total imports, higher than its comparators'). As judged by the latest Trade (MFN) Tariff Restrictiveness Index (TTRI), on which it scores 11.4 percent and ranks 98th out of 125, Benin's trade regime is slightly more open than that of an average Sub-Saharan Africa (SSA) country. A member of the West African Economic and Monetary Union (UEMOA), Benin has adopted the maximum tariff of 20 percent and has been implementing the Common External Tariff (CET) since 2000. The 2007 MFN applied simple average tariff at 11.9 percent is slightly lower than SSA (13.0 percent) and low-income (12.6 percent) country averages, but the import-weighted (16.6 percent) tariff average is higher than its comparators by 4–5 percentage points. MFN duty-free imports accounted for 6.6 percent of Benin's imports in 2005–06, a share significantly lower than the regional (30.2 percent) and low-income (24.4 percent) country group means. On the International Telecommunication Union (ITU) competition index, Benin scored 1.0 (0–2, best), reflecting partial competition in the telecommunications sector. In recent years, the government has been planning to privatize its energy, telecommunication, and transport sectors, as well as disengage itself from the cotton sector. Benin's low overall GATS commitment index suggests ample room for further multilateral commitments to services trade liberalization.

Market Access

Ranked 122nd (out of 125) and scoring 16.3 percent on the latest Market Access TTRI, Benin's access to international markets is highly unfavorable, especially when compares to that of an average SSA (5.4 percent) or low-income country (6.3 percent), in large part reflecting the high barriers its cotton exports face on world markets. This trend is also reflected in its MFN duty-free exports, which accounted for only 20.1 percent of its exports in 2006, half of the regional and low-income country means of around 45 percent. Regionally, Benin is a member of the Economic Community of West African States (ECOWAS) and shares common monetary and exchange rate policies with other UEMOA states. The Nigeria-Benin-Togo Co-prosperity Zone—a tripartite alliance that aims to expand cross-border trade by reducing nontariff barriers—is in the process of being established. Negotiations to replace the expired trade preferences of the Cotonou Agreement and complete a regional Economic Partnership Agreement (EPA) between West Africa and the EU did not conclude by the end of 2007 as expected. However, the UEMOA is negotiating an EPA with the EU that is expected to be concluded by June 2008. Still, Benin's exports remain eligible for duty-free access to the EU under the "Everything But Arms" initiative for least-developed countries. A Generalized System of Preferences (GSP) beneficiary with a number of industrialized countries, Benin's exports enter the United States duty free under the Africa Growth and Opportunity Act (AGOA), although this Act has yet to have a significant effect on the Benin-U.S. trade. Its utilization of EU and U.S. preferences is very high (98.4 percent) and their value is also relatively high, equivalent to 5.9 percent of Benin's bilateral exports in 2006.

Behind the Border Constraints

Benin's overall Doing Business 2007 rank is 151st (out of 178). On the whole, the governance aspect of Benin's institutional environment (especially in control of corruption) appears to be more fragile in recent years when compared to the late 1990s or early 2000s. However it fares better than its comparators in the areas of government effectiveness, regulatory quality, and rule of law. Surpassing the SSA and low-

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*As of April 2008. See the World Trade Indicators 2008 database at http://www.worldbank.org/wti2008.

income country averages, Benin ranked 89th (out of 151) on the 2006 Logistics Performance Index. Its strongest logistics category was domestic transportation costs (3.2 on the scale of 1 to 5, best) while its weakest categories were efficiency of customs and other border procedures (1.8) and quality of transport and information technology (IT) infrastructures (1.9), both indicators below the comparators'. However a computerized customs system was put into place in 2007 and will soon be fully functioning. The latter two concerns have negatively affected the operations of the Port Autonome de Cotonou (PAC), especially in contrast to the regional neighboring ports of Lome, Togo and Tema, Ghana. On the Doing Business 2007—Trading Across Borders subcategory, another proxy for its trade facilitation performance, Benin is ranked 120th with relatively low per container export and import costs, even though total freight costs to United States, as a percent of import value, are above the comparators'. The country's 2006 per capita rates for telephones and mobile phones (13.0 percent) and personal computers (0.6 percent) are both below the regional averages while that of Internet users (8.0 percent) is higher. Its 2005 secondary school (32.5 percent) enrollment rate is slightly below the regional and low-income averages.

Trade Outcomes

Ranked 18th (out of 160) on Trade Outcomes, Benin's estimated 2007 real growth in total trade of goods and services (13.3 percent) experienced a very large increase compared to the early and mid-2000s (2.0 percent), with exports rising from −2.1 percent in 2005–06 to 19.2 percent in 2007, and imports doubling from 4.9 percent to 9.9 percent during the same time period. This was partially due to improved cotton conditions. Such trade growth was much higher than the regional (6.4 percent) and low-income (6.6 percent) country averages, reflecting in a rank of 18th (out of 160) on trade outcomes. The country's trade share in GDP (48.1 percent) is very low for a small country, and is about half of its regional and low-income group comparators' share. Benin's export product concentration index is 62.3, indicating a strong need for diversification. Its exports in 2005 included cotton (constituting 48 percent of total product exports), followed by nuts (14 percent), cement, nonferrous metal and scrap iron, palm products, and seafood. In 2007, services accounted for 20.5 percent of total exports, whereas tourism alone accounted for 13.4 percent (in 2006). Benin's location makes it a transportation, transit, and re-export hub for Nigeria and the land-locked Sahelian neighboring countries, especially Niger. Exports are destined overwhelmingly to Asian and neighboring countries, with China importing 20.9 percent, followed by Indonesia, India, the EU, Togo, and Nigeria. Imports come primarily from industrialized countries, with about 45 percent originating in Europe, and include capital goods and foodstuffs. Nigeria is Benin's largest regional trading partner. Remittances in Benin constitute an important source of foreign exchange, equivalent to 15.9 percent of its total exports and 0.1 percent of its GDP in 2005–06.

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