Burkina Faso: Trade Brief*

Trade Policy

As judged by the latest Trade (MFN) Tariff Restrictiveness Index (TTRI), on which it scores 11.9 and is ranked 100th (out of 125), Burkina Faso's trade regime is slightly more restrictive than that of an average Sub-Saharan Africa (SSA) or low-income country, with respect to both manufactures and to agriculture. When including nontariff measures, its score on the latest Overall TRI (14.6, including preferences) reflects higher openness than its comparators'. A member of the West African Economic and Monetary Union (UEMOA), Burkina Faso has adopted the maximum tariff of 20 percent and has been implementing the Common External Tariff (CET) since 2000. Its 2007 MFN applied simple (11.9 percent) and import-weighted (9.7 percent) tariff averages are lower than SSA and low-income country group averages. MFN duty-free imports accounted for 4.2 percent of the country's total imports in 2004. Its score on the International Telecommunication Union (ITU) competition index (1.3, on a scale of 0 to 2, best) reflects partial competition in the telecommunications sector.

Market Access

As judged by the latest Market Access TTRI, on which it ranks last (125th out of 125) Burkina Faso's exports face the most restrictive trade environment, with much higher tariff barriers (21.5 percent) than those of an average SSA (5.4 percent) or low-income (6.3 percent) country, in large part reflecting the high barriers its cotton exports face on world markets. A similar picture presents when Burkina Faso's nontariff measures are included, and its rest-of-the-world weighted average agricultural tariff of 24.9 percent is also extremely restrictive. MFN duty-free exports in 2006 constituted about 27.2 percent of Burkina Faso's total exports, a significant decline from 55.5 percent in the late 1990s and 38.5 percent in the early 2000s. Regionally, Burkina Faso is a member of the Economic Community of West African States (ECOWAS), and shares common monetary and exchange rate policies with other UEMOA states. 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, Burkina Faso'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, Burkina Faso's exports enter the United States duty free (as of 2004) under the Africa Growth and Opportunity Act (AGOA). Burkina Faso's utilization of U.S. and EU preferences (95.8 percent) is very high, and the actual value of these preferences is also relatively high, accounting for 8.4 percent of its bilateral exports in 2006. Despite these preferences, Burkina Faso would be better off if cotton production and export subsidies by the developed world, already ruled illegal by a World Trade Organization (WTO) panel, were ended.

Behind the Border Constraints

On the overall Doing Business 2007, Burkina Faso ranks 161st (out of 178), with a significant improvement on the Starting a Business subcategory (down from 130th in 2006 to 105th in 2007). This improvement was due to establishing a one-stop shop for company registration, which reduced business startup time to 18 days. In the areas of regulatory quality, rule of law and control of corruption, Burkina Faso fares better than its SSA and low-income comparators, while its poorest category is government effectiveness. Ranked 122nd (out of 151 countries) on the 2006 Logistics Performance Index, landlocked Burkina Faso's weakest logistics indicator is quality of transport and information technology (IT) infrastructures. Recent conflicts in Côte d'Ivoire have exacerbated this problem and Burkina Faso had to find new trade routes and export through Ghana, Togo,

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

and Benin. Despite this change, transport costs did not increase significantly. Although the country has implemented an ambitious transport sector development program, which has made it possible to extend the network considerably, domestic transport infrastructure is still underdeveloped. In addition, the costs of services such as transport, energy, and water are among the highest in the subregion. With very long average export processing times (45 days) and high per container costs (US$500 higher than its comparators'), Burkina Faso ranks 170th on the Doing Business 2007—Trading Across Borders subcategory, another proxy for its trade facilitation performance. Its 2006 telephone and mobile phone (8 percent), personal computer (0.6 percent), and Internet user (0.6 percent) per capita rates are low even by regional and low-income country group standards, as are its 2006 secondary school (14.5 percent) and tertiary (2.3 percent) enrollment rates. In 2007, the country introduced specialized commercial chambers in the general courts, which lowered the costs of enforcing judgments and registering property.

Trade Outcomes

Ranking 86th (out of 160) on Trade Outcome, Burkina Faso's real growth in total trade of goods and services declined from 9.7 percent in 2005–06 to an estimated 6.9 percent in 2007 (mostly due to a sharp decrease in exports from 14.5 percent to 6.8 percent, respectively). Its trade share in GDP in 2007 was very low (32.5 percent, consistent over the last 15 years) for a small country, substantially below the regional (88.4 percent) and low-income groups' (80.1 percent) average integration ratios. Despite low integration into the world economy, lack of natural resources, dependence on cotton (which is very vulnerable to natural disasters), and a highly restrictive trade environment for its exports, Burkina Faso was one of the best performers in West Africa in the last 10 years. During the same time, cotton exports increased 17 percent on average, making it the largest exporter of cotton in Sub-Saharan Africa. However, important concerns for cotton producers include the appreciation of the euro (to which the CFA franc is pegged); depreciation of the U.S dollar; high cotton subsidies in the United States; and the development of cheaper cotton-producing technologies by China, the EU, and United States. The country's 2006 Export Concentration Index was fairly high 58.0. Besides cotton (80 percent of total merchandize export in 2005), its main export products were livestock, sesame, fruit, raw sugar, and cotton seeds. Exports of animal products have been hurt by the crisis in Côte d'Ivoire, Burkina Faso's major trading partner. Gold exports officially account for only 15 percent of exports; however, given its informal nature, this is probably understated and prospects for higher production and exports (of also zinc) are good. Burkina Faso's main destination markets in 2006 were China (around 40 percent), followed by Singapore, Ghana, and the EU, a major change from the early 2000s when Ghana accounted for over 60 percent of Burkina Faso's exports. Its imports of capital goods and foodstuffs were primarily obtained from the Côte d'Ivoire (25.9 percent), EU (especially France), and Japan. Remittances in Burkina Faso, mostly from the CFA franc zone, constitute a significant share of foreign exchange; they were officially recorded at 0.1 percent of its GDP in 2006 but are estimated to be much higher.

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