

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ACCESSION OF THE DEMOCRATIC REPUBLIC OF THE CONGO

Memorandum on Foreign Trade Régime

The Government of the Democratic Republic of the Congo has submitted the following memorandum describing its foreign trade régime.

Contracting parties wishing to put forward questions in connexion with the memorandum are requested to submit them to the secretariat in writing by 1 June 1970. These questions will be assembled by the secretariat and transmitted to the Government of the Democratic Republic of the Congo for reply. Questions and replies will then be distributed to serve as background documentation for the proceedings on the accession.

CHAPTER I

Foreign Trade Régime of the Democratic Republic of the Congo

The Foreign Trade Régime of the Democratic Republic of the Congo is based on the principle of freedom and equality of trade which is the foundation of its foreign trade system. The underlying basis of this policy is therefore the absence of any discrimination or differential treatment in its regulations concerning economic, commercial, fiscal and shipping matters.

In short, no discrimination or differential treatment based on nationality can be introduced.

As regards customs duties, the import and export tariffs make no discrimination based on the country of origin or the country of destination of goods.

As regards quantitative restrictions, the present situation is as follows:

- imports: complete liberalization
- exports: restrictions only when necessary to ensure local food or other supplies. Even in those cases, the export régime remains non-discriminatory.

In any case those restrictions would be applied without discrimination as between countries of destination.

Complete freedom of trade with foreign countries continues. The steps taken in connexion with the Monetary Reform of 24 June 1967 made it possible to liberalize all foreign trade operations.

I. Exports

Exports from the Congo increased by 10.5 per cent from 1966 to 1968, increasing from \$570 million to \$629.9 million (c.i.f. value foreign ports of unloading) after having dropped by 8 per cent in 1967. This improvement was due mainly, in so far as mining products are concerned, to an improvement in prices and, in the case of agricultural products, to an increase in production. Some 94 per cent of exports from the Congo go to European countries (EEC 81.6 per cent in 1968 as against 80.8 per cent in 1966). The share of the Economic Union of Belgium-Luxembourg amounted to 51.6 per cent in 1968 as against 54.3 per cent in 1966 (cf. Annexes II and III).

II. Imports

According to the statistics of the supplying countries (f.o.b. value at the port of loading) imports increased by 26 per cent in 1968. The total value was \$252.6 million in 1966 and \$278.6 million in 1968; after dropping to \$221.1 million in 1967. The most important increases took place in the categories of machinery and transport equipment (increase of 26 per cent from 1966 to 1968). These groups represented 38 per cent of total imports in 1968 as against 36 per cent in 1966 and 1967. The geographical distribution of imports to the Congo is wider than that of exports. Nevertheless, imports from the EEC countries amount to 50 per cent of total imports (cf. Annex I).

III. Balance of trade 1966-1969 (cf. Annex IV)

According to the statistics of the countries which import products from the Congo (c.i.f. value) and the countries which supply the Congo (f.o.b. value) the balance of trade improved in 1968 as compared with 1967 and 1966.

The credit balance was \$351.3 million in 1968 as against \$305.8 million in 1967 and \$317.4 million in 1966. This improvement is due to the fact that exports increased at a much more rapid rate than imports in 1968.

IV. Mining output

The output of copper will exceed 360,000 tons by the end of 1969, as against 326,000 tons in 1968 and 320,000 tons in 1967. The production of cobalt, although still below the 1966 level, nevertheless made progress in 1968. There will be a very considerable increase in the output of zinc concentrates in 1969. The production of industrial diamonds remained stationary (12 million carats). This item is affected by limited sales possibilities on foreign markets.

The output of gold amounted to 5,341 kgs. in 1968 as against 4,758 kgs. in 1967. A programme for increasing production is being put into operation. One of the striking facts of 1968 in the mining sector was the renewed interest shown both by the public authorities and by mining undertakings in a resumption of prospecting and mining research, which are essential conditions for building up mineral reserves and for ensuring geographical and qualitative diversification of mining production. The most important programme is that of the "GECOMIN" company which aims at increasing the output of copper from 360,000 tons in 1969 to 480,000 tons in 1973 and 600,000 tons over the next ten years. A number of other companies are already prospecting with a view to developing deposits of niobium, monazite, hydrocarbons and copper metal.

V. Agricultural output

The considerable progress made in agriculture in 1967 and 1968 seems to be attributable not only to the large-scale agricultural estates, which are responsible for the very large increase in exports, but also to the individual peasant holdings. In 1969, when climatic conditions were less favourable than in 1968, output will probably remain stable at the high level reached in the preceding year.

CHAPTER II

Instruments of Trade Policy

I. Customs tariff

Since 1 July 1952 the Democratic Republic of the Congo has been using the Brussels Tariff Nomenclature (BTN). The tariff in force at present is the result of a general revision carried out in 1967 by a special commission consisting of officials and experts of the National Bank and the Ministries of Finance, National Economy and Foreign Affairs (Foreign Trade). The customs tariff of the Democratic Republic of the Congo is a fiscal instrument just as much as an instrument for promoting economic development. When the tariff revision was carried out, account was taken of monetary and technical necessities.

(a) Customs duties and revenue duties

For each heading or sub-heading in the schedule of import duties there is a double column of dues to be paid. Both are import duties but they have different effects according to their purpose. The one, which is customs duty, is a minimum rate; its purpose is mainly economic and - and this is important - it can be reduced in accordance with bilateral or international conventions or agreements. The other, which is revenue duty, is intended primarily to ensure a regular budgetary income for the State since its estimates of total receipts from imports are based on the product of this duty. Consequently revenue duty cannot be the subject of any concessions under trade agreements.

(b) The tariff as an economic instrument

Very moderate import duties are charged on essential products, and some of them are entirely exempt. Among those which are exempt one may mention products such as dried and smoked fish, dairy products, wheat, flour of wheat or of mixed wheat and rye, dietetic or culinary preparations based on flour or starch, medicaments, vitamins, provitamins, hormones, antibiotics and furniture for medical or surgical use.

On the other hand more or less high rates are imposed on products which are not considered essential or which are deemed to be luxury articles, the average rate being about 50 per cent.

In the case of national industries, protection is usually limited to imported raw materials which are admitted at relatively low rates so as to permit of manufacture at competitive prices, more particularly because imported finished products which might compete with articles manufactured domestically are subject to high rates of duty.

This tariff policy enables the country to promote domestic production while at the same time retaining a certain amount of competition.

By way of example, mention may be made of a few products on which import duties are charged at protective rates (aggregate rates of customs duty and revenue duty): articles of paper or paperboard (50 per cent), printed cotton fabrics (40 per cent), fabrics of man-made fibres (50 per cent), clothing and undergarments (50 per cent), footwear (40 per cent), assembled metal elements (40 per cent) and household ironmongery (30 per cent).

Quite recently certain minimum specific duties were introduced in order to provide special tariff protection for the ready-made clothing industry and the manufacture of fabrics. These duties apply to certain fabrics of man-made fibre, cotton fabrics and shirts. The sole purpose of these specific duties is to ensure a minimum level of protection when this could not be assured by the application of ad valorem duties.

(c) The tariff as an instrument for revenue

As a general rule it is an accepted fact that any restriction on imports reduces receipts for revenue. Since the monetary reform in 1967 the total revenue from import duties has amounted to 26 per cent of the total customs receipts, whereas in 1966, before the currency reform, the figure was 28 per cent. In terms of the total income of the country this revenue represented 10 per cent in 1966 but rose to 15 per cent in 1968. This difference was due to an increase in indirect taxation as against income tax. The average level of import duties in 1968 was 16 per cent, which can be considered a reasonable figure.

(d) Basis of assessment

In the great majority of cases the rates of duty applied are ad valorem. These duties are based on the c.i.f. value of the goods imported. According to the customs legislation at present in force the basis of assessment is the normal value of the goods at the place of origin, supplemented by costs of packing, transport, insurance, commission, export duties and taxes paid abroad and any

other expenditure involved in importation up to the point of entering the country. It will be seen that this definition is very close to that given in the Convention on the Value of Goods for Customs Purposes which is recommended by the Customs Co-operation Council in Brussels. It is moreover probable that the authorities in the Congo will adopt the provisions of that Convention in the near future.

II. Legal import régime

The foreign trade policy of the Democratic Republic of the Congo was completely transformed in the context of the monetary reform of 1967. Before 24 June 1967 imports were subject to a severe system of quantitative restrictions imposed because of the constant trend towards a balance-of-payments disequilibrium. At the present time the system of quantitative restrictions on imports has been completely abolished and the formality of an import licence has been retained for certain products only, mainly equipment goods.

In such case the grant of a visa is intended merely to provide information on the progress being made with investment projects.

Importers can therefore make purchases abroad in the certainty that they will have the foreign currency necessary to fulfil the obligations they have undertaken. All they have to do is to make an import declaration and submit it to their bank for registration. This document does not need to be accompanied by any supporting documents since there is freedom of contract.

III. Superintendence Company

Since 1961 the Superintendence Company has exercised supervision over imported goods. Up to 1965 this activity was intended to check in the factories the quantities and quality of goods purchased and to verify that they had been embarked for the Democratic Republic of the Congo. In 1965 its activities were extended to checking that the ex-factory prices for goods to be imported were respected and that they were the same as those applied to other foreign buyers.

Since 2 January 1969 the activities of the Company have been cut down and are now restricted to checking the quality and quantity of the goods involved. It should be made clear that the Superintendence Company is merely an advisory body to the Customs Administration. The Customs Administration has the sole right to take responsibility for the application of the official tariffs to various goods and for deciding the bases of assessment for tax purposes.

IV. Yaoundé Convention

The Democratic Republic of the Congo is one of the eighteen Associated African and Malagasy States linked with the EEC by the Yaoundé Convention. The Government of the Congo recently prolonged its adherence to that Convention. Most of the foreign trade of the Republic, both exports and imports, is with the EEC. In 1968 imports from the EEC amounted to 58 per cent of total imports, the share of the Belgium-Luxembourg Union (Benelux) being 25 per cent. From the customs point of view the Convention is not applied by the Democratic Republic of the Congo since it does not grant any reduction in duties to the six member countries of the European Community. The Democratic Republic justified its attitude by fiscal considerations, and in any case this is permissible under the Convention. Consequently the customs tariff makes no discrimination as between States in regard to duties and in any event the Democratic Republic of the Congo is not at present bound to any other country even in Africa by a trade treaty or agreement involving tariff preferences. In short, the import tariff is completely non-discriminatory.

V. Prohibited imports

The customs legislation includes in the list of prohibited products those which are likely to endanger public health or safety or which might adversely affect public morals or public order.

VI. Supplementary import taxes

(a) Supplementary taxes known as "consumption taxes" are applied to imports of certain products which are liable for the same taxes when manufactured in the country (exise duty). These products are alcohol, fermented beverages, lemonade, tobacco (cigarettes and cigars), sugar, cement, mineral oils, matches and liquid perfume containing alcohol. Consumption taxes are collected at the same time as the import duty.

(b) All imports, except those for Government use, books, objects in course of removal, luggage and other items not covered by the trade statistics are subject to a statistical tax at the rate of 5 per cent of the c.i.f. value of the goods. In the case of exports this tax is 1 per cent.

(c) Since 5 January 1969 the Customs Administration has been made responsible for assessing the turnover tax which is charged on imports. This tax is calculated on the basis of the c.i.f. value together with the import duty and the statistical tax. It amounts to 6.75 per cent of the value as defined above, multiplied by a coefficient of 1.038 (which means a charge of 7 per cent). Provision is made for certain exemptions, more particularly imports of goods which are exempt from import duty in accordance with the tariff or the customs legislation, products subject to consumption tax and other products such as meat, chilled fresh fish, edible fruits, whole rice, preparations of meat and fish and ordinary bakery products.

VII. Investment Code

On 26 July 1969 a new Investment Code came into operation in the Democratic Republic of the Congo. The purpose of the provisions of this Code is to give businessmen and entrepreneurs prospects of profitable investments within the framework of the economic development policy of the Congo. The public authorities hope to achieve the three following objectives:

1. To promote investments intended either for the establishment of new undertakings or for the expansion or modernization of existing undertakings with a view to contributing to the economic development of the country, by granting appropriate exonerations to reduce the charges borne by those undertakings and their promoters during the early years of operation of the new plants.
2. To stimulate the mobilization of national financial resources and guide them towards productive investments.
3. To encourage the investment of foreign capital in the Democratic Republic of the Congo by granting special guarantees for the subsequent re-transfer of such capital.

As regards fiscal advantages, the Code provides for two different systems depending on the value of the proposed investment and its possible incidental effects. In both cases, however, total exemption is granted from import duties and from the turnover tax in the case of tools, machinery and equipment goods.

General organization of the Customs Administration

This Administration consists of central services situated in Kinshasa and regional services in the provincial capitals. The Central Administration directs all the regional services. The Director-General of Customs acts under the orders of the Secretary-General for Finance, who in turn takes his orders directly from the Minister of Finance. Under the Constitution of the Congo all decisions as regards increases, decreases or exemptions from duty must be taken by the President of the Republic in the form of a legislative order for the application of which the Minister of Finance is responsible. The Central Customs Administration is responsible for enforcing customs and excise legislation and for interpreting it. It has extensive powers as regards classification of goods for tariff purposes, for determining the basis of assessment and for dealing with attempted evasion. The Director-General of Customs takes all necessary decisions as regards the refund of duty charged to excess.

CHAPTER III

Monetary Policy and Means of Payment

The period preceding the monetary reform of 1967 was characterized by inflation and by a tendency towards balance-of-payments disequilibrium, which obliged the country to apply a policy of restriction and quantitative control as regards all payments abroad. In addition, the political instability which existed before the advent of the Second Republic in November 1965 had led to a flight of capital and had discouraged foreign investment. At the same time, the stock of money was expanding rapidly.

From 1966 onwards, thanks to a return of political stability, there was already a revival of production in the Congo and an increase in export earnings. On 23 June 1967 the Head of State proclaimed a far-reaching monetary reform involving the creation of a new monetary unit, the Zaire, the rate of exchange of which was fixed at one Zaire to two United States dollars. This reform was accompanied by the abolition of quantitative restrictions on imports and a liberalization of current payments. The following steps were taken to defend the parity of the new currency:

- adjustment of the customs tariff;
- reform of the fiscal régime in the Democratic Republic of the Congo;
- restriction of credits in the private sector, especially credits for consumption goods.

Reference has already been made in this memorandum to the far-reaching changes made in the tariff schedule at the time of the monetary reform.

Since that time there have been certain revisions of the fiscal régime as a whole with a view to establishing a balance between Government receipts and expenditure so as to avoid a recurrence of inflation.

The purpose of the policy of limiting credits for the private sector is essentially to prevent a headlong race to build up excessive stocks. A number of commercial firms which had lived through a period of inflation lasting for many years doubted whether the trade liberalization prescribed as part of the monetary reform could prove effective or durable. They were therefore tempted to build up stocks in the expectation of a new wave of inflation. It was therefore necessary to prevent excessive recourse to bank credits by those commercial sectors whose own liquidities had been severely reduced by the contraction in the money supply resulting from the reform. This prudent policy met with success.

Imports increased progressively within normal limits and were sufficient for the supplies required by the country (84 million in 1967, 122 million in 1968 and 170 million in 1969). The balance of payments of the Democratic Republic of the Congo was not affected by the increase in imports, especially as an increasing share of imports was financed by short-term external loans. It is now clear in all sectors of activity in the Congo that trade liberalization is proving effective and lasting.

The steady increase in receipts from exports has also helped to increase the foreign exchange reserves of the Democratic Republic which now stand at the substantial level of about \$240 million as compared with a negligible figure at the date of the monetary reform.

This very high level of foreign exchange reserves enables the Democratic Republic of the Congo to respect all its outstanding commitments towards foreign countries and to continue its liberal policy as regards foreign trade and foreign payments.

External indebtedness

The direct and indirect public external debt was estimated at US\$310 million at the end of 1968. Of that, direct indebtedness represented 85.3 per cent. Apart from the Belgo-Congolese sinking fund, American loans and credits from suppliers are the main items which explain the present level of this direct indebtedness. During the first half of 1969 this indebtedness remained virtually unchanged since the amounts refunded were equal to the amounts drawn from financial loans and new commercial credits.

The Government of the Congo pays particular attention to the development of its external debt and has taken steps to prevent it from growing beyond limits fixed by the prospects of the budget situation and external receipts.

External financial assistance

In 1968 the amount of external assistance was US\$60 million as against 100 million in 1965. During the first half of 1969 it is estimated that this assistance amounted to \$26 million. The progressive decrease in foreign aid is linked up with the improvement in the balance-of-payments position of the Democratic Republic of the Congo. At the present time foreign aid is granted mainly in the form of loans.

In 1968 the financial assistance received from the European Development Fund in the form of non-refundable gifts amounted to \$3.5 million. This assistance was intended for the development of the infrastructure, for agricultural projects and for long-term investments in the educational sector.

The Democratic Republic of the Congo received from the International Development Association in conjunction with UNDP a credit of \$6 million and a gift of \$200,000. This assistance was for the purpose of financing research into the maintenance and repair of the Congo road network and the operation of Otraco.

As regards bilateral assistance, financial help from the United States still takes a predominant place. However, there has been a considerable reduction in the volume of American assistance during the last two years.

ANNEX I

Imports by Countries of Origin

(US\$ million)¹

Country	1966	1967	1968 ¹	1966	1967	1968
				%	%	%
<u>WORLD</u>	336.5	256.1	278.6	100	100	100
<u>EUROPE</u>	196.1	163.6		58	65	
Belgium-Luxembourg	113.6	81.6	69.6			
Western Germany	18.4	14.6	30.2			
France	13.5	15.1	28.7			
Netherlands	8.2	6.6	16.2			
Italy	15.5	21.7	19.2			
(EEC)	(169.2)	(139.8)	(162.9)	50	54	58
United Kingdom	10.9	11.7	19.3	3	4	7
Portugal	2.0	2.0				
Other countries	13.8	9.9				
<u>AMERICA</u>	78.2	50.6	52.3	23	19	19
United States	72.3	28.0	-	21	11	
<u>ASIA</u> ¹	16.4	12.3		5	5	
<u>AFRICA</u> ¹	43.2	28.0		13	11	
<u>OCEANIA</u>		6.0				
Not specified	2.4	1.3	43.1	1		16

¹As c.i.f. value at port of unloading in the Democratic Republic of the Congo, except for 1968, for which the value is expressed as f.o.b. at foreign port of loading. Statistics for Asia and Africa for 1968 are not yet available.

Sources: INS and BN (1966 and 1967)
OECD (1968)

ANNEX II

Exports by Countries of Destination

(US\$ million)¹

Country	1966	1967	1968	1966	1967	1968
<u>WORLD</u>	468.0	441.0	629.0	%	%	%
				100	100	100
<u>EUROPE</u>	439.5	416.8		94	94	
Belgium-Luxembourg	116.2	135.9	325.2			
Italy	47.2	50.7	68.6			
France	35.0	45.3	58.0			
Western Germany	13.4	13.6	46.5			
Netherlands	5.2	8.6	15.9			
(EEC)			(514.2)			81
United Kingdom	29.3	29.0	42.5			7
Spain	3.0	1.0				
Other countries	4.8	2.0				
Not specified ²	185.0	130.2				
<u>AMERICA</u>	9.2	9.2	47.0	2	2	8
United States						
<u>AFRICA</u>	19.2	7.6		4	2	
<u>ASIA</u>		7.2			2	
Not specified			26.2			4

¹As f.o.b. value at port of departure from the Democratic Republic of the Congo, except for 1968, for which the value is expressed as c.i.f. at foreign port of unloading.

²The majority goes to EEC.

Sources: INS and BN (for 1968: OECD).

ANNEX III
Exports of Main Products

MAIN AGRICULTURAL PRODUCTS						
Product	Quantities exported (tons)			Value (on export, US\$ '000)		
	1966	1967	1968	1966	1967	% 1966 % 1967
Palm oil	83,883	114,928	143,000	17,290	22,272	
Palm-kernel oil				8,256	8,126	
Robusta coffee	27,939	33,600	41,192	20,050	22,976	
Arabica coffee	6,700	3,810	6,000	5,758	2,382	
Tea	5,550	2,600	5,580	2,656	1,454	
Rubber	29,660	31,700	40,117	12,510	11,998	
Cocoa	4,058	5,233	5,063	1,182	2,552	
Undressed timber ¹	82,306	64,661	49,580	2,330	1,970	
Sawn wood ¹	36,736	30,577	36,059	1,772	1,428	
Oilcake of palm kernel				2,070	2,726	
Total				73,874	77,884	15
Grand total including miscellaneous products				79,382	82,704	17
MINING PRODUCTS						
Copper	316,870	320,521	326,000	266,874	259,156	57
Tin	2,034	1,427	1,940	6,520	3,960	59
Cassiterite	9,831	9,023	8,524	19,870	16,701	
Zinc (unwrought)	113,437	121,547	88,108	14,030	15,108	
Cobalt	11,297	9,718	10,540	29,688	21,076	
Manganese (ore)	119,383	113,957	187,180	4,124	4,046	
Cadmium	421	283	320	1,486	1,394	
Industrial diamonds ²	12,427	13,154	11,353	25,604	23,536	
Wolfram	227,354	134,660	156,476	400	218	
Portland cement				686	1,286	
Total				369,282	346,481	
Grand total including other mineral products				380,952	355,696	81
Miscellaneous				7,728	2,694	2
GRAND TOTAL				468,062	441,094	100

¹In cubic metres

²In carats

ANNEX IV

Balance of Trade 1966-1968

Year	Exports ¹	Imports ²	Balance
1966	570.0	252.6	+317.4
1967	526.9	221.1	+305.8
1968	629.9	278.6	+351.3

¹Based on statistics of the countries importing products from the Congo (c.i.f. value).

²Based on statistics of the countries supplying the Congo (f.o.b. value).

Sources: IMF and IBRD.