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TRADE POLICY REVIEW

REPORT BY

CABO VERDE

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Cabo Verde is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Cabo Verde.

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1 CABO VERDE'S 2030 VISION – TRANSFORMATION AGENDA

1.1. The First National Transformation Forum, which took place in 2003, provided the Government of Cabo Verde with an Agenda aimed at expanding the production base capable of stimulating rapid economic growth, boosting employment and reducing poverty.

1.2. The Government Program for the 8th Term (2011-2016) establishes as its vision an inclusive, just and prosperous nation, with opportunities for all, by listing, among other strategic objectives, the construction of a dynamic, competitive and innovative economy and promotion of private sector growth, investment and productivity.

1.3. The Growth and Poverty Reduction Strategy Paper (GGPRSP III), which covers the 2012-2016 period, takes up the vision established by the Government Program, analyzes the situation in various fields of the country's development, assesses the prospects and challenges, and defines a strategic agenda based on strong potential areas for Cabo Verde, given its strategic location on the trade routes in the Middle Atlantic, organized into three cluster groups, namely: i) Agribusiness, Maritime Economy and Tourism; ii) ICT and Creative Economy; iii) Finance and Aero-business.

1.4. The GPRSP III also places great importance on maintaining macroeconomic stability and public financial management, reforming the State's business sector governance, labor market flexibility, improved education and training quality, improved infrastructure quality, unemployment and poverty reduction.

1.5. Ten years later, in May 2014, the 2nd National Transformation Forum – Cabo Verde 2030 was held. It made a strategic assessment of the implementation of the guidelines from the 1st Forum (2003) and identified the need to implement robust and innovative strategies, with a clear vision based on expanding the economic base and creating high value added services – agri-business, tourism, finance, business/ICT, outsourcing, the cultural/creative industry, aero-business – relevant, and the best route to avoid the middle-income country trap.

2 MACROECONOMIC ENVIRONMENT AND SECTORAL PERFORMANCE

2.1 Macroeconomic Performance

2.1. After a robust growth (12.2%) in 2007, Cabo Verde's economy slowed down in 2008, with a 6.7% growth, followed by a recession (-1.3%) in 2009. The following years saw moderate growths, of 1.5%, 4.0%, 1.2% and 0.5%, respectively, in 2010, 2011, 2012 and 2013 (Banco de Cabo Verde data). The Government Budget for 2015 expects the GDP to grow between 2% and 3% in 2014 and between 3% and 4% in 2015, driven mainly by external demand.

2.2. Thus, between 2009 and 2013 the national economy had an average growth rate of 1.2%, compared to 7.1% between 2004 and 2008. This sharp growth deceleration was due to the crisis that particularly affected our main partner – the Eurozone and the tourism property development sector.

2.3. In 2013, the Cabo Verdean GDP structure was divided among agriculture and fishing (7%), industry and construction (17%), and services, including trade (76%). For an estimated population of just over 512,000 inhabitants, per capita GDP was around €2,904.

2.4. "Driven primarily by public sector investments and some increase in real disposable household income, the economy regained some momentum in 2014, increasing by 2.7% in real terms." This growth was "... driven particularly by the performance of telecommunications and postal services, construction, non-market services, business services and fishing."

2.5. The effects of the crisis in the Eurozone and the anemic recovery in the global economy, as well as the challenges that emerge from Cabo Verde's relative success and that culminated in its graduation, reinforce the need to accelerate the implementation of reforms and the transformation agenda, aimed at strengthening a less dependent and more resilient economy.

2.6. In 2013 the inflation rate was 1.5%; that is, 1 pp lower than in the previous year. The components that contributed most to the rise in inflation were housing rent, accommodation, catering, water, electricity, gas and other fuels. On the opposite side, the components that contributed most to contain inflation were transportation and cultural products.

2.7. The Cabo Verde Escudo (CVE) maintained its fixed exchange rate against the euro (€1= CVE110.265), through an Exchange Cooperation Agreement.

2.8. Heavy reliance on external funding for its development contributed to increase the external public debt, estimated at 112.7% of GDP at the end of 2015, aggravated by the Government's option to take advantage of exceptionally favorable conditions for obtaining loans granted by development partners, within the context of its graduation, to fund and implement the public infrastructure development program and, at the same time, compensate for the sharp fall in private investment.

2.9. The Balance of Payments is structurally deficient, despite a consistent improvement in recent years, thanks to the faster pace of growth in exports, of both goods and services, than in imports. The trade deficit went from -15.3335 billion CVE in 2012 to - 3.7548 billion CVE in 2013.

2.2 Sectoral Performance

2.10. Cabo Verde's foreign trade is deeply marked by the structural deficit of its balance of trade. Nevertheless, the improvement occurred in recent years (around 5.5% annual average), thanks to faster export growth between 2006 and 2014, is noteworthy.

2.11. In addition to the high and structural deficit in its balance, Cabo Verde's foreign trade is marked by its lack of diversification. Analyzing the structure of goods exports, it appears that in 2014 exports of fresh fish, crustaceans and molluscs accounted for 44.5% of total exports. For their part, preserved fish accounted 40.0%... The remaining 15% corresponded to clothing, footwear and accessories and alcoholic beverages.

2.12. The value of exports of goods and services, including re-exports, increased from 67.6125 billion escudos in 2012 to 75.6874 billion escudos in 2014, an increase of about 12%. For its part, the value of imports of goods and services rose from 102.331 billion escudos to 103.7358 billion escudos in the same period, representing an increase of only 1.4%. The combination of developments in these two indicators results in a very favorable growth in the coverage rate of exports of goods and services, which rose from 66.1% to 73.0%, between 2012 and 2014.

2.13. The top ten imported products in 2014 accounted for 54.8% of total imports that year. Fuel, engines and machinery, reactors and boilers, iron and articles thereof, milk, cement, motor vehicles, rice, alcoholic beverages and textiles were the top ten imported products that year.

2.14. That same year, consumer goods accounted for 39.7% of total imports, followed by intermediate goods (31%), fuels (15.3%) and capital goods (11%).

2.15. From a purely commercial point of view, Europe is Cabo Verde's main customer and supplier. In 2000 that continent was the destination and origin of 85.2% and 78.3% of total Cabo Verdean exports and imports, respectively. In 2014, these percentages stood, respectively, at 85.6% and 80.7%, representing a slight increase in both items.

2.16. Portugal and Spain are Cabo Verde's main customers. In 2000 these countries received 78.6% and 3.5% of total exports from Cabo Verde, respectively. In 2014 the positions were reversed and the percentages stood at 15.0% and 63.8%, respectively. Portugal, followed by the Netherlands and Spain, are Cabo Verde's main suppliers. In 2000 these countries accounted for 48.1%, 6.0% and 2.7%, respectively, of total Cabo Verdean imports. In 2014 the percentages stood, respectively, at 39.0%, 20.0% (2013) and 8.4%.

2.17. Africa, where our ECOWAS sub-region is located, is the continent that supplies Cabo Verde the least, with only 1.8% of our total imports in 2014, preceded by America (6.8%) and Asia (9.2%).

2.18. Note the positive performance of construction, which began to regain some momentum in 2012. The improved performance of construction over the past two years reflected, to a large extent, the dynamics of public works related to the country's infrastructure development program, after the effects of the strong contraction in tourism property development, as from 2009, were dissipated.

3 INSTITUTIONAL FRAMEWORK – TRADE ADMINISTRATION

3.1 Trade Policy Formulation

3.1. Given the country's weaknesses, soon after independence (1975) the Government focused the trade strategy on supplying the domestic market through public structures created for distribution and marketing, by integrating public aid management with control of imports of goods and services. Through a public company, EMPA, the State centralized imports of essential goods and ensured their redistribution among the islands of the country at equal prices, and kept foreign trade operations severely constrained.

3.2. The early 1990s saw the start of an extensive gradual economic liberalization process, through economic reforms. A trade sector reform program was designed and implemented starting in 1992, with the progressive liberalization of imports and cap system, through the publication of successive lists of products exempt from the annual import quota system.

3.3. Imports were fully liberalized in 1999, including essential goods, with the latter being subject to special licensing conditions, given the importance of supplying the domestic market.

3.4. Trade liberalization consolidated the transition from a State-centered economic model to a market economy. However, the legislative reform implemented proved to be insufficiently regulated and, despite the legislative alignment with the free market policy principles, technical and institutional constraints, exacerbated by resource constraints, are, to this day, reflected in the State's ability to implement a trade policy that is integrated with development policy.

3.5. After the liberalization, trade sector reform continued to merit attention from the Government, both in the context of WTO accession negotiations, completed in 2008, to better conform its trade policy and legislation to the best international trade rules and practices, and as part of implementation of the action plans agreed during the accession process.

3.6. The 2011-2016 Government Program elected the Trade sector as one of the pillars of the Cabo Verdean economy's growth and competitiveness, with the aim of: a) fighting poverty; b) promoting sustainable development through the promotion of national production and its products' quality; and c) improving the business environment.

3.7. In the third Growth and Poverty Reduction Strategy Paper – GPRSP III (2012-2016), in Area IV (Private Sector Enhancement) the Government anticipated "a pragmatic approach that emphasizes business opportunities, value chains and concrete measures that are implementable, to facilitate trade, boost production and quality, and foster new business opportunities."

3.8. According to the GPRSP III and the economic transformation agenda, the Government intends to focus development activities on areas where comparative and competitive advantages have been identified – the competitiveness clusters, corresponding to the economic activity sectors likely to have the greatest impact on growth and poverty reduction, particularly:

- **Agribusiness**: Develop agribusiness activities and companies with a view to promoting growth in quality production that exploits the potential for import substitution, including connection with the tourism value chain, and that creates an export base for certain more competitive product niches;

- **Maritime Economy**: Build a maritime economy focused on fishing, transshipment of goods and maritime services such as bunkering and offshore supply services;

- **Tourism**: Promote high value-added tourism services.

3.9. In addition to those with greater expected impact on economic growth, the GPRSP III also prioritizes other areas that contribute to increasing the country's competitiveness in the international market, namely:

- **Finance**: Turn Cabo Verde into a center for financial services and investment;
- **Creative Economy**: Build a service industry based on Cabo Verdean culture focused on exporting and promoting the Cabo Verde brand;
- **Aero-business**: Turn Cabo Verde into a regional platform for air cargo, free trade zone and services for airlines;
- **Information and Communication Technology (ICT)**: Promote Cabo Verde as a technologically advanced island and specifically attracting ICT industry companies to use the country as a base for conducting business, particularly with the sub-region.

3.10. The focus on GPRSP III aims to qualify and strengthen the management of value chains associated with the priority clusters. Trade and industry are thus included in all areas with strong potential for developing the Cabo Verde economy.

3.11. Thus, in terms of trade policy, the Diagnostic Trade Integration Study (DTIS) 2013 found that Cabo Verde has not been an active member in regional and international organizations as well as in compliance with the terms of the agreements, underlining the country's weak analytical capacity in the international trade arena, recommending the training of trade administration to better understand and defend Cabo Verde's peculiarities in the sub-region and adopt a foreign trade strategy that contributes to integrate the economy into the international trading system.

3.12. The DTIS 2013 also recommends that the Government participate actively and effectively in multilateral trade negotiations, to promote market diversification, and help the private sector to seize the opportunities offered by preferential access to markets, and to stimulate and support economic diplomacy.

3.13. The DTIS 2013 also highlights the need to intervene in order to: a) review the legislation and better adapt it to WTO rules; b) improve trade facilitation by broadening reforms in customs and other services involved in trade; c) continue to modernize and harmonize external trade procedures in general with international technical standards; d) strengthen domestic trade organization to better urbanize the sector; e) supply and stabilize prices; f) modernize the sector, and g) unify the domestic market.

3.14. Having a small market, coupled with the fact that the country is an archipelago, lack of infrastructure and deficient inter-island transportation, poor business and industrial sector development in particular, as well as a fragile financial system, are strong barriers to domestic private investment and growth in the trade sector.

3.15. Taking into account the fact that the Cabo Verdean economy is characterized by a very significant percentage of commercial/business activities that are carried out by small enterprises, of which about two thirds are informal, although representing a significant amount of jobs and contributing to poverty reduction, the Government approved Law No. 70/VIII, of 26 August 2014, which defines the special legal framework for micro and small businesses, as part of economic development and private business sector enhancement policies.

3.16. The special scheme for micro and small enterprises aims to create a framework to boost and densify the MSE market, reduce informality, promote self-employment, improve the business environment, particularly through simplification, improve the economic and financial capacity attached to it, and expand the tax base and social security contribution base.

3.17. On 12 February 2015 the Government also approved Decree-Law No. 11/2015, which regulates all production and marketing of aguardente, to be produced exclusively from sugarcane. The law takes effect 180 days after its publication, so a monitoring committee was formed involving all participating entities from the public and private sectors, to disseminate the law, diagnose existing production facilities, and propose a set of business adequacy and training measures. The process is expected to lead to the international recognition of aguardente made in Cabo Verde.

3.2 Strategic Trade Development Plan – 2015-2020

3.18. The preparation of the Strategic Trade Development Plan (STDP) in the 2015-2020 period was included in Cabo Verde's Enhanced Integrated Framework's (EIF) Category 1 project, with the aim of providing the Government with a governance strategy tool for the trade sector, both domestic and foreign.

3.19. The STDP 2015-2020 meets the recommendations made by DTIS 2013 and defines a strategy aimed at modernizing the sector and fitting the country in the new regional and international context, incorporating the guidelines from the Government Program and Cabo Verde's 2030 development vision.

3.20. The overall objectives of STDP 2015-2020 are:

- Increase the trade sector's share to 15% of GDP;
- Increase the coverage rate, calculated on the sum of exports and re-exports, to 65%.

3.21. Specifically so the trade sector in Cabo Verde lives up to its potential and plays the economic and social role expected of it, the State's action in the coming years should pursue the following specific objectives:

- Promote the development of production and competitiveness of domestic goods and services, especially agricultural products like fish, coffee, sugar cane and local fruits, the manufacturing of ECOWAS raw material, and tourism services. The goal is to double the value of the manufacturing, food and beverage industries sub-sectors in GDP;
- Promote the improvement of internal distribution and increased purchase of locally produced fresh fruits and vegetables, meat and fish by resorts and medium-sized and large hotels. The goal is for 30% of these products to be consumed by these categories of tourist accommodation establishments. Current consumption is virtually nil;
- Stimulate trading, leasing, storage and bunkering and increased exports and re-exports of goods. The goal is to achieve a 15% annual average growth in exports and re-exports of goods;
- Encourage the discovery of new supply markets, reduce intermediation, promote economies of scale, improve import management and encourage joint purchases. The goal is to diversify the import market and reduce the current share of Cabo Verde's top 5 suppliers from 71.3% to 60%;
- Promote and encourage the internationalization of activities by national companies in the service and industry sectors where Cabo Verde can be competitive, particularly ICT, international trade, telecommunications, pharmaceuticals, construction and public works. The goal is to have, on average, one new Cabo Verdean company operating in the international market, per year, and increase the business volume generated abroad by subsidiaries of national companies, which is currently insignificant, to 15% of total national goods exports.

3.22. The STDP 2015-2030 was disseminated and approved by the partners and the Government in June 2015 so its communication to the WTO Secretariat is now only awaiting its official publication.

3.3 Sectoral Governance

3.23. Trade sector governance is, in practice, shared among at least three ministries. Although the Ministry of Tourism, Investment and Business Development (MTIDE) is directly responsible for trade, in reality, the Government implements its trade policy through inter-sectoral action by different departments, with special emphasis on the departments of Trade, Industry, State Revenue and Foreign Affairs. Agriculture, transportation and tourism are other departments whose relationship with trade is critical to its performance.

3.24. The MTIDE is responsible for setting trade policy, listening to the other departments whose intervention intersects with trade. As regards foreign trade, the MIREX has been in charge of internal coordination of multilateral trade negotiations and the issue of regional integration. The Finance Ministry, through Customs, is in charge of implementing an important part of foreign trade relations, implementing the ECOWAS Customs Tariff/ CET, as well as the preparatory work for being part of the Trade Facilitation Agreement.

3.25. This reality reflects the cross-cutting nature of trade and highlights the trade administration's challenge in ensuring coordination in the adoption, and especially implementation, of trade policies. The performance of the trade sector ends up being largely determined by the result of the coordination between the various sectors involved in trade.

3.26. Despite the revision and adaptation made in the context of accession to the WTO, the legal framework for the trade sector is based on still dispersed laws, some of which were passed in the 1990s and early 2000s, thus not adequately reflecting the current economic reality and the situation of a country that, having graduated from LDC to middle-income country, today faces greater challenges in terms of financing its development.

3.27. Following the DTIS 2008 recommendations which, regarding the institutional framework, had already identified a number of constraints and proposed to the then Ministry of Economy, Growth and Competitiveness measures aimed at "strengthening trade and investment institutions," the DTIS 2013 resumes the analysis of trade sector governance, reassesses the institutional constraints of all entities involved in the administration of trade matters, and identifies three major institutional capacity constraints:

i. The MTIE's analysis capacity, particularly regarding international negotiations;

ii. Coordination with the Ministry of Foreign Affairs (MIREX) in terms of global trade integration;

iii. The organization and responsiveness of the MTIE structure.

3.4 National Trade Council

3.28. The DTIS 2013 institutional recommendations were assessed positively by the Ministry responsible for trade and by the Government. A decision was made to equip the country with a new trade sector governance model and, in June 2015, the creation of a National Trade Council (NTC) was approved. The NTC is a permanent structure for formulating and coordinating Cabo Verde's trade policy.

3.29. In view of the demands and challenges posed by trade sector governance and given the limitations in terms of qualified human resources in various matters that are derived from trade negotiations, and taking into account all the trade agreements, the Government considered it necessary to extend the term of the Inter-Institutional WTO Committee and merge it with the Enhanced Integrated Framework's (EIF) National Steering Committee, and integrate the various working committees that often operate on an ad-hoc basis into one single (and better coordinated) body, in order to provide the country with a structure capable of:

- Advise the Government on setting, implementing and monitoring trade policy, both at internally and externally;

- Follow up on strategic decisions to densify the national productive sector, and promote overall competitiveness of the economy;

- Substantiate Cabo Verde's positions in regional and international trade negotiations, particularly within the context of the ECOWAS/EPA and WTO, and in bilateral negotiations.

3.30. The National Trade Council (NTC) is supervised by the Council of Ministers for Economic Affairs and is chaired by the Trade Minister, in close coordination with cabinet members responsible for the areas of foreign affairs, industry, tourism, finance, agriculture, fishing, employment, and local authorities. The NTC will be co-chaired by the private sector and include representatives of civil society organizations concerned;

3.31. Thus, along with the authority to design both domestic and foreign trade policies, trade administration training in inter-sectoral coordination is of great importance for the sector's performance. Under the direct responsibility of the Trade Department, the sector governance model, both in the foreign aspect, with multilateral trade negotiations and regional integration, and in the domestic aspect, includes coordinated interventions and the exploration of synergies among different government departments.

4 BILATERAL, MULTILATERAL, REGIONAL OR PREFERENTIAL TRADE AGREEMENTS

4.1. In multilateral negotiations, Cabo Verde participates in the African, Caribbean and Pacific (ACP) Group, the African Group, the G-90, the Recently Acceded Members (RAM) Group, and Small and Vulnerable Economies (SVEs). Cabo Verde is also a sponsor of the "W52." As a WTO member, and as part of membership obligations, Cabo Verde has been implementing commitments and provided reports on various aspects of its trade system since 2008.

4.1 ACP Group - African Caribbean and Pacific

4.2. Since the 6 June 1975 signing of the Georgetown Agreement that established the ACP Group, the latter has expanded and now has 79 Member States, including 48 African, 16 Caribbean and 15 Pacific. This intergovernmental organization has demonstrated a sense of cohesion and solidarity, operating as a platform through which countries that make it up can adopt joint positions.

4.3. The negotiation of ACP/EU Economic Partnership Agreements is an area that has polarized the ACP efforts in recent years. The ACP Group is also committed to playing its role in South-South and triangular cooperation, aimed at a useful diversification of its international partners.

4.4. Given the number of Small Island Developing States (SIDS) that are members of the ACP group, Cabo Verde is echoed in various positions advocated by the ACP Group, in particular regarding the issue of SIDS' development specificities, their exposure to climate change, and in the context of regional integration.

4.2 African Economic Community

4.5. Cabo Verde has, since June 1991, been a member of the African Economic Community, which aims to establish a monetary union by 2034. Cabo Verde signed the Treaty establishing the African Economic Community, on 3 June 1991, and is therefore a founding member of the African Union, which succeeded the Organization of African Unity (OAU).

4.6. Under the New Partnership for Africa's Development (NEPAD), adopted at the 37th OAU Summit, in July 2001, as a tool to connect Africa and the international community, Cabo Verde participates in various programs and themes promoting regional integration, economic management, business development, agricultural diversification, new information and communication technologies, etc. Established in 2002, the National Committee acts as an interface between Cabo Verde and officials responsible for implementing NEPAD programmes. The committee is currently located in the Ministry of Foreign Affairs.

4.3 Economic Community of West African States (ECOWAS)

4.7. Cabo Verde has, since 1976, been a member of the Economic Community of West African States (ECOWAS), whose main aim is to promote cooperation and integration, in order to create an economic and monetary union capable of ensuring development in all economic areas, especially in industry, telecommunications, transportation, energy, agriculture, natural resources, trade, monetary and financial areas, and social and cultural affairs. The ECOWAS Treaty calls for free trade, free movement of persons, right of residence and establishment, free movement of capital, and an economic union with a common currency. At the moment, Cabo Verde does not participate in the West African Economic and Monetary Union (UEMOA).

4.8. The Treaty has resulted in the signing of a set of agreements that have inevitably influenced trade policy at regional level and also vis-à-vis countries outside the Community. Of the most relevant agreements, we highlight the Common External Tariff (CET), the ECOWAS Trade liberalization Scheme (ETLS), the West African Common Industrial Policy (WACIP) and the Economic Partnership Agreement (EPA) signed with the EU, as part of ECOWAS/UEMOA. So far, Cabo Verde's trade with its ECOWAS partners has been negligible, which is largely due to the lack of reliable and regular maritime transportation with the sub-region.

4.9. Free trade among ECOWAS member States is promoted through ECOWAS Trade Liberalization Scheme (ETLS). At the beginning in 1979, the scheme only covered agricultural products, handicraft and unprocessed products. The ETLS was extended to industrial goods in 1990, and the approval process to grant the right to free movement of manufactured goods was facilitated in 2002.

4.10. The ECOWAS countries decided to develop a common agricultural policy (ECOWAP) in 2005. The ECOWAP promotes food sovereignty; that is, a reduction in the region's dependence on imported food. The ECOWAS Regional Agency for Agriculture and Food (RAAF), which is part of the implementation of the common agricultural policy, was launched in September 2013.

4.11. The ECOWAS members initially agreed to establish a customs union with a common external tariff (CET) with the aim of establishing a customs union and common tariff policy and removing all customs duties, border fees and non-tariff barriers, such as quotas and prohibitions on intra-ECOWAS trade. The ECOWAS CET was adopted by the ECOWAS finance ministers in March 2013 and by the 29th Conference of ECOWAS Heads of State and Government in January 2006, and became effective in January 2015. Cabo Verde has been preparing internal procedures for its effective application.

4.12. Through Protocol A/P1/1/03, the ECOWAS defined the rules of origin for trade in the region, and through Regulation C/REG.3/4/02, it established the procedures for its application, and so the region has another trade policy instrument among its member states capable of protecting the exchange of products manufactured in the region, which for Cabo Verde is also an instrument that alters trade policy with non-community trading partners

4.13. The West African Common Industrial Policy (WACIP) was adopted by ECOWAS Heads of State and Government, in Cabo Verde, in November 2010. The WACIP aims to provide the region with a competitive industrial base internationally, which respects the environment and is able to significantly improve people's standard of living by 2030. Its general objectives are to speed up the industrialization of West Africa, by promoting endogenous industrial processing of local raw materials, development and diversification of industrial production capacities, as well as to strengthen regional integration and exports of manufactured goods.

4.4 European Union's Generalized System of Preferences

4.14. In late 2011, the EU agreed to grant Cabo Verde GSP+ status by giving it preferential access to EU markets reserved for countries that have ratified 27 international conventions on human rights, labor rights, good governance and environmental Protection.

4.5 Economic Partnership Agreement (EPA)

4.15. An Economic Partnership Agreement has been signed by and between the ECOWAS and the EU. It was adopted by the 46th ECOWAS Heads of State Summit and signed by the European Commission in November 2014. One of the main objectives of the agreement is the gradual liberalization of the contracting parties' markets within 25 years, by opening 80% of the ECOWAS market and fully liberalizing the EU market for products from the West African region. The agreement also provides for other measures, including anti-dumping, countervailing and safeguard measures, the elimination of subsidies and financing for development, among others.

4.16. The EPA covers trade in goods, development cooperation, and the clauses that require new negotiations on services. The EPA is accompanied by an aid package, called the EPA Development Program (EPADP). Until the EPA becomes effective, Cabo Verde exports to the EU are subject to preferential tariff treatment through the EU's GSP. In 2011, Cabo Verde became the first African country to be granted the "GSP +" status and, thus, enjoy more benefits for exports of goods and services.

4.6 African Growth and Opportunity Act (AGOA) – United States

4.17. Cabo Verde is eligible for AGOA, which enables it to export most products to the United States tax free. The new Bill on AGOA makes it possible to extend this mechanism's duration for 10 years (up to September 2025) and the provisions for third country fabric for the same about of time, while also renewing the Generalized System of Preferences (GSP). There is more flexibility in the use of rules of origin, but also in terms of processing costs, including labor, which can facilitate production and trade in a context of regional integration.

4.18. In its January 2014 proposal submitted to the Trade Commission, Cabo Verde makes recommendations to enable real utilization of AGOA facilities. Apart from issues related to access to more products, rules of origin, excise tax and capacity building, such recommendations include other provisions, such as financing for production and/or increased production, and tax incentives under FDI to attract small and medium-sized US companies.

4.19. Cabo Verde's exports to the United States are modest. The share of "AGOA imports" in total US imports from Cabo Verde is no more than 5%-10%, and consisted exclusively of agricultural products in recent years. In 2011, the United States imported goods worth nearly $1.5 million from Cabo Verde, with imports under AGOA accounting for $154,000. Exports to the United States increased to $2.1 million in 2013, while the AGOA trade value remained stable.

4.7 Bilateral Agreements

4.20. Cabo Verde has bilateral agreements with a number of countries, namely Senegal, Mauritania, Angola, Guinea-Bissau, Sao Tome and Principe, China, Brazil, India, in order to increase the national production and export base, in particular of fishing products, pharmaceuticals and soft drinks. Also, in the fishing sector, it established a bilateral agreement with the European Union.

5 WORLD TRADE ORGANIZATION

5.1. Cabo Verde joined the WTO in 2008, becoming its 153rd Member. In the accession process, the country negotiated sectoral action plans for agriculture (sanitary and phytosanitary measures), customs (customs valuation), industry (industrial property) and general/cross-cutting (legislative adjustment). The period for gradual implementation of these action plans will run until 2019. Most negotiated action plans have already been implemented or are in an advanced state of implementation. In place are the new Customs Code and customs value determination according to GATT.

5.2. Cabo Verde's accession to the WTO brought with it a set of new requirements, namely in terms of implementing commitments made in the Action Plan agreed upon during the accession process, as well as those relating to adapting policies and legislation to international trade rules and best practices; monitoring activities and funding and developing the productive base.

5.3. The Government has implemented structural reforms whose impacts are reflected from the planning to the implementation of measures that are crucial to enhance the national economy's competitiveness, as well as to contribute to a leap in the country's economic growth and sustainable development at all levels.

5.4. Led by the State's Reform Office, the "change to compete" programme monitors the set of measures that are being implemented across the Ministries and State Departments in view of the aim of optimizing structures, modernizing and simplifying public administration and improving the business environment.

5.5. The improvement of *Doing Business* indicators and of internal and external competitiveness has been a strategic challenge for the country's transformation agenda, which is being implemented through various modernization and innovation projects aimed at essentially improving the business environment in Cabo Verde, with the involvement and participation of all players in the national economy, including the government and various public sector departments, municipalities, chambers of commerce, financial institutions and economic operators.

5.6. The various modernization measures carried out in recent years as part of State Reform, supported by national and international strategic partnerships, have enabled the country to achieve considerable improvements in some indicators (Starting a Business, Licensing, Property Registration...) with Cabo Verde being ranked 122th (2015) in the global *Doing Business*.

5.7. In 2015, Cabo Verde was ranked among the Top 20 best reforming countries by the Heritage Foundation, rising 16.4 points in the Index of Economic Freedom, over the last 20 years. The country was ranked 122th by the Global Competitiveness Report, improving seven points in the overall ranking, being among the ten African countries with the best business environment.

5.8. The modernization and computerization of State services, through strong innovation and use of new technologies in public administration helped the country to take qualitative leaps in improving doing business in Cabo Verde, throughout the life cycle of companies.

5.9. Law No. 26/VIII/2013, of 21 January 2013, which approved the Tax Benefits Code, harmonized and synthesized the various incentives that were dispersed across multiple provisions into a single law. The law provides for an exceptional tax scheme for projects implemented in the forms of contracts (establishment agreement) with the State aimed at implementing capital intensive businesses with high potential to generate employment and to accelerate social and economic gains.

5.10. Legislative Decree No. 01/2011, of 31 January 2011, created the Cabo Verde International Business Center (IBC), whose main purpose is to promote international trade and promote investments with export potential. Economic operators who operate within the CIN may engage in industrial activities at the International Industrial Center (IIC), trade activities at the International Trade Centre (ITC) and service provision activities at the International Service Delivery Center (ISDC). The law establishes a set of incentives, in terms of tax benefits for businesses (90% IUR reduction between 2011 and 2018 and 85% reduction from 2019 to 2025), tax benefits for members (IUR exemption), and customs incentives.

5.11. The Single Investor Window was implemented in February 2015 and is managed by Cabo Verde Investimentos, which implemented a single point of contact between investors and public administration, enabling the electronic processing of investment projects by various departments and their monitoring by the promoter through Casa do Cidadão's website. The main objective of this project is to reduce the project appraisal/approval time to 75 days, introduce more efficiency and accountability in the process and thus improve the business and investment environment.

5.1 Implementation of Agreements under WTO Accession

5.12. Changes have been made to Cabo Verde's legislative framework in the area of sanitary and phytosanitary measures, to facilitate compliance with the WTO SPS Agreement. The modernization of the Cabo Verde SPS system remains a work in progress that needs more assistance for its development. The aim is to operationalize the national SPS committee as part of NTC.

5.13. The average rates applied are 20.8% in agriculture and 17.7% for non-agricultural products. The reduction commitments will be implemented by 2018, leading to a final average MFN rate of 15.9% (in total); 19.3% in agriculture and 15.4% for other goods. All rights were linked to *ad valorem* rates.

5.14. Cabo Verde has implemented the WTO Agreements on Anti-dumping; WTO Subsidies and Countervailing and Safeguards Measures; and Customs Valuation, through the new Customs Code (Legislative Decree No. 4/2010).

5.15. Cabo Verde is in the process of pre-accession to the trade facilitation agreement, having concluded, in July, the creation of a trade facilitation committee as an integrated structure in the National Trade Council. Advances have been made under the Customs Modernization and Reform Program. The Directorate of Customs still faces challenges associated with the need for reinforced and improved controls, by introducing management and risk analysis tools, as well as fraud and tax evasion, and trade facilitation measures. There is a need to continue and improve capacity building through training and technical assistance, beyond that which Cabo Verde has been receiving from the World Bank, the AfDB, the IMF, the European Union, and the World Customs Organization, among others.

5.16. Cabo Verde still applies an open and general import licensing system, which was implemented in order to control the import of products that may adversely affect the country's environment and safety and people's health. Cabo Verde has a long tradition in the implementation and management of its import licensing system.

5.17. When negotiating access to goods market, Cabo Verde argued in favor of high tariff rates on imported revenue-generating goods. It consolidated the rates for these goods at a higher level than current rates, which, in the case of revenue loss, enables the Government to raise them to the consolidated rate levels.

5.18. Cabo Verde fully supports the development and maintenance of an international system for promoting and protecting intellectual property rights. The Quality Management Institute-Intellectual Property (Portuguese acronym: IGQ-PI) is fully established and operational, actively participating in the development of technical standards for the production of agribusiness ranks. Legislative and regulatory adaptation is a continuous component in the institution's agenda, as is representing Cabo Verde in international fora and regional projects. Through the work of IGQ-PI and the application and updating of appropriate legislation, Cabo Verde is advancing towards full compliance with the TRIPS Agreement.

5.19. Cabo Verde agreed to adhere to the Information Technology (ITA) and Civil Aviation (CA) Agreements. The Agreement on Civil Aviation covers 272 tariff lines (tariff items), while the Information Technology Agreement covers 128 tariff lines (tariff items), of which 12 with 30% rates on rights; 27 with 20% rates; 46 with 10% rates; 13 with 5% rates, and 30 with 0% rates. A transition period was negotiated to reduce the rates until they reach the zero level.

5.20. Cabo Verde continues to make notifications under the WTO Agreements, as needed. With the establishment of the NTC, the aim is to systematize and centralize the notification sending process.

5.21. The participation of Cabo Verdean technical experts in the meetings of WTO bodies, including negotiating groups, remains a challenge due to budgetary constraints. In this context, the NTC will coordinate efforts to improve Cabo Verde's participation in the forums of interest on the most relevant issues.

5.22. Trade liberalization has had a significant impact on Cabo Verde. In fact, given its small size and its strong external dependence, Cabo Verde had to adapt the regulation that affects the competitiveness of companies and products, market diversification, restructuring of the economy's productive sectors, and development of human and institutional expertise. Measures that have led to the gradual improvement of the business environment.

5.23. Major components of the ensuing process of adaptation to trade liberalization include the need to address the loss of government revenues, competitiveness in the domestic market and preference erosion. Currently, about 50% of Cabo Verde's total revenue is derived from customs duties and charges. Further liberalization will result in increased preference erosion and contribute to increased international and domestic competitive pressures. It is therefore imperative that the issue of preference erosion be adequately addressed in the context of the current round of negotiations, as a means to ensure protection against a possible marginalization of small vulnerable economies. There is also a need to maintain some room for improvement of decisions that have an internal impact.

5.2 Aid for Trade

5.24. The concept of aid for trade, which the Hong Kong Ministerial Declaration (2005) distinguished from the existing technical cooperation, is based on the understanding that improved market access opportunities does not automatically translate into exporters penetrating global markets. Cabo Verde, thus, sees aid for trade as a vital need and the Aid for Trade initiative as a promising tool, and it is interested in taking full advantage of it.

5.25. Cabo Verde obtained funding from the Enhanced Integrated Framework's (EIF) Special Affectation Fund, in order to execute Aid for Trade projects and strengthen institutional capacity (category 1). Part of these funds were used to implement the EIF National Implementation Unit.

5.26. The category 1 projects were approved in November 2011 and the Financing Memorandum of Understanding between UNOPS and the Government of Cabo Verde was signed in December 2011 and is valid for three years, with the right to extend for 2 years. After this period, in June 2015, the Government of Cabo Verde requested that the project be extended for two more years and, based on the ongoing work agenda and mid-term assessment, submitted an updated work proposal to the EIF Executive Secretariat to extend the project until 2017.

5.3 Technical Assistance

5.27. Cabo Verde appreciates the technical assistance it has received from WTO and acknowledges the latter's efforts in trying to expand the range of its technical assistance activities.

5.28. There is, however, a need to optimize the technical assistance activities provided by the WTO, to take into account the different capacities of developing countries, so that these activities are more accessible to small developing countries with limited management and human resources.

6 CONCLUSION

6.1. Cabo Verde remains committed to the multilateral trading system, as has been evident from its active and continued participation in the regular WTO work program and the Doha Development Agenda.

6.2. According to the available resources and support from development partners, Cabo Verde continues to make efforts to implement the WTO agreements, alongside regional, bilateral and multilateral agreements. By implementing the National Trade Council, Cabo Verde is taking a holistic approach to trade agreement implementation, ensuring that it fulfills its commitments. It is, thus, essential that the country continue to benefit from aid for trade and all trade opportunities.

6.3. However, Cabo Verde is aware that trade negotiations do not necessarily produce tangible net benefits, and the experience can be painful especially when competitive advantages are negated by longstanding erosion preferences, increasingly reduced political leeway, and increasingly sophisticated and "creative" non-tariff measures in export markets.

6.4. In addition, and particularly in the context of a severe economic recession, revenue loss through tariff liberalization is a prospect that can hardly be contemplated, unless it is certain that these losses will be simultaneously offset by proportional increases in market access, investment, production, competitiveness, employment and trade.

6.5. This is an unfortunate situation for heavily indebted developing countries with small, open and vulnerable economies, thus being an issue that requires urgent consideration by all WTO members in the current context of the dimension of the Doha Development Agenda.

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