

2022

## IARIW-TNBS Conference on “Measuring Income, Wealth and Well-being in Africa”

Paper Prepared for the IARIW-TNBS Conference, Arusha, Tanzania, April 14-15, 2022

Macro and Micro Level Evidence of Current Trade Reforms in Guinea-Bissau  
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Guinea-Bissau is one of the former Portuguese colonies in Africa, which became independent in 1973. It borders to the North with the Republic of Senegal, East and the South with the Republic of Guinea, and to the West by the Atlantic Ocean. The country's total population is approximately 2 million, of which 60% lives in rural areas and 40% in small urban cities. Guinea-Bissau is one of poorest country worldwide. For instance, in 2017, its Human Development Index (HDI) stands at 0.420, with 67% of the population considered poor or extremely poor. The average life expectancy at birth is 55 years (48.9 for women and 53.1 for men), with the infant mortality rate of 92 per 1000 born (World Bank Development Indicators - WBDI, 2018).

The country economy is supported by a variety of sectors and products. However, this is a typical example of a small and undeveloped agriculture-based-economy, in which only a few products play an important role for gross domestic product (GDP) of US\$ 100 million in 2017. In the total of 68% of the population over 15 years employed, 61% correspond to employment in the agricultural sector, 5.8% industrial employment and 34.1% employment in the services sector (ILO, 2017).

Employment opportunities reflect each sector production capacity in which agriculture represents 53 % of the total added value, the industrial sector 12% and the services sectors 35 % (WBDI, 2018). Agricultural most relevant products include the production of sorghum, maize, rice, sorghum, cashew nuts, and others. Cashew nuts became the main production and export product since 1990s when increasing demand from Asian countries, such as India and Singapore, boosted activities related to chestnuts. As the country does not export intermediate and capital goods, 99 percent of exports of Guinea-Bissau are mostly raw materials, of which the share of cashew nuts reach 90 percent.

To face the challenges of fighting persistent poverty, governments have relied on trade policies to improve the households' conditions as well as to find ways to increase budget to fund their development policies. The first trade measure was an initiative to the economy openness in mid-1986, having been cemented with the country's entry into the WTO (World Trade Organization) in 1995 and the consequent participation in the Doha Round, formally known as Doha Development Agenda (henceforth DDA), in 2001.

However, as the government agreed to reduce the import tariffs during the DDA, it also adopts the so-called exportable taxes to increase its revenue. This policy consists of a percentage of taxes set on export products. Such percentage is determined once a year during high harvest seasons between April and June and remains invariant for the remaining 9 months. Each product is taxable according to its sector classification and therefore its share on total output. The government charges higher export taxes to the agricultural products, represented primarily by cashews. Tax less products from other sectors allows disintegrating the export grid. However, exporters increase complains about the high taxes charged by arguing that the government has committed in the DDA to reduce import taxes, while failing to relieve national exports. To mitigate these complaints, in May 2019, the government adopted a compensatory policy, reducing exports taxes by 2.5 percent.

The purpose of this study is to provide macro and micro level evidence of current trade reforms in Guinea-Bissau. The study is based on two development policies: the import tariff reduction agreement signed in DDA, that government effectively put into practice in 2007, and the government decree to reduce export taxes by 2.5 percent in 2019, as to mitigate the above exporters complaints, deepen economic openness, and explore the country's comparative advantages. We seek to answer the following questions: Is the agreement formalized in the DDA capable of promoting the performance of the economy of a small poor country like Guinea-Bissau? Are there gains from trade liberalization? If so, who earns or lost more? Do imports tariffs and exports taxes cuts have the same effects on rural and urban households living standard?

Our study fits in the context of the growing economic literature that analyzes impacts of trade liberalization on socioeconomic outcomes (see, for example, Davies et al. 1994; Krishna and Mitra, 1998; Diao, Somwaru and Roe, 2001; Beghin, Roland-Holst and der Mensbrugghe, 2002), particularly those evaluating the long-run effects of trade reforms on the households living conditions in developing countries (Chitiga, 2000; Cockburn, 2001; Mabugu, R. 2001; Chitiga, Kandiero and Mabugu, 2005; Chitiga and Mabugu, 2008; Cockburn, Decaluwé and Robichaud, 2008; Annabi et al.; 2005a,b).

We deal with an axis that has been the central focus of the government, which is to encourage trade on agricultural products, and \$ billions have been spent as better the condition of

national production as well as the households' standard of living that suffer from extreme poverty. Fourth, evidence shows that trade impacts macroeconomic activities, and resources from a growing economy could be used to fund policies to fight against poverty (e.g., Bhagwati, Panagariya, and Srinivasan, 1998), but no empirical studies have been done for Guinean economics so far. As to fill this empirical gap, we apply a micro-simulated dynamic CGE model for Guinea-Bissau economy using 2014 updated SAM. For the best of our knowledge, this is the first CGE model for this economy.