

**Multi-year Expert Meeting
on Transport, Trade Logistics and Trade
Facilitation:**

**Third Session:
Small Island Developing States:
Transport and Trade Logistics
Challenges**

24 – 26 November 2014

**Experience of Mauritius IOC Relating to
the Transport and Trade Logistics
Challenges**

Presentation by

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UNCTAD EXPERT MEETING
"SMALL ISLAND, DEVELOPING STATES: TRANSPORT AND TRADE
LOGISTICS CHALLENGES"
24-26 NOVEMBER 2014
GENEVA, PALAIS DES NATIONS

EXPERIENCE OF MAURITIUS
IOC RELATING TO THE TRANSPORT AND
TRADE LOGISTICS CHALLENGES

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Remoteness and Lack of Regional Transport Network

The Islands of the Indian Ocean, Seychelles, Mauritius, Madagascar and Reunion, apart from being remote from international trade route, are so scattered that intra-regional trade is hampered due to lack of connectivity and low level of regional transport network

Trade, Transport and Logistics

- ▶ Trade is critical for the economic survival of these islands, but this propensity to trade is highly dependent on the availability of efficient transport and trade logistics. For example, Mauritius is a net food importing, net-energy importing country. Being a raw-material deficient country, it has to import totality of its inputs for industrial manufacture. It heavily relies on exports of its few commodities to mitigate its bulging import bills.

Lack of Critical Mass

- ▶ Traditionally, the IOC islands are highly dependent on trade with the markets of the North and as such dependent on “global carriers” for their goods, services and people. Intra-regional trade is very low because of lack or insufficiency of regional transport and trade logistics. Regional transport fails to become profitable and feasible because of lack of critical volume in regional trade.

Intra-IOC Trade

- ▶ Intra-IOC trade is very limited—averaging only to 3.2% of total IOC trade.
- ▶ Inadequate maritime and aviation infrastructure are the main constraints to intra-regional trade.

High Cost and Lack of regional Strategy

- ▶ Regional economic integration and participation in the global economy is limited by the high cost of shipping, lack of regularity, dependency on few shipping companies, the poor quality of port infrastructures and lack of regional strategy for maritime services.

Lack of Infrastructure

- ▶ The regional transportation system results in costly delays due to inadequate infrastructure, lack of links between national transportation, maintenance difficulties of existing infrastructure and of the incompatibility of the systems of transport between them. Many of the port infrastructures were built prior to the advent of container system and therefore do not have the facilities for rapid handling of containers.

High Dependence on Global Carriers

The present maritime operators in the IOC region do not meet the expectations of IOC member-states and do not allow local economies to grow as they should.

The structure of the different maritime operators do not correspond to those of the member states.

Manufacturers and traders have no alternative but to rely on the “global carriers” and have little, or no, ability to negotiate rates. Transport represents 30–40% of the cost of consumer products.

IOC Study on Maritime Access

The IOC study in 2009 undertaken by Maritime Logistics and Trade Consulting on maritime access in the Indian Ocean concluded on the need for the establishment of regional maritime system with improved efficiency of the transport chain, investments in infrastructure and logistics of the maritime sector.

Regional Maritime Service

The IOC is envisaging to set up a Regional Maritime Service which will act as a vector of regional integration. It aims at creating an economic area and infrastructures to attract investors, traders, manufacturers and carriers.

Overcome Vulnerability

- ▶ The project is designed to overcome the vulnerability of the IOC member states to the threat of globalisation of trade. The project will open up the region to international shipping lines, reduce shipping costs and provide economies of scale to trade.

Increase Intra-Regional Trade

- ▶ The project provides potential for IOC countries to diversify their economies, increase their export base, develop their infrastructures and increase their underexploited intra-regional trade.

Financial Deficit

- ▶ In the first few years, the service will have to operate on financial deficit. However, the study reveals that this service will be profitable in the medium and long term with the Indian Ocean maritime servicing company covering the principal ports of Mauritius, Reunion, Madagascar, Mayotte, Comoros and Seychelles.

Small and Large Carriers

- ▶ The same study has recommended pursuit of a maritime services with two large line routes and one small. The two large lines would operate
 - (i) between Europe and Reunion; and
 - (ii) between the Far East and Mauritius. The small line would operate between Mauritius, Comoros and Seychelles.

Maritime Patrol and Surveillance

- ▶ Trade and maritime transport are highly vulnerable to maritime crime and piracy.
- ▶ SIDs must invest heavily in maritime patrol and surveillance capabilities if they plan to unlock the ocean economy.
- ▶ The blue economy is associated with maritime security challenges.
- ▶ The SIDs have severe deficit in patrol capable vessels and most of the operations are done in part or on adhoc deployment basis.
- ▶ The size and nature of Indian Ocean are so vast that the surveillance and patrolling system is far from being full proof.
- ▶ SIDs must collaborate at regional level to develop a maritime security strategy

Freeport Infrastructure

- ▶ Compared to the other IOC islands, Mauritius has a well-developed freeport infrastructure.
- ▶ Mauritius Freeport Development, which is adjacent to the seaport of Port Louis has developed the largest logistics centre in the Indian Ocean
- ▶ As a professional provider of logistics services, Mauritius Freeport Development acts as a single platform offering tailor-made supply chain solutions and services ranging encompassing freight forwarding, customs clearing, transport and inland distribution, office rental space, dry and cold warehousing industrial warehouses, container services and seafood hub.

Trade Facilitation

- ▶ Predictable, reliable supply chains are central to good logistics performance.
- ▶ The WTO Agreement on Trade Facilitation makes provisions for faster and more efficient customs and border management procedures.
- ▶ Mauritius has submitted its WTO commitments in respect of Trade Facilitation and is committed to many of the standards and best practices enshrined in other international instruments
- ▶ The full benefits of trade facilitation can be fully realized only if the SIDs and neighbouring countries are prepared to adopt a regionally integrated approach.

Way Forward

- ▶ The imbalances in cargo volumes must be addressed through addressing the trade imbalances.
- ▶ Access to global shipping networks must be matched by inter-island shipping.
- ▶ SIDs must reduce high dependency on imports of fossil fuel by developing their renewable energy sector.
- ▶ Developed partners must be urged to enhance funding, capacity-building and technology support to SIDs.
- ▶ SIDS must endeavour to reduce freight rates and transport costs.
- ▶ Modernise seaport infrastructure and equipment
- ▶ Develop a regional strategy of maritime patrol and surveillance to combat maritime crime and piracy.
- ▶ Adopt a regional approach to the implementation of Trade Facilitation.
- ▶ Pursue regional initiative for effective maritime services.

