MAURITIUS’ EXPERIENCE IN TRADE POLICY FORMULATION AND IMPLEMENTATION

Session-3

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Mauritius’ Experience in Trade Policy Formulation and Implementation

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Mauritius
**Key Facts**

- **Area:** 2,040 Km² (788 miles²)
- **Population:** 1,260,934 (Dec 2014)
- **Capital:** Port Louis
- **Official Language:** English

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**Key Indicators (Dec 13)**

- **GDP Growth:** 3.4 %
- **Unemployment:** 8.3 %
- **Inflation rate:** 3.5 %
- **GDP Per capita:** $16,100 (2013 est.)

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**Exclusive Economic Zone:**

- 1.9 million km²
- + 396,000 km² joint extended shelf with Seychelles

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**Star and Key of the Indian Ocean**
MAURITIUS ECONOMIC TRAJECTORY

Monocrop Economy – the 1970’s

- SUGAR
  - TOURISM
  - TEXTILE

Manufacturing and Tourism – the 1980’s

- SUGAR

Manufacturing and Services Economy – the 1990’s

- FREEPORT
  - FINANCIAL SERVICES
  - TOURISM
  - TEXTILE
  - SUGAR

Services Oriented Economy 21st Century

- KNOWLEDGE
- REAL ESTATE
- TEXTILE
- AGRICULTURE
- HEALTH
- OCEAN ECONOMY
- ENERGY
- JEWELRY
- TOURISM
- SEAFOOD/AQUA
- FINANCIAL SERV
- ICT/BPO
Evolution of the Mauritian Economy

- **1976**
  - Primary Sector: 52%
  - Secondary Sector: 25%
  - Tertiary Sector: 23%

- **1995**
  - Primary Sector: 58%
  - Secondary Sector: 32%
  - Tertiary Sector: 10%

- **2014**
  - Primary Sector: 72%
  - Secondary Sector: 24%
  - Tertiary Sector: 0%

Legend:
- Primary Sector
- Secondary Sector
- Tertiary Sector
 Sectoral transformation....

- Primary Sector (Agriculture, forestry and fishing) ↓
- Secondary Sector (Manufacturing, Construction)
- Tertiary Sector (Tourism, ICT, Financial Intermediation, Real estate, Education, Health, Retail trade) ↑

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<th>Secondary</th>
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2014 GDP COMPOSITION BY INDUSTRY SECTOR

- Agriculture: 3%
- Manufacturing: 16.2%
- Construction: 4.9%
- Wholesale and retail trade: 12.5%
- Transportation: 6%
- ICT: 4.3%
- Tourism: 7.3%
- Financial Intermediation: 10.3%
- Real estate activities: 5.5%
- Education: 4.7%
- Health and Social Security: 4.4%
- Others: 20.9%
**Trade Statistics of Mauritius**

**Imports**
- **Total Imports (2014):** Rs 172 B
- **Main sources:** India 20.3%, France 10.6%, China 10.3% 24.3%, South Africa 9.7%
- **Main products:** Fuel and related: 21.4%; Machinery 19.8%, Manufacturing products 18.9% and Food 18%

**Exports**
- **Exports (2013):** Rs Rs 81 B
- **Main Sources:** EU 67.9%, US 11%, Madagascar 8.4%, South Africa
- **Main products:** Textile and apparel, Sugar, Fish and cut flowers
Challenges faced by Mauritius

- Heavy reliance on few sectors
- High brain drain
- Falling euro crisis
- Infrastructure problem
- Aftermath of the financial crisis
- Sector losing preferences
- Scarcity of skilled labour
- Ageing Population
- Inefficient public companies and para-statals
Remedial measures

- Signature of Regional, bilateral and multilateral agreements
- Diversification of the economy
- Fiscal consolidation
- Promoting and attracting investment
- Elimination of possible wastage and reduce inefficiencies
- remove trade barriers and promote business facilitation
Vision 2030 aiming to provide a new strategic direction to the island was announced by the Mauritius Government in August 2015.

Four key focus areas identified are:

- Unemployment
- Alleviating poverty
- Opening up the country and new air access policies
- Sustainable development and innovation.

The economic model chosen for the development of the country, is centered on a number of core areas. These include:

- A revamped and dynamic manufacturing base for the country
- Leveraging on the Exclusive Maritime Economic Zone to develop the Ocean industry
- Revisiting the services sector
- Renovating the Innovation, Technology and Communication sector
Trade Policy Formulation

Challenges and Constraints

• A small island with limited administrative capacity for trade formulation
• A small team of trade experts covering a multitude of complex negotiations at multilateral, regional and bilateral levels.
• Lack of research and analytical backup from Universities.
• Brain-drain of experienced trade experts.
Some Mitigating Measures

- Creation of International Trade Division under the Ministry of Foreign Affairs which acts as specialized agency for trade policy formulation.
- With a limited staff of hardly 10 trade specialists, the ITD has to rely on resources and relevant expertise of other Ministries and private sector agencies.
- Continuous coordination and consultation with all stakeholders, including the private sector in the trade policy formulation process.
- Consistency and continuity in the membership of trade negotiating team.
Mauritius did not have trade policy of its own until 1995.
Inherited the trade regime designed by the British.
Became GATT by way of Declaration and not by negotiations.
The trade Ministry’s role was like a trade licensing agency for the implementation of trade preferences under Lome Convention and management of quota under the Multi Fibre Arrangement and Sugar Protocol.
Mauritius became a founder-member of the WTO in 1995 without participating in the Uruguay Round.

The outcome of the Uruguay Round, which established the WTO, had a profound implications on Mauritian economy. The trade preferences under Lome/Cotonou were challenged, Multi Fibre Arrangement was set to phase out, certain subsidy program/incentives were categorized as prohibited and the compatibility of Sugar Protocol was questioned.


These trade shocks alerted the Mauritian government to take a pro-active approach trade policy formulation and trade negotiations.
Influencing WTO Negotiations

• Creation of the Trade Policy Unit in 1996 to keep a watching brief on WTO negotiations. This Unit eventually evolved into a full-fledged International Trade Division.
• Active participation of Mauritius in the WTO Negotiations.
• Advocacy role for Small Economies.
• Leading the constituency of G-90 and G-120.
• Involved in the caucus groups and Green Room process.
Pragmatism in Trade Policy

• Delicate balance between collective initiative and national interests.
• Carried out substantial tariff liberalization ahead of the conclusion of Doha Round.
• Mauritius was among the first to ratify the Trade Facilitation Agreement.
• The sole country from Africa to join the TISA.
Regional Trade Policy

- Overcoming its smallness by joining the regional blocs.
- Founder-Member of the COMESA
- Deliberate policy-decision to join SADC in 1996.
- Navigating with the issue of Customs Union in a situation of overlapping membership.
- Pro-active role in the establishment of the Tripartite COMESA-EAC-SADC Free Trade Area to overcome the problem of overlapping membership situation.
While consolidating the trade relations with traditional partners, Mauritius is multiplying efforts to conclude bilateral trade agreement with a number of emerging economies as well as some Africa states.

The objective is not only to diversify its export markets but also to secure regularity in supply and sourcing of vital commodities and raw materials for its manufacturing industries.

Concluded a PTA with Pakistan; signed a FTA with Turkey; finalized a PTA with India, but awaiting signature.

Initiated bilateral talks with Tunisia, Gabon, Russia, China, Australia.
Managing Complex Policy Areas

• Addressing the NTBs, a cumbersome and protracted coordination.
• Trade Defense Mechanism – Difficult to get it started – Recourse to a light model on secondment basis.
• IP Policies – difficulty in bringing different agencies on the same platform.
• Trade in Services: a challenge of synchronisation of policies and educating the stakeholders.
• A lot of time and resources are spent in developing knowledge and capability and most of it reside in the heads and hearts of trade experts.

• Much of this institutional memory moves away or gets lost as people take on new jobs, relocate or retire – taking with them a wealth of knowledge and know-how gained from decades of working on the same subject.

• For a small economy, it is indeed a challenge on how to overcome the loss of institutional memory.

• Organisations like UNCTAD can put in place a type of the program for the transmission of the institutional memory about hard-learned lessons and the practices perfected by trade experts over the years.
UNCAD’s Technical Assistance to Mauritius

• National Brainstorming on WTO’s Doha Development Agenda
• Advocacy of SIDS agenda
• Assisted Mauritius in drafting to National Plan for the implementation of WTO’s Agreement on Trade Facilitation
• Assessment of offers in the context of services negotiations
• Enhancing the capacity of the University of Mauritius, through UNCTAD’s Virtual Institute, in the areas of trade and development-related teaching and research.
Thank You