



TRADE

JOURNAL Quarterly

TRADE DIVISION - MINISTRY OF COMMERCE AND CONSUMER PROTECTION



TRADE AGREEMENTS



TRADE DIVISION

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Message

To forward a message to the first edition of a newsletter is both thrilling and pleasant.

The earliest known example of a newsletter, the Acta Diurna was in ancient Rome in 59 BC and surprisingly enough, it survived two centuries. It was probably the ancestor of our modern newsprint. When in 1704, an American entrepreneur used a paper print to promote his commercial activities, he proved wrong all those who thought the initiative would be short lived. Remember the latin maxim "Verba volante, scripta manent" and you will understand why.

It was, however, not until 1930 that Organisations started adopting newsletters as part of their corporate culture. Like its ancestor, the corporate newsletter serves, first and foremost, to inform.

It also highlights objectives and outcomes, fore-

«To forward a message to the first edition of a newsletter is both thrilling and pleasant.»

cast trends and addresses topical issues. As such it brings together the institutional players, the public officials, the business community and the public at large. The present newsletter is no different and is expected to quickly become an indispensable tool for all stakeholders.

I need to send a word of caution though. It is said that "If information is power, disinformation is the abuse of power." History is replete with examples of newsprints shifting from an informative base to a subversive one. Inevitably then the Authorities come in to repress the abuse.

There could not have been a more opportune and auspicious time for the first issue of a newsletter than the relocation of the Ministry to new premises. It is equally fitting for me to congratulate the youthful Trade cadre for their commendable initiative.

I wish long life to the newsletter.

A portrait of J. P. Rangan, a man with glasses, wearing a blue suit, white shirt, and a pink patterned tie. He is sitting and looking towards the camera.

J. P. RANGAN

Permanent Secretary
Ministry of Commerce and Consumer Protection

TRADE DIVISION

THE TRADE DIVISION OPERATES UNDER THE AEGIS OF THE MINISTRY OF COMMERCE AND CONSUMER PROTECTION AND CONSISTS OF SEVEN UNITS NAMELY:

Export Permit Unit

Import Permit Unit

Rules of Origin Unit

Kimberley Process Certificate Scheme Unit

Delivery Allowed Unit

Authorised Dealers for importation and sale of second hand motor vehicles Unit

Scrap Metal Unit.

Being the technical arm of this Ministry for matters relating to international trade facilitation and implementation of international trade measures, the Trade Division is supported by trade professionals and technical cadres.

One of the main responsibilities of the Trade Division is to ensure that the exports of goods under different Preferential/ Free Trade Agreements are in compliance with the respective trade protocols in order to prevent any impediments to trade.

The verification and control of the rules of origins for the exports under the trade preferences are sine qua non in preventing trade distortions and avoid misuse of trade preferences.





THOUGHTS FROM THE DIRECTOR OF TRADE

« I
**congratulate
the Trade
Cadre »**

I CONGRATULATE the Trade Cadre of the Trade Division of the Ministry of Commerce and Consumer Protection for the laudable initiative in launching this quarterly magazine. This initiative has come at the right time when economic operators are in the lookout for new avenues of trading activities in view of disruptions caused by Covid-19. New ideas and suggestions on trade issues together with emerging IT developments will definitely contribute in a new way of thinking for the expansion of our trade activities under a rapidly evolving trade landscape. The biggest hurdle in the expansion of trade is the existence of powerful non-tariff barriers worldwide. There should be concerted and consistent

efforts at all levels to dismantle non-tariff barriers put in place by self-centered interests and strong lobbyist for various reasons.

I wish the Trade Cadre of the Trade Division of the Ministry of Commerce and Consumer Protection success in their new endeavors in the move for contributing for the expansion of trade which definitely will have positive ripple effects beneficial to all.

MR P. RADHA

Director of Trade
Trade Division

TRADE BARRIERS

Barriers to Trade are omnipresent in trade at all levels. Barriers to Trade are the impediments to trade activities which result in trade distortion or trade elimination. Many theorists and trade pioneers argued that barriers to trade are inevitable and are structured into various forms such as Natural Barriers, Tariff Barriers, Non-Tariff Barriers, Quotas, Subsidies amongst others.

The World Trade Organisation (WTO) has outlined as its main function to ensure that trade flows as smoothly, predictably and freely as possible. The WTO has been providing persistent efforts in the elimination of trade barriers through negotiations and establishment of trade rules, agreements and regulations which aim to break down trade barriers between peoples and trading economies. Many international trade organisations have been promoting a more inclusive trade growth between trading economies.

Two major trade barriers that influence the global trade activities are: Tariff Barriers and Non-Tariff Barriers. Tariff Barriers are mostly concerned with the impediments that lie in the monetary value (tax or duty) imposed on trading goods while Non-Tariff Barriers which has no officially agreed definition, can be argued to be policy measures, other than [ordinary] customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both



REASONS FOR BARRIERS

- To protect domestic jobs
- To improve a trade deficit
- Infant Industry Argument
- Economic and Diversification Argument
- To protect against dumping
- To increase revenue

Unnecessary obstacles to trade can result when a regulation is more restrictive than necessary to achieve a given policy objective, or when it does not fulfil a legitimate objective. A regulation is more restrictive than necessary when the objective pursued can be achieved through alternative measures which have less trade-restricting effects, taking account of the risks non-fulfilment of the objective would create.

TRADE AGREEMENTS

FREE TRADE AND PREFERENTIAL TRADE

According to the World Trade Organisation (WTO), Trade Agreements outlines the principles of trade liberalisation and permitted exceptions. They include each country's commitments to lower or eliminate of custom tariffs along with other trade barriers.

Trade Agreements promote openness to trade and globalisation by offering preferential treatments to countries through various trade paradigms and which also require the commitments of countries for transparent trade policies and measures. Trade Agreements can be categorised into Free Trade Agreement and Preferential Trade Agreements.

Mauritius is the beneficiary of a pa-noply trade agreements on Regional, Bilateral or Multilateral basis. These includes the World Trade Organisation Membership, Generalised System of Preferences (GSP), Southern African Development Community (SADC), Common Market

for Eastern and Southern Africa (COMESA), Indian Ocean Commission (IOC), Interim EPA with the European Union, African Growth and Opportunity Act (AGOA), African Continental Free Trade Area (ACFTA), Mauritius-Pakistan Preferential Trade Agreement, Mauritius-Turkey Free Trade Agreement and other trade agreements still in the negotiation stage.

▼
Free Trade Agreements provide for the reduction or elimination of tariffs (free trade policy) for good traded between countries.

Preferential Trade Agreements provide for preferential tariffs and access for the trade of goods between countries.



TYPES OF AGREEMENT

A BILATERAL TRADE agreement confers favored trading status between two nations. By giving them access to each other's markets, it increases trade and economic growth.

REGIONAL TRADING agreements refer to a treaty that is signed by two or more countries to encourage free

movement of goods and services across the borders of its members.

A MULTILATERAL TRADE agreement is a commerce treaty between three or more nations. It allows for all of the countries that sign, called signatories, to be on an equal playing field. This agreement means that no

signatories can give better or worse trade deals to one country than it does to another.

2019

THE YEAR 2019 HAS BEEN A TWO-TRACK RECOVERY AMID AN ELEVATED SOCIO- ECONOMIC UNCERTAINTY

The world trade activities are in a state of flux. The end of 2019 has demonstrated how the COVID-19 pandemic has reached every corner of the world and has impacted significantly on the commercial and non-commercial activities of any economies. The livelihoods of economic stakeholders are no longer the same and the world trade statistics speak for it. The World Trade Organisation (WTO) had predicted that the growth of the world trade activities would range from 1.3% to 4.0% for the year 2019. The International Monetary Fund has projected global growth to be at -3.0 percent in 2020, an outcome far worse than during the 2009 global financial crisis. The growth forecast is marked down by more than 6 percentage points relative to the October 2019 World Economic Outlook.

The year 2019, has been a year of huge developmental investment for Mauritius. An increased in trade deficit has been explained by a pike in imports due to increase in consumptions of foreign goods and assets. Despite the continuous trade deficit, the rate of increase in the trade deficit has slowed from 23.7% to 7.1%. Trade preferences have been enriching for the year 2019 and led to an increase in the exports under the different preferential regimes. Exports under COMESA have increased by 5.2% and



exports to the EU under preferences had a small uptick compared to year 2018. Trade preferences have always been one of the key drivers for stimulating the country's exports. On the other hand, the imports of the country under the different regimes have remained relatively at the same level compared to the year 2018.

Imports under SADC have witnessed a small reduction of 5% while the imports from the EU markets had a 9% increased.

TRADE AT A GLANCE

TRADE DEFICIT

With a continuous increase in imports and a decrease in exports of the country, the balance of trade has remained in deficit since years. The table below shows the trade deficit from 2017 to 2019 (Rs Mn). The persistent trade deficit was mainly due to higher dependence on the imports over years. The increase in imports may be attributed to importation of machinery and equipments such as the purchase of aircraft, wind turbines and metro trains. In addition, the country's imports comprised of the purchase of mineral fuels and other related products such as refined petroleum. On the other hand, the country's exports composed of manufactured products such as apparel and clothing accessories, food and live animals such cane sugar, fish and preparations.

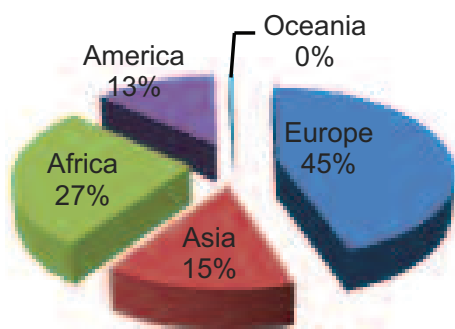
	2017	2018	2019
TRADE DEFICIT	100,187	112,099	120,051

Source: Statistics Mauritius

EXPORT MARKETS

In 2019, as shown below, the major exports went to the European market representing some 45% and was followed by the African market which attracted about 27% of the country's exports.

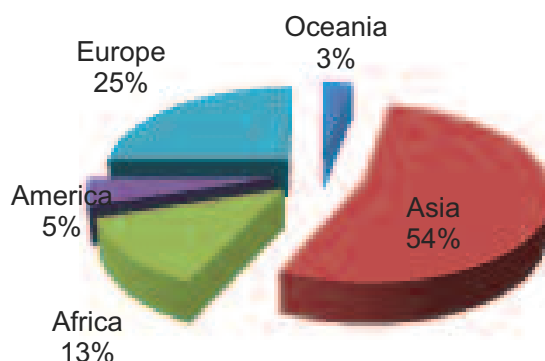
On the European market, United Kingdom and France remained the main buyers of our exports with 25% and 23%, respectively. About 41% of the country exports were destined to the African market which constituted mainly of South Africa and Madagascar



Source: Statistics Mauritius

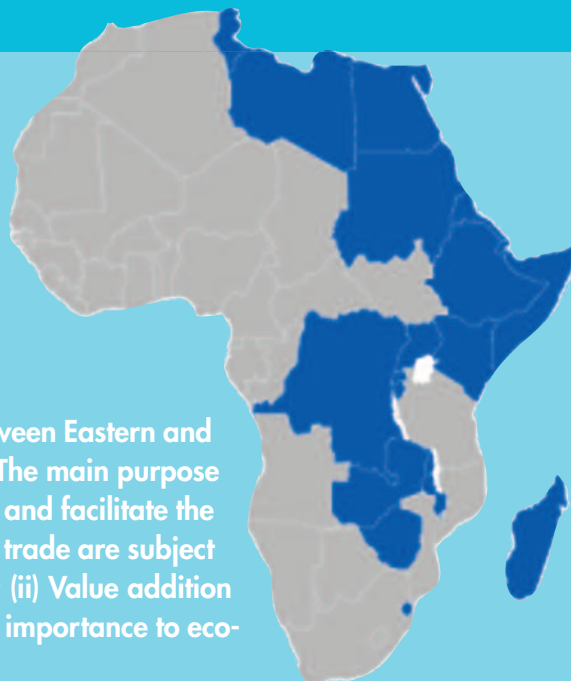
IMPORT MARKETS

Our main import markets was the Asian market which absorbed 54% of the country's main imports followed by the European markets (25%) and African markets (13%). Most of the country's imports came specifically from India (34%) and China (31%). From the European market, France accounted for about 33% of the imports and emerged as the leading country in the European market which represented 25% of our total imports. The total imports from South Africa was 13%, out of which South Africa was our main supplier.



Source: Statistics Mauritius

COMESA



WHAT IS COMESA?

The COMESA Regime is a regional Free Trade Agreement (FTA) between Eastern and Southern African Economies and composed of 21 Member States. The main purpose of the FTA is to promote trade liberalisation among Member States and facilitate the region's sustained development through economic integration. The trade are subject to four basic Rules of Origins and are: (i) Wholly produced goods; (ii) Value addition criterion (iii) Change in Tariff Heading; and (iv) Goods to particular importance to economic development.

EXPORTS

Mauritius exported about Rs 1.6 bn under COMESA preferences. Out of the 21 Sections under which trade can be conducted, the country exported mainly products from prepared foodstuffs, beverages, spirits and vinegar and Tobacco and manufactured tobacco substitutes (Section 4) amounting to 86% of the total exports under COMESA and followed by 10% composed of chemical products falling under Section 6.



organic surface-active products and preparations for use as soap.

The major COMESA exports markets for Mauritius remained Kenya which absorbed about 82% of the exports (main products: special and white refined sugar) and followed by Zimbabwe with 8% of the total COMESA exports (main products: soap, organic surface-active products and preparations for use as soap) and 4% of the total COMESA exports were destined to Madagascar (main products: preparations used in soap, organic surface-active products and preparations for use as soap and animal feeding such as fish feed).

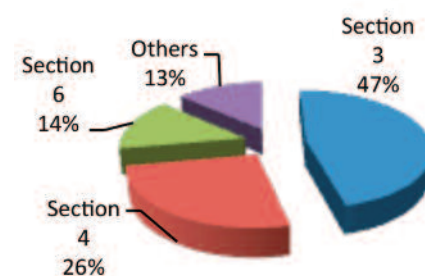
IMPORTS

Imports under the COMESA hovered about Rs 7.9 Bn. As depicted in the figure below, the main imports are the cooking oil (Section 3) which amounted 46.5% of the total

COMESA imports, followed by the imports of white refined sugar and beet sugar (Section 4) representing 25.6% of the total COMESA imports.

Section 6 accounted about 14.1% of the imports under the preferential regime and the most traded products are detergents and cleaning products.

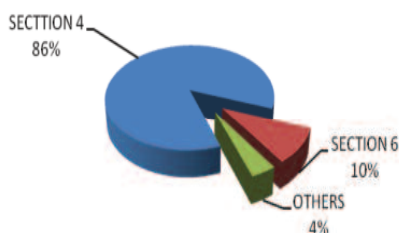
IMPORTS FROM COMESA



Source: MRA Customs

The main suppliers under the COMESA Regime are Egypt representing 86.6% and Kenya representing 12.9% of the COMESA market. The main imports from Egypt were primarily cooking oil, refined sugar, detergents and soaps and fruit juices while the imports from Kenya were composed mainly of black tea and cleaning products.

COMESA EXPORT



Source: MRA Customs

Further analysis revealed that under Section 4, special sugar and white refined sugar were the main exports and amounted about 44% and 34%, of total COMESA exports respectively. In addition, Mauritius also exported animal feeds of amount Rs 44 Mn and spirits for an amount of Rs 37.1 Mn. For Section 6; the main exported products related to soap,

SADC

WHAT IS SADC?

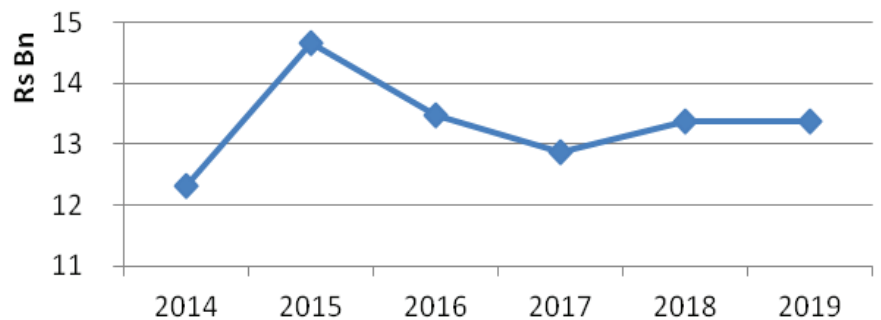
The Southern African Development Community is a regional trade agreement which had been established in the year 1992 with the objective to provide a continued and equitable socio-economic growth in the Southern African Region. The SADC promote Free Trade among 16 Member States.

EXPORTS

The exports under SADC amounted to Rs 13.3 bn in 2019 whereby Textiles and Textiles articles dominated the exports of about 94%, while the export of prepared foodstuffs, beverages, spirits and vinegar and Tobacco and manufactured tobacco substitutes, accounted about 5% of the exports. The main export market was South Africa constituting about 95% of the export. The Kingdom of Eswatini with 43% of the export was the second market for the SADC exports.

Exports under the SADC were mostly dominated by firstly, the export of cotton yarn (other than sewing thread), and secondly, by the exports of women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted. Other textiles articles were also exported such as Jerseys, pullovers, cardigans, waistcoats and Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers bib and brace overalls, breeches and shorts .

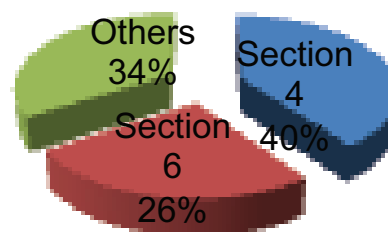
SADC Exports



Source: MRA Customs

The figure above shows that the exports under the SADC preference displayed a decreasing trend in year 2015 and 2016 with a small increase from year 2017 onwards.

IMPORTS



Source: MRA Customs

prepared foodstuffs, beverages, spirits and vinegar and Tobacco and manufactured tobacco substitutes (section 4) and products of chemicals (Section 6), which accounted about 40% and 26%, respectively. The main imports under Section 4 consisted of products such as energetic drinks and juices, refined sugar and sugar stick and pet foods while the main products imported under section 6 consisted of products such as toothpaste, soaps and household cleaning products. The country imported about 88% of the SADC imports from South Africa.

Mauritius imported about Rs 21.9 bn from SADC member states. From the above, the main imports consisted of



AGOA

The African Growth Opportunity Act is granted by the United States and aim to assist and improve economic relations between the economies of the Sub-Saharan African. AGOA is based on the Generalised System of Preferences (GSP) which provide duty free access and quota free access to about 7,000 products related to the textile and textile apparels to many African states.

The exports under the AGOA are subject to strict adherence to the AGOA Rules of Origins. The AGOA is set to end in year 2025.

Mauritius exported about Rs 4.5 Bn to the United states under the

AGOA preference for the year 2019. The AGOA preferences have been granted for the exportation of Textiles and Textiles Articles which falls under Section 11.

About 70% of the exports under AGOA composed of Men's or Boys shirts. The export of Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear) accounted for about 15% and about 9.3% of the exports were meant for T-shirts, singlets and other vests, knitted or crocheted. This implied that the Men's or boy's shirts were more in demand under AGOA.

However, as from 2014, our AGOA exports have constantly demonstrated a decreasing trend until 2018, whereby a steep increase has been observed, as shown in the figure below.



Source: MRA Customs

EUROPEAN UNION



WHAT IS EUROPEAN UNION?

The Trade under the European Union (EU) is based on the Interim Economic Partnership Agreement (IEPA) and the Generalised System of Preferences (GSP). The IEPA is a regional agreement between the Eastern and Southern African economies and the EU which offers duty free access to products with the exception sugar and rice. GSP are multilateral preferential agreements with specific economies such as Norway, Switzerland, Russia and Belarus. The GSP offers preferential access to more than 2,000 products subject to compliance with respective trading rules and about 15 local companies have exported under the GSP scheme.

EXPORTS

About 90% of the exports to the EU took the advantages of the trade preferences. For the year 2019, the main exported products comprised of prepared foodstuffs, beverages, spirits and vinegar and Tobacco and manufactured tobacco substitutes. They accounted about 52% of the total preferential exports to EU. The foodstuffs consisted of articles such as sugar meat, of fish or curteaean. Mollucs or other aquatic invertebrates. In addition, the country exports were also dominated by Textiles and Textiles articles which hovered about 30% of the total preferential exports. The specific exports were apparel and clothing accessories, not knitted or crocheted and articles made of wool, fine or coasse animal hair, horsehair and yarn and woven fabric. Live animals and animal products amounted about 4% of the total exports.



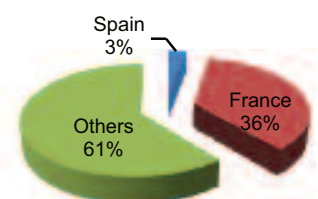
Source: EU Context Database

In the figure above, the exports to the EU markets demonstrated a U shape pattern. The exports to the EU slowed down as from 2014 to reach a low level in year 2016-2017 and peaked as from 2018 to reach 90%.

IMPORTS

Mauritius imported about Rs 284.6 Mn under EU preferences. About 82% of the EU preferential imports consisted of foodstuffs, beverages, spirits and vinegar and tobacco and manufactured tobacco substitutes (section 4) . The main imported pro-

ducts under Section 4 were champagnes, wines, liquor and pet foods. The major suppliers were France and Spain which accounted about 36% and 3% respectively, of the total import under EU preferences.



Source: MRA Customs

INDIAN OCEAN COMMISSION

"96% of our imports under Indian Ocean Commission regime came from Madagascar"

One of the main objectives of the Indian Ocean Commission is to promote trade and economic co-operation. There are five main member states in this preferential trade regime namely, Mauritius, Reunion, Madagascar, Comoros and Mayotte. However, only Mauritius and Madagascar are granting preferences. The trade of goods under the IOC regime is subject to three basic Rules of Origins such as:

- (i) wholly produced goods,
- (ii) value Added criterion and
- (iii) the foreign material contents rule.

Mauritius exported around Rs 471.4 Mn to the IOC Countries under trade preferential regime. The main exports under the IOC scheme were foodstuffs, beverages, spirits and vinegar and Tobacco and manufactured tobacco substitutes and it composed about 35% of the IOC exports. Mauritius exported about Rs 158 Mn of spirits. The country also exported products such as plastics and related articles and rubber articles which accounted about 29% of the total export under IOC preference. The specific articles related to articles for the conveyance or packing of goods, of plastics; stoppers, lids,

caps and other closures, of plastics and Tubes, pipes and hoses, and fittings.

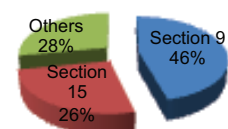
The primary export market was mainly Madagascar which absorbed more than 96% of the exports to IOC preference.

Under IOC regime, Mauritius imported about Rs 12.3 mn. As shown in the figure below, about 46% of the IOC imports composed of wood and wood articles, cork articles and manufactures of straw (Section 9), followed by 26% of base metals and related articles (Section 15).

The main products imported under Section 9 related to articles of basketries and wooden articles while the main products imported under section 15 consisted mainly of aluminum doors and windows.

The key supplier under the IOC regime was Madagascar.

Imports from IOC



Source: MRA Customs

CERTIFICATES

Preferential Trade Agreements have been without doubt a contributing driver for export led transactions and Mauritius has indeed made noticeable progress in international trade matters.

The Trade Division has always committed itself to trade facilitation strategies, export promotion and implementation of trade policies.

Various stakeholders have undeniably contributed to the success of the economy in many fields be it from the improvement in the Doing Business Ranking to the elevation of the economy to a high income country.

During the Great Lockdown, the Ministry has provided its full support to the economic operators ranging from exporters/importers to consumers.

Our main strength has always be the smooth digital operations as a means of Non-Tariff Measure and which has led to trade facilitation spillover effects and brought more transparency.

THE TRADE DIVISION IS RESPONSIBLE FOR THE ISSUANCE OF CERTIFICATES OF ORIGINS UNDER THE COMESA, GSP, VISA AND AGOA.

CERTIFICATES OF ORIGINS	NO. OF CERTIFICATES ISSUED IN 2019
COMESA certificates	1,006
AGOA certificates	3,703
VISA certificates	175
Generalised System of Preferences certificates	673

POTENTIAL DIRECTIONS

“NON-TARIFF BARRIERS ARE THE HIGHEST IN AFRICA COMPARED TO OTHER PARTS OF THE WORLD”

Notwithstanding the ability of the different Trade Agreements in boosting exports, trade challenges are omnipresent and there are still efforts that have to be made in the reduction of the Non-Tariff Barriers which are the highest in Africa compared to other parts of the world, trading cost including logistic and infrastructural development, orientation towards value added action, improving export competitiveness amongst others.

Amidst the Non –Tariff Barriers, the preferential access to some trade regimes such as AGOA, GSP and other bilateral agreements may be compromised due to the uplift of the country toward a high income status economy.

The quest for new trade opportunities is a dire in the upgrade of the preferential trade paradigms. Mauritius offers an important base for shipping on the East-West trade routes, occupying a strategic position in the Indian Ocean, new business opportunities may arise as Mauritius position itself as an international bunkering supplier and hub. Trade may be enhanced by tapping on new markets under COMESA, SADC and Tripartite Market whereby avenues for cooperation in joint ventures may enable Mauritius to find new export outlets.



- Protection (Importation and Sale of Second-hand Motor Vehicles) (Amendment) Regulations 2020 [GN 142 of 2020] in relation to the current restriction on the issue of new dealers' licences in importation and sale of second-hand motor vehicles being extended by a further period of two years up to 30 June 2022.
- On 30 June 2020, the Consumer Protection (Control of Imports) (Amendment) Regulations 2020 [GN 145 of 2020] in relation to the importation and sale of second-hand motor vehicles being restricted to only duly registered authorised dealers.
- On 3 July 2020, Cabinet has agreed to amendments being made to the Consumer Protection (Scrap Metal) Regulations 2019 so as to ban the export of scrap copper.



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