MINISTRY OF BUSINESS, ENTERPRISE & COOPERATIVES
(Business and Enterprise division)

Event	:	**Launch of 'Aid for Trade' course**
Location	:	**MCCI Business School**
Date	:	**Tuesday 14 February @ 9h30**

The Australian High Commissioner, Her Excellency Mrs. Susan Coles

Mr. Raju Jaddoo, Secretary General of MCCI

Mr. Jim Redden, Course Director

Members of the press

Dear Entrepreneurs

A very good morning to all of you. It gives me great pleasure to be among you today to officially launch the Specialised Aid for Trade Training Course for SMEs in Indian Ocean States.

Allow me from the very outset to commend the Australian Department of Foreign Affairs and Trade, along with the Economic Development Services Proprietary Ltd (Australia), the University of Adelaide's Institute for International Trade and the Mauritius Chamber of Commerce and Industry for taking the laudable initiative of launching a course about the very topical question of creating the enabling conditions for SMEs to take advantage of the opportunities available on the trade landscape.

Ladies and Gentlemen,

SMEs often deplore the detrimental effects of global trade on their business activity. A change of perspective is necessary as trade agreements also have to be viewed as opportunities to be seized. In today's highly competitive economic context, it is increasingly vital that SMEs get in the game. Indeed, we can no longer be inward-looking in this highly globalized business world. There are new markets and new consumers beyond our shores that need to be explored and tapped.

As per Government vision, SMEs are called to assume a more impactful role in the economy not only as an enabler but as a key driver of inclusive and balanced growth. For the past 2 years, we have been working for the creation of an enabling ecosystem to allow SMEs to thrive. MyBiz (the SME One Stop Shop), Business Development Facilitation Centres across the island, the SME Development Certificate Scheme, among others, are such incentives.

But for me, one thing is crystal clear – whatever be the incentive framework that we set up, we need to face the fact that the Mauritian market, like that of most Indian Ocean States, is restricted. If we do not take full cognizance of this reality, the sector will inevitably fail.

As a country deficient in raw materials, the focus of Mauritius has always been on securing the best trading conditions to enable domestic firms to produce efficiently and be competitive. To achieve this objective, Mauritius has been actively involved both at the regional and international trade front and is a signatory of almost a dozen trade agreements. We are conscious of our need to continue to diversify our export and export markets, our aim being to move from being a Euro-centric exporter to a more diversified export and tourism-based economy. Already, with increasingly diversified trade and investment ties with the United States, China, India as well as various African, Middle Eastern, and other Asian countries, our country is slowly but surely paving the way for it to be less economically dependent on its historical partners in Europe. This policy has already started to bear fruit as latest figures show that over the last five years, whilst Europe remained our main export market, its overall market share has significantly decreased from 72% to 55% as a percentage of the total domestic exports.

From this perspective, the environment seems conducive for Mauritian enterprises to export successfully. However, when we start to tackle the challenge of enabling our SMEs to be active on the export front, we are confronted with one major concern – that of the imbalance between our efforts towards export promotion on the one hand and **export-readiness** on the other. Therein lies the rub.

The significance of SMEs is beyond question in domestic economies. Yet, to date, SMEs have been largely absent from the broad trade debate despite the emergence of new opportunities for them to connect to world markets. While large corporations have been able to engage actively in international trade, SMEs have not been able to tap into the opportunities of the regional and global markets. According to latest WTO calculations based on World Bank Enterprise Surveys covering over 25,000 SMEs in developing countries, direct exports represent just 7.6 per cent of total sales of SMEs in the manufacturing sector. This compares with 14.1 per cent for large manufacturing enterprises.

The relatively limited participation of SMEs in regional and international trade justifiably continues to attract the attention of policy-makers and stakeholders in the private sector. It is undeniable that trading internationally is often much more costly and difficult for micro, small and medium-sized enterprises. The smaller the business, the bigger the barriers can seem.

Various obstacles hinder the participation of SMEs in trade, despite the emergence of new opportunities and the benefits that can be expected from the connection of SMEs to world markets. On top of common bottlenecks like access to finance, bureaucratic business and regulatory environments, trade costs, access to technology and scope for innovation, there seems to be a major **information and knowledge gap** with respect to several parameters that are vital for SMEs to engage successfully in trade.

Limited information about foreign markets and distribution networks, border regulations, procedures and standards, provisions of trade agreements and rules of origin make it challenging for SMEs to participate in the export flow. This poses challenges not only for growth but also for competitiveness. If we do not address this information gap in the first place, we may be missing an opportunity to support this vital part of every economy.

As far as I am concerned, internationalization, and in particular exporting, is an important strategic option to enable SMEs to expand and to enter a virtuous circle in which trade raises productivity and facilitates growth, which in turn increases the benefits from trade.

The economic roadmap for 2016-2017 has been drawn by the Budget, which has been crafted to give a new impulse to the economy by paving the way for the adoption of a new economic cycle focused on innovation, private investments and boosting exports. Rest assured that Government is committed to encourage Mauritian entrepreneurs to develop the **export-readiness** of their products and services and thus facilitate the participation of SMEs in trade. Empowering them to break the glass ceiling is indeed on top of the agenda of my Ministry and SMEDA and we have been conducting several workshops in this context in view of informing and guiding entrepreneurs when it comes to export-readiness. In addition, the 10-Year SME Master Plan which will soon be released envisions SMEs as a key driving force of the country's productive apparatus and makes recommendations to achieve a quantum leap against ambitious targets, which includes increasing current exports of SMEs from less than 3% to about 18% by 2025.

Aid for Trade cooperation like the one that we are launching today is to be valued as it is a necessary and increasingly important complement to government strategy. Today's course which targets the capacity building and human resource development for SME operators in Mauritius, Rodrigues, Madagascar, Mozambique, the Seychelles and Comoros disseminates basic knowledge on how to export to key markets. It provides tailor-made capacity-building on key issues affecting the ability of SMEs to comply with international standards. In other words, it gives SMEs the much necessary "first push" in the direction of becoming exporters, helping them discover new trade opportunities outside their traditional local and international markets, so as to pursue exports and market diversification as pivotal growth strategies.

My attention has been specifically drawn by the focus of the course on empowering participating SMEs to utilise trade agreements with regional trading blocs such as the African Union, SADC and COMESA. The 2016-2017 Budget precisely advocates to continue to give consistent attention to build on our Africa strategy where we have made concrete progress recently, with the signing of agreements with Senegal, Madagascar and Ghana for the establishment and management of Special Economic Zones.

Now, why Africa? Most of us will be tempted to say 'Because of the Euro zone crisis, or Brexit, or Trump's protectionist policy'. YES, but perhaps the best reason for us to focus on Africa is not because of the problems elsewhere but rather because of the fact that quite unexpectedly, political and economic players throughout the world are nowadays more and more talking about Africa. There has indeed been, through recent years, a geopolitical realignment of Africa, which is today perceived as a land of opportunity and proclaimed as the next center of gravity of the world economy after Asia.

Africa is no longer a mere production economy. It is resolutely becoming a consumer economy and it is predicted that there will be some 2 billion African consumers by 2050, with a growing middle class community which has more resources to buy quality products. We are members of SADC and COMESA, which, according to me, are a breeding ground for our enterprises. Figures from 2010 to 2015 show that there has been a notable increase in domestic exports to the SADC and COMESA Member States, moving from 12% to 18%. However, only South Africa and Madagascar together make up for 84% of total domestic exports to the region and this fact pinpoints the untapped potential in the SADC and COMESA region despite tariff liberalisation on those markets. In addition, SADC trade with the rest of the world is quite high and many of the products imported from outside SADC into the region are produced in Mauritius, which, once again, indicates the untapped trade potential, particularly for our SMEs.

The trade potential within the African region will be significantly enhanced when the Continental Free Trade Area negotiations conclude in 2017. This CFTA, which comprises the three largest Regional Economic Communities in Africa, that is COMESA, the East African Community (EAC), and SADC, will comprise a market of more than a billion people, with an initial GDP of above $3 trillion and will cover some 6,000 products. This is big news for our exporters as it will bolster intra-regional trade through the creation of a wider market and increased investment. It is therefore imperative that local and regional entrepreneurs take advantage of the enlarged market within the entire region.

I often also stress on the African Growth and Opportunity Act (AGOA) as another valuable option for SMEs. So as to fully take advantage of AGOA, we need to shake up the misinterpretation as to the fact that AGOA is basically concerned with textiles and apparel – there are in fact 7,000 products eligible under this agreement, with newly-added products comprising inter alia previously excluded items such as footwear, luggage, handbags, watches, etc., i.e. things that can be produced in SMEs of the Indian Ocean States. In the same spirit as the present training course, my Ministry, with the precious collaboration of the Ministry of Foreign Affairs, Regional Integration and International Trade as well as the US Embassy, is organising a comprehensive AGOA-Preparedness Workshop in April 2017 so as to empower SMEs to become more familiar with the various opportunities available on the US market through AGOA.

Dear Entrepreneurs,
Ladies and Gentlemen,
The potential of the sizeable markets I have briefly mentioned (that is the USA, SADC, COMESA, the CFTA) undeniably augurs well for Mauritian exporters. And icing on the cake: as per the 2016-2017 Budget, Mauritius will soon finalize the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) and a Preferential Trade Agreement (PTA) with India, thus ensuring a confident entrance for local exporters in Asia.

However, I am very much conscious that to fully unlock their potential within the multilateral trading system, there is still some work to be done to help address market failures which prevent SMEs from becoming the engines of growth that the international economy needs.

Given the very pragmatic profile of the training program that is being launched today and the experience of the trainers, I am confident that these sessions will stimulate your desire to fully benefit from the dynamics which is mounting in various economic zones of the world, in which SMEs definitely have a place to take. Government welcomes such initiatives and I, once again, wish to put on record the constructive collaboration of the Australian Department of Foreign Affairs and Trade and of the extensive foreign expertise it has involved to offer this course which is tailor-made for the trade growth and development needs of SMEs in Indian Ocean States.

I also seize this opportunity to express my sincere appreciation of the strong commitment and contribution of the MCCI in the business landscape of Mauritius and to highlight that throughout the past 160 years or so, the MCCI has always maintained very close links with Government to actively participate in the development process of our country.

At the level of the Government, rest assured that my ministry and all other relevant public institutions are committed to provide all the necessary support as we want Mauritian entrepreneurs to be empowered and to converge serenely towards export-readiness. I indeed strongly believe that creating the right environment to allow SMEs to be engaged in trade is an important part of a more resilient economy and that this is an essential feature of the roadmap that we have to follow.

On this note, I have the pleasure to officially launch this Aid for Trade Training Course and wish you all instructive sessions.

Thank you for your attention.

S. Bholah
14/02/17