

**Event :**      **TradeComm II closing workshop**

**Date :**        **8 March 2018 @ 9.30**

**Venue :**        **Le Méridien**

***Mrs U. D Canabady, Secretary for Foreign Affairs, Ministry of Foreign Affairs, Regional Integration and International Trade***

***Mr Michal Golabek, Charge d'Affaires, Delegation of the European Union to the Republic of Mauritius and to the Republic of Seychelles***

***Ms Paula Hippolyte-Bauwens, Representative of TradeCom***

***Respected Consultants;***

***Representatives of different Ministries, Government and private institutions***

***Directors and representatives of Small and Medium Enterprises***

***Members of the Press,***

***Ladies and Gentlemen,***

***All protocol observed***

Allow me first of all to express my heartfelt thanks to the **European Union**, the **Ministry of Foreign Affairs, Regional Integration and International Trade**, and to the numerous stakeholders who have been involved in the current **TradeCom** project. I also extend my sincere appreciation to the **consultants of Landel Mills** for their enthusiastic involvement and commitment in devising the numerous workshops held to date in a resolutely empirical manner.

I find it particularly interesting that we are today marking the end of a long-haul project designed to facilitate the integration of ACP Countries in the global economy while we are in the midst of the celebrations for the **50<sup>th</sup> anniversary of the country's independence**. A golden jubilee is indeed the opportune moment to reflect on our achievements as well as on the challenges lying ahead. And the question of our SMEs, particularly their capacity to be active players on the global trade landscape, is definitely one of these challenges.

One of the most viable strategies to achieve national development goals in both developing and developed nations is to promote SMEs, which account for **55%** of GDP in developed economies and **35%** in developing economies. A **World Bank** analysis in 99 countries during the **period 2006 to 2010** shows that globally, SMEs are the biggest contributors to employment across countries. African countries in particular are bound to rely on SMEs to provide employment for their growing working age populations - the number of new entrants into African labour markets will increase from **23 million a year in 2015 to 32 million a year in 2030**.

One thing is crystal clear though - whatever the incentive framework set up by successive governments for our SMEs, we need to face the fact that the Mauritian market, like those of most Small Island Developing States, is **restricted**. The sector will undoubtedly fail if we do not do whatever it takes to **enhance the business environment for exporting SMEs** and to promote exports.

However, 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. As pointed out during my intervention in the TradeCom workshop on Quality Standards in February, I find it quite revealing that the **G20 trade ministers** stressed at their last meeting in Shanghai that G20 countries have pledged to **facilitate the inclusion of SME needs in trade agreements** by recommending a **stronger SME representation in the World Trade Organisation**, and by strengthening knowledge of SME market access impediments. In addition, during the **11<sup>th</sup> WTO Ministerial Conference held in Dec 2017**, the **EU Commissioner for Trade** stated that “*we cannot close our eyes to the fact that there are issues in the broader trade world that need to be discussed, such as (...) the concerns of SMEs*”.

This being said, **internationalisation** nevertheless remains **one of the most challenging segments of SME development**, being prone to external shocks. The latest shock is for example illustrated by the statement of the **WTO Director-General, Roberto Azevêdo**, who earlier this month has drawn attention on the risk of the world suffering from a trade war in the wake of President Trump's announced tariffs of 25 percent on steel imports and 10 percent on aluminum.

***Ladies and Gentlemen,***

In Mauritius, Government's vision is to turn the country into **a strategic hub for international trade**. However, the present stance is that Mauritius' role in global production networks is **limited** and has not evolved. **The figures are clear-cut:** total exports for the year 2017 including domestic exports, re-exports and excluding ship's stores and bunkers amounted to **Rs 72 billion, 8% less compared to the year 2016**. Compared to a value of Rs 56 billion recorded for the year 2016, **domestic exports fell by 4%**. Moreover, in spite of the set of trade agreements signed by Mauritius with major markets, **80% of SMEs which responded to the SME Master Plan survey** affirmed that they were not exporting. It is thus no surprise that the performance of Mauritius in the latest **Enabling Trade Index** has stalled.

The fact that the export potential among SMEs remains vastly untapped is not only valid for Mauritius but for most developing countries. It has indeed been observed that SMEs are generally largely absent from the broad trade debate despite the emergence of new opportunities for them to connect to world 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.

Various obstacles hinder the participation of our SMEs in trade. 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**, whether they are **Regional Value Content requirements**, and **Process Specific Rules**, 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. This is

where the very pertinence of the present program lies, all the more so as per the plea of our country's permanent representative to the WTO during the last Ministerial Conference for **support and a scale-up of trade-related capacity building**.

And I believe that our SMEs definitely need such support when it comes to a better understanding of Rules of Origin (ROO) as in fact, businesses of all sizes find themselves unable to manage the complexity and administrative burden of origin requirement procedures, which gradually form a **behind-the-border barrier to trade**. SMEs consistently deplore **overly complicated ROOs** and lack of access to information and support services regarding ROOs. There are even cases where the high costs of complying with ROO requirements mean that SMEs often find it **cheaper and more efficient to pay customs duties** instead of producing the paperwork that would allow them access to preferential, often zero tariffs, under trade agreements

Because of the prominent nature of ROOs in today's international trading system and because they are crucial for the implementation of these agreements, the **World Customs Organisation** held its first **Global Origin Conference** in May 2017. One of the highlights of this conference is that delegations agreed about the need to **streamline administrative procedures linked to origin** in order to facilitate legitimate trade, possibly through **modernizing the Revised Kyoto Convention** and that further technical assistance both to Customs Administrations and economic operators, especially SMEs, and other stakeholders is required.

***Ladies and gentlemen,***

Europe has historically been our main trade partner. Analysis of exports figures by country of destination for the year 2017 shows that the **European countries were indeed our main buyers**, purchasing some **49.5%** of our exports for a value of Rs 35,788 million as compared to some Rs 37 billion in 2016, thus a **decrease of 4%**. The country's **unrealized potential** to increase existing exports lies notably to Europe. Prepared or preserved tunas have an unrealized export potential of nearly **\$262 million** to Europe. Other products include men's shirts and trousers of cotton. Regarding new export products, Mauritius has diversification opportunities in

textile, vehicles, and chemicals with products such as fishing vessels and factory ships for processing or preserving fishery products, and garment parts or clothing accessories. The production of the many of these goods has the potential of involving a **relatively strong representation of SMEs**.

The EU's concept of origin of goods comes from the idea that goods have **an economic national identity** that is determined through various elements under each trade pact the EU has with individual states, geographically grouped states, trading blocs or groups of countries. It can be very discouraging for many of our SMEs to navigate in **such a complex set of ROOs**, which, in addition, requires **layers of institutional capacities** to interrogate and apply them. The number of public and private institutional stakeholders involved in the project is a testimony of this fact!

And precisely, in the context of negotiations with the EU regarding the deepening of the existing **iEPA**, a meeting was held in **February 2018** in Mauritius between the **Eastern and Southern Africa (ESA)** signatory States with a view to finalise the ESA position with respect to the priority areas for discussions with the EU which include, amongst others, **a review of Rules of Origin**. Hopefully, this will lead to a favourable avenue for SMEs when it comes to the question of ROOs.

On top of the simplification of ROOs, **increased access to free information, guidance and institutional support** is crucial to increase the number of participating SMEs in trade agreements. And this meaningful change can only be achieved by **collaborative networks of key stakeholders** who provide assistance to reinforce the response capacity of SMEs on the global market. The present TradeCom project is exemplary from this point of view, having provided direct assistance to selected enterprises, and through the **training of trainers** to ensure **sustainability** as well as the **realization of a multiplier effect** by intermediary organizations replicating interventions. And I can assure all involved in the project of the **commitment of SME Mauritius**, the new implementing arm of my Ministry, in this perspective.

I am also very optimistic about the **Rules of Origin Manual** which will be presented during this workshop - a handbook that can indeed be **a concrete, game-changing tool** for SMEs wishing to export to the EU.

***Ladies and gentlemen,***

Going forward, high growth potential SMEs as advocated by the SME Master Plan launched by my Ministry in 2017 will assume a higher role in the economy over the next ten years. The sector presents unique opportunities for the country to create quality jobs, diversify and democratise the economy, leverage innovation and increase export earnings. **Increasing market access and exports** by providing SMEs with intelligence, market development supports and logistics to integrate the global supply chain is one of the main objectives of this roadmap for the sector and our ambition is to increase current exports **from about 3% to about 18% by 2026**.

By thinking beyond traditional borders and by adopting a strategic approach to export growth, as well as with adequate preparation and support, I strongly believe that **our SMEs can participate and thrive in international markets**.

I would like to express my sincere gratitude once again to the European Union Delegation for its continuous and unflinching support to Mauritius and to Landel Mills Ltd and all the stakeholders involved in the project. Thank you for this **powerful testimony of commitment** to support our development endeavours.

Such an empowering project can but **inspire** the SME sector and the business community at large in Mauritius to embrace a new economic cycle based on increasing quality, focusing on innovation and boosting exports.

Thank you for your attention.

**S.B**  
**08/03/18**