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INTERNATIONAL TRADE DIVISION
MINISTRY OF FOREIGN AFFAIRS, REGIONAL INTEGRATION AND INTERNATIONAL TRADE

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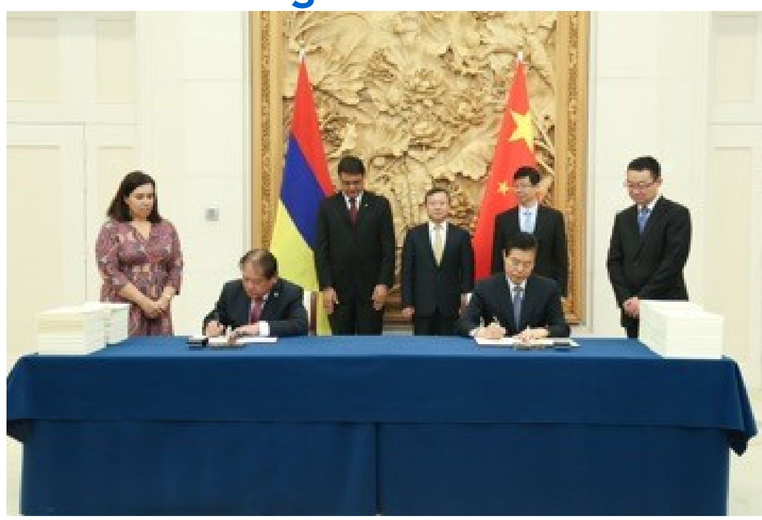
Signing of the Mauritius-China Free Trade Agreement



On October 17, 2019, H.E. Mr. Miao Kwong Lee Hon Chong, Ambassador of the Republic of Mauritius to the People's Republic of China and H.E Mr. Zhong Shan, Minister of Commerce of the People's Republic of China signed the Free Trade Agreement (FTA) between the Republic of Mauritius and the People's Republic of China.

The Agreement comprises 17 Chapters encompassing Trade in Goods, Sanitary and Phyto-sanitary Measures, Technical Barriers to Trade, Competition, Intellectual

The Mauritius – China FTA represents a major achievement since it is the first Agreement that China has signed with a country in Africa and it will give Mauritius access to a huge market of some 1.4 billion inhabitants.

Property, Electronic Commerce, Trade in Services, Investment, Economic Cooperation, amongst others

The FTA also contains Annexes on Rules of Origin, Market Access for Goods schedule for Mauritius and China and Services Market Access schedule for Mauritius and China.

The Mauritius – China FTA represents a major achievement since it is the first Agreement that China has signed with a country in Africa and it will give Mauritius access to a huge market of some 1.4 billion inhabitants.

Mauritius will benefit from duty free access on the Chinese market on some 8,227 products, representing 96% of the Chinese tariff lines. The duties applicable on 88% of these tariff lines would be eliminated with immediate effect. The remaining tariffs would be eliminated over a 5 to 7-year period. These products include key export items such as rum, frozen fish, noodles and pasta, wafers and biscuits, fresh fruits, juices, mineral water, linen, garments, watches and articles of leather, amongst others.

Mauritius struck an extraordinary deal with the Chinese side on special sugar, which is expected to generate export revenue of some $ 40 million. China agreed to grant Mauritius a Tariff Rate Quota (TRQ) of 50,000 tons market access for special sugar with an in-quota rate of 15%.

As regards trade in Services, Mauritius service providers would have access to more than 40 service sectors, including amongst others financial services, telecommunications, ICT, professional services, construction and health services. Mauritius would also be able to establish businesses in China as wholly owned entities or in joint partnership with Chinese operators.

The FTA will create new investment opportunities in Mauritius targeting the Chinese market. The FTA provides for the protection of investors and their investments against discriminatory and unfair treatment. Moreover, investors will be compensated if expropriation of their investments is inevitable. We also expect to have more investment in the services sector from China in view of the predictability and legal security which the agreement provides to investors.

Regarding the Economic Cooperation chapter of the Agreement, Mauritius and China have agreed to collaborate in 10 areas, including industrial development to increase competitiveness; to develop manufacturing based on innovation and research; to conduct exchange of specialists; to have an exchange of researchers for disseminating know how and for support in technology and innovation and to cooperate in the financial sector.

The Mauritius-China FTA will become operational after it is ratified by both countries.

The Launching of Negotiations on The Deepening of the Interim Economic Partnership Agreement and the First ESA-EU Technical Meeting

Hon Pravind Kumar JUGNAUTH, Prime Minister of the Republic of Mauritius officially launched the negotiations on the deepening of the interim Economic Partnership Agreement (iEPA) on 02 October 2019 at the Maritim Resort, Turtle Bay, Balaclava.

The ceremony was attended by the EU Deputy Director General of DG Trade, Ms Helene Konig, officials from the European Commission, Ministers and officials from the Eastern and Southern African (ESA) region.

The iEPA, signed in 2009 with the EU, comprises of three chapters namely Market access, Development and Fisheries components. The EU and ESA iEPA signatory States agreed in 2017 to initiate a process to expand the coverage of the Agreement.

An ESA-EU Scoping exercise was completed in May 2019, providing the parameters to deepen the Agreement in 13 key areas including Trade in Services, Investment, Trade Facilitation and Customs Cooperation, Intellectual Property Rights, Competition Policy, Sustainable Development as well as review of some of the key provisions of the Agreement.

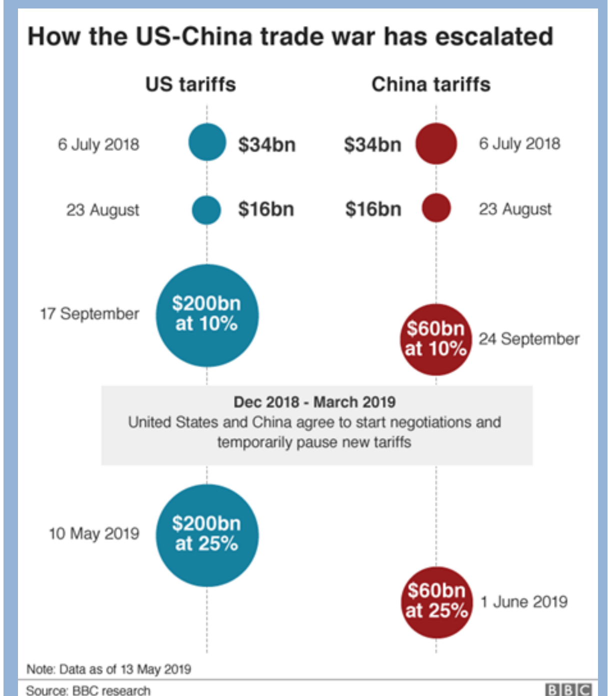
A Joint Communique was signed by both the EU and ESA Ministers during the ceremony on 02 October 2019 to formalize the agreement reached at officials' level in May 2019 on the scope and objectives of the deepening negotiations as well as on the negotiating roadmap.

The launching was followed by the first ESA-EU technical meeting on 03-04 October 2019 and focused on horizontal issues linked to the negotiations including amongst others on decision making, endorsement process, coordination of negotiations and transparency in the negotiations process.

Both sides also exchanged views on the provisions to be covered by the Technical Barriers to Trade chapter, Trade in Services & Investment chapter and the Agriculture chapter.

The second round of discussions will be held in Seychelles from 15-17 January 2020 and will focus on Rules of origin, Custom and trade facilitation, Technical barriers to trade (TBT), Sanitary and phyto-sanitary measures (SPS) and Agriculture.

Analysis of the US - China Trade War



Background

The current US Administration has consistently criticised Chinese policies and practices as unfair on issues ranging across market access, currency manipulation, coerced or illicit intellectual property transfers, industrial policy, import duties, government subsidies and Chinese firms' violations of US sanctions on third countries.

China has consistently denied Washington's accusations that it engages in unfair trade practices, vowing to fight back in kind and criticising US measures as protectionist.

Despite several attempts, negotiations failed to move towards a mutually acceptable deal so that initial rounds of tariffs threats escalated into a full-blown US-China trade war.

Tariffs imposed by both sides before 1 September 2019

So far, the US has imposed tariffs on some $250bn of Chinese goods, and China has retaliated with tariffs on $110bn of US products.

Washington delivered three rounds of tariffs last year, placing duties of up to 25% on a range of Chinese products, from handbags to railway equipment.

Beijing imposed tariffs ranging from 5% to 25% on US goods including chemicals, coal and medical parts.

Additional Tariff Announcement – August 2019

In August 2019, President Trump announced he was imposing tariffs on $300bn worth of Chinese imports previously spared in the trade dispute.

Some of the tariffs were later delayed until December in a concession to US retailers. Tariffs of 15% on cellphones, laptop computers, toys and clothing are to take effect on December 15.

Devaluation of the Renminbi (RNB)

With the US imposing huge tariffs on Chinese goods, China has devalued its currency in order to be more competitive on the global market.

The U.S. Treasury Department officially named China a currency manipulator on 5th August 2019. It was the first time the U.S. had done so since 1984. While mostly a symbolic move, the naming opens the door for the Trump administration to consult with the International Monetary Fund to eliminate any unfair advantage China's currency moves have given the country.

Impact of the Renminbi devaluation on other Asian currencies

U.S.-China trade tensions have also affected economies elsewhere, and coupled with slowing growth globally, it is encouraging countries to lean toward weaker currencies. Weakness in the Renminbi "essentially puts the brakes on" other currencies in the region, including the Indian rupee, Singapore dollar, Korean won, Malaysian ringgit and Indonesian rupiah.

New wave of Tariffs - September 2019

US implements announcement made by President Trump

A new round of tariffs took effect on Sunday 1 September 2019. The Trump administration began collecting 15% tariffs on more than $125bn in Chinese imports, including smart speakers, Bluetooth headphones and many types of footwear. In addition, tariffs of 15 percent on cellphones, laptop computers, toys and clothing are due to take effect on December 15. The vast majority of apparel products are included in the September 1 tranche.

After Sunday's move, 87% of textiles and clothing the United States buys from China and 52% of shoes will be subject to import taxes. The recent tariff hikes brings the average tariffs imposed by the US on Chinese imports to 21.2 percent, up from only 3.1 percent when Mr. Trump came into office, according to data from the Peterson Institute for International Economics.

The existing 25% tariffs (prior to 1 September 2019) on $250 billion worth of imports from China are also set to increase to 30% on October 1.

The US Trade Representative's Office mentioned it would collect public comments through September 20 on a planned tariff increase to 30 percent on a $250bn list of goods already hit with a 25 percent tariff.

Once all the measures have taken effect by December, nearly all of China's $540bn worth of exports to the US will be subject to the levies.

Chinese Response

In retaliation, China initially mentioned it would impose additional tariffs on some of the US goods on a $75bn target list. Beijing did not specify the value of the goods that face higher tariffs.

Implications of the Trade War and Tariff Hikes

According to the New York Times of 1 September 2019, China has started charging 33% tariff n American soybeans as compared to just 3% for those coming from Brazil or Argentina. It would seem that on 15 December 2019, China would start taxing American autos and auto parts at a 42.6% rate as compared to 12.6% for those coming from Germany or Japan.

A snapshot of the country's manufacturing sector released on Saturday 30th August 2019 showed that activity contracted for the fourth month in succession in August.

The Chinese yuan has also come under pressure and fell to an 11-year low against the US dollar last week. South Korea said on Sunday that its exports had fallen for the ninth month in a row.

Trade between US and China

Trade between the world's two largest economies has slumped, and China, which had long been America's biggest trading partner, dropped to third place in the first half of the year, behind Mexico and Canada.

When he initially began his trade war, the US President said his goal was to improve conditions for American companies operating in China, reduce the trade deficit between the two nations and create a more level playing field for American companies competing with Chinese firms.

His combative approach, he said, would secure a historic trade deal that would result in China buying billions of dollars' worth of American farm products and stop Beijing from "stealing" technology from United States companies.

But after months of stalled negotiations and China's refusal to give in to America's demands, his strategy has taken a more punitive turn. President Trump, who has emphasized his view of the two countries as economic enemies and geopolitical rivals since his presidential campaign, has more recently advocated a rapid "decoupling" between nations that have become

As matters stand, nine major economies around the world, including UK, Germany, Russia, Singapore, Brazil are on the brink of recession or already there.

economically dependent on each other over the past two decades.

Press articles have also pointed out President Trump's conflicting goals — trying to make China a fairer place for American companies to do business while simultaneously punishing companies that are operating there.

It should also be mentioned that the US administration continues to look for other ways to limit the ability of American companies to do business with China. The Commerce Department is moving forward with new export controls that would restrict American firms from selling sensitive technology, like artificial intelligence and quantum computing, to Chinese firms. And it has blacklisted several Chinese technology companies, including the telecom giant Huawei, from buying sensitive American technology.

US Consumers

As a result of Trump's higher tariffs, many U.S. companies have warned that they will be forced to pass on to their customers the higher prices they will pay on Chinese imports. Some businesses, though, may decide in the end to absorb the higher costs rather than raise prices for their customers.

Implications on the Global Economy

As matters stand, nine major economies around the world, including UK, Germany, Russia, Singapore, Brazil are on the brink of recession or already there. Economists fear that the US is likely to follow soon.

The economic impact of the US-China tariff war will be astronomical. According to a Bloomberg Economics report, uncertainty over trade could lower world gross domestic product by 0.6 per cent in 2021 compared to a no-trade-war scenario. That's double the direct impact of the tariffs themselves and the equivalent of $585 billion

A rise in financial stress would adversely affect new credit flows and restrain investment, industrial production, and trade.

shaved off the International Monetary Fund's estimated world GDP of $97 trillion in 2021.

According to economists, a trade war would do serious damage to the global economy as protectionist actions escalate. Countries imposing tariffs and countries subject to tariffs would experience losses in economic welfare, while countries on the sidelines would experience collateral damage. If tariffs remain in place, losses in economic output would be permanent, and distorted price signals would impact on product specialization that normally help to maximize global productivity.

Imported products would become more expensive hence affecting monetary policy and financial market responses. The US federal funds rate would rise more quickly than in the baseline forecast in response to higher domestic inflation. A rise in financial stress would adversely affect new credit flows and restrain investment, industrial production, and trade. In addition, global equity prices are expected to decline in a protectionist environment.

It would seem that the tariff war is likely to hurt China more. While the US economic output is expected to dip by 0.6%, China's GDP is expected to lower by 1%.

Implications for Asian countries and the Regional value chains

While the US-China trade war is casting a shadow over the world economy, it is also driving the slowdown in Asia's top economies. Asia's major economies faced slumping exports in June as the effects of stalled U.S.-China trade talks rippled through the region, weighing heavily on a regional supply chain deeply connected to China. Asia's five biggest economies namely China, Japan, India, Indonesia and South Korea showed exports falling from a year ago in June.

Even before the latest trade war, multinational companies were already looking for alternative manufacturing

The case of iPhone

Key iPhone assemblers have been asked to evaluate options outside of China. The countries being considered include Mexico, India, Vietnam, Indonesia and Malaysia. India and Vietnam are among the favourites for smartphones. Foxconn, an iPhone assemble company said it had enough capacity outside China to meet Apple's demand in the American market if the company needed to adjust its production lines.

locations in Asia, moving part of their production outside China, and redrawing their supply chains accordingly.

China manufacturing dominates many industries especially in electronics and white goods. Thus, there is a high risk of supply disruption without alternatives.

Other countries are building manufacturing capacity and they will partially take over manufacturing from China. Asia is the global workshop and China manufacturing muscle lies at the center, but in many Chinese finished products, there are components and sub-assemblies produced at other Asian production sites outside China.

Semiconductors and related devices are being hit especially hard. In Singapore, exports of integrated circuits fell 33% in June from a year ago as non-oil exports contracted to a six-year low of minus 17%.

According to market analysts, Singapore is one of Asia's semiconductor export hubs along with Taiwan and South Korea, home to about 50 to 60 manufacturers. The trade war affects the supply chain.

Japan's exports fell 7% in June, marking their seventh consecutive monthly drop. Exports to China declined 10%. According to Japan's finance ministry, exports of semiconductor manufacturing equipment to China suffered the most.

In Thailand, a hub for automakers and electronics manufacturers' exports to China in June plunged 15% from a year ago, following the previous month's 7% decline. Total exports dipped 2% for the month.

It is expected that a cyclical recovery of trade will depend on U.S.-China trade talks and the launch of 5G in the U.S., Europe and Asia. The launch of 5G will likely boost global demand for semiconductors, electronics and communication equipment.

Vietnam

Vietnam bucked the trend in June with exports jumping 8% as the country leveraged its position as a key relay point for goods flowing into China.

Vietnam and some other Southeast Asian countries stand to benefit if manufacturers continue their exodus from China, but the effects may be too early to gauge.

Japan

The slowdown and the trade war have knocked business confidence in Japan where there is softer global demand for its exports, such as electronic equipment and car parts.

India

In India, passenger vehicle sales plunged 31% in July 2019, the steepest monthly fall in nearly two decades. The sector has slashed jobs and cut production as sales dry up.

For the case of electronics, market and securities analysis has shown that Apple would be able to move 5%-7% of its iPhone production to India in the next 12 to 18 months.

South Korea

Since electronics account for around 30% of South Korea's exports, its gross domestic product grew by only 1.1% in the three months to June.

Malaysia and Singapore

There could also be positive spill over effects for the region from US-China trade tensions. Malaysia said that ASEAN should take advantage of the US-China conflict to deepen regional supply chains and increase inter-ASEAN trade.

A British company Dyson decided to build its electric car manufacturing plant in Singapore. Singapore is of the view that this is a good example of a win-win situation. While Singapore benefits from R&D investment and engine manufacturing, Malaysia can also manufacture many of the components that go into the electric car.

Negotiations on the Mauritius - Indonesia Preferential Trade Agreement (PTA)

The first round of negotiations held in the side-lines of the Indonesia-Africa Infrastructure Dialogue on 20-21 August 2019 in Bali, Indonesia.

The first round of negotiations on the Mauritius - Indonesia PTA, covering trade in goods, was held in the side-lines of the Indonesia-Africa Infrastructure Dialogue on 20-21 August 2019 in Bali, Indonesia.

The Indonesian Delegation was led by Mr. L. Amrih Jinangkung, the Director for Legal and Economic Treaties, Ministry of Foreign Affairs of the Republic of Indonesia and the Mauritian Delegation was led by Mr. N. Boodhoo, Director, Trade Policy, Ministry of Foreign Affairs, Regional Integration and International Trade. The objective of the first text –based meeting was to discuss and finalise the PTA text and agree on the timeline for exchange of modalities.

Constructive discussions were held on the consolidated PTA text and both parties agreed on most of its articles, except on the Non-Tariff Measures and Import Licensing Articles. The meeting agreed to have an article on Customs Procedures and Cooperation. With respect to the Mauritian proposal of having provisions on bilateral safeguards, both parties agreed to incorporate same in the main text. It was agreed to finalise discussions on the outstanding issues of the PTA Text in the next round.

The next round of talks has tentatively been fixed for February/March 2020 in Mauritius with the aim of finalising the main text, the ROO text and consider the request/offer lists of each parties.

AfCFTA Trade in Services Signaling Conference

The African Continental Free Trade Area (AfCFTA) Trade in Services Signaling Conference was held in Cape Town, South Africa on 2 - 3 September 2019. The main objective of the conference was to enable exchange among service providers and negotiators on non-binding indications of market openings, existing or future to seek real signals from participants, on offers of commitments in the priority sectors that could result in tangible outcomes.

The following points were discussed:

a. The importance of private sector involvement in negotiations and for the private sector to organize itself to input into the negotiation process.

b. The need to establish national AfCFTA implementation committees and draw up national AfCFTA implementation strategies.

c. The need to agree on liberalization options for different sectors. It will be important to speed up technical discussions in order to meet the deadline.

Ambassador Albert Muchanga, AU Commissioner of Trade and Industry stated that the conference has been a project of building partnerships with the private sector and that he was impressed by the readiness of African governments to accommodate the private sector. He also highlighted that the work from this conference will go on to the negotiating structures starting with Chief Negotiators, Senior Trade Officials, African Ministers of

The intention of government is to adopt an incremental approach to shift from national to international exhaustion of trademarks within the next 5 to 8 years.

Trade and finally to Summit. This would guide in ensuring that we meet the deadline.

Socio-economic impact of the international exhaustion of trademarks

National workshop to present the findings of the study

The Ministry of Foreign Affairs, Regional Integration and International Trade organised a national workshop on 07 October 2019 to present the findings of the study on the assessment of the socio-economic impact of Mauritius adopting the international exhaustion of trademarks.

Mauritius currently has a national regime of exhaustion for trademarks. Under this concept, the right of the IP holder is exhausted on the national market i.e. in Mauritius. In such a scenario, the IP right holder retains the exclusive right to distribute or to sell products on the domestic market.

On the other hand, the concept of international exhaustion implies that the right of commercial exploitation over imported branded goods is exhausted once the products have been sold by the trademark owner or with his/her consent on the international market.

The workshop was launched by Honourable Nandcoomar Bodha, Minister of Foreign Affairs, Regional Integration and International Trade. Minister Bodha explained that the intention of government is to adopt an incremental approach to shift from national to international exhaustion of trademarks within the next 5 to 8 years.

The workshop was conducted by Dr Ana Maria Pacon, Intellectual Property (IP) consultant. According to her, Mauritius should begin the process leading to the adoption of international exhaustion of trademarks.

Trade relations with Australia
Africa Edition of Business Envoy

The Department of Foreign Affairs and Trade in Canberra has released a report (Africa edition of Business Envoy) on "Australia's growing engagement with Africa". The report highlights the trade and investment opportunities that exist for Australian businesses in Africa.

Mauritius is regarded as a stable democracy, strategically located, bilingual and a trusted platform to do business in the region. The ease of doing business ranking, its wide range of Double Taxation Avoidance Agreements and Investment Promotion and Protection Agreements and its contribution into Foreign Direct Investment into India and Sub-Saharan Africa is highlighted in the report.

It is to be noted that the Australian Government is making sure Australian business is well-placed to take advantage of developments pertaining to the African Continental Free Trade Area, by building strong relationships with countries of Africa.

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