

# Trade News Digest

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Issue 70



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# 4th Round Technical Negotiations

## between the EU and Five Eastern and Southern Africa (ESA) Countries for the Deepening of the currently implemented Economic Partnership Agreement

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The 4<sup>th</sup> round of technical negotiations between the European Union (EU) and ESA-5 (Comoros, Madagascar, Mauritius, Seychelles and Zimbabwe) on the deepening of the interim Economic Partnership Agreement was held virtually on 13-16 April 2021.



The negotiations were preceded by the ESA-5 Technical Experts meeting which was held from 30 to 31 March 2021.

The Negotiations focused on five topics, namely Customs and Trade Facilitation, Sanitary and Phyto-sanitary issues, Rules of Origin, Trade and Sustainable Development and Trade in Services, Investment Liberalisation and Digital Trade. In addition, the issue of Economic and Development Cooperation was discussed for the first time. The meeting took place in a constructive atmosphere, allowing progress in many areas.

Below is a summary of the outcome on the discussions held between both sides on the above-mentioned topics:

### Customs and Trade Facilitation

The Parties made substantial progress towards an ambitious Customs and Trade Facilitation Chapter. The parties aim at providing a high degree of trade facilitation to their traders, while enhancing their cooperation in customs matters.

The outstanding issues in the chapter include those relating to institutional provisions and capacity building. The Mutual Administrative Assistance Protocol (MAA) has been provisionally concluded.

### Sanitary and Phyto-sanitary issues (SPS)

Discussions allowed progress, in particular on the Articles on Regionalisation and Equivalence. The Parties agreed that the cooperation and technical assistance would be of utmost importance for full implementation of the SPS chapter.

## Rules of Origin

The Parties made some advancement on the joint working document on Rules of Origin. Discussions were focussed on the product specific rules. Progress was made on a number of provisions of the protocol on Rules of Origin.

## Trade and Sustainable Development (TSD)

The Parties had a first discussion on a joint working document TSD. The discussions focused on the objectives, the scope, the right to regulate and levels of protection, labour standards, environmental standards, biodiversity, forest management, marine resource management, institutional transparency and dispute settlement provisions, among others. Both sides put across their priorities and clarified their positions. Convergence on many issues was noted.



## Trade in Services, Investment Liberalisation and Digital Trade (TISILDT)

The EU made a presentation on their proposal and intimated that they would include a section dealing with investment facilitation. The ESA5 States would send their written comments on the EU's proposal within two months.

The ESA side on its part proposed an article on passporting rights in both the sectors dealing with services and investment. The EU expressed reservation on this proposal.

## Economic and Development Cooperation (EDC)

Discussions on EDC were held for the first time. This allowed the Parties to understand positions and expectations of each other. Both sides recognized the importance of the EDC in the deepening process of the Agreement and agreed with the principle that the EPA must contribute to the sustainable development of ESA5. The EU confirmed its readiness to mobilise support for the implementation of the deepened EPA within the framework of its strategic partnerships with ESA5 countries.

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***THE NEXT ROUND HAS TENTATIVELY BEEN SCHEDULED IN JULY 2021. THE ISSUES TO BE ADDRESSED IN THE 5TH ROUND INCLUDE ECONOMIC AND DEVELOPMENT COOPERATION, TRADE IN SERVICES, INVESTMENT LIBERALISATION AND DIGITAL TRADE, RULES OF ORIGIN, INTELLECTUAL PROPERTY, PUBLIC PROCUREMENT AND TECHNICAL BARRIERS TO TRADE.***

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# Mauritius' Exports increase by 9.8%



## Mauritius Exports increased by 9.8% in March 2021 compared to March 2020

In March 2021, total exports amounted to Rs 5,927 million. Exports decreased by 3.4% compared to February 2021 but increased by 9.8% compared to March 2020.

Our two main exports are food and live animals followed by miscellaneous manufactured articles, while other key exports include manufactured goods classified chiefly by material; chemicals and related products as well as crude materials, inedible, except fuels.

South Africa (11.7%), United Kingdom (9.4%), United States (9.3%), Madagascar (8.5%), France (8.1%) and Spain (5.6%) were our major export destinations while our imports were mainly from China (16.7%), India (14.2%), South Africa (10.0%), France (7.9%), U.A.E (6.6%) and Japan (4.1%).

In March 2021, total imports of goods amounted to Rs 16,106 million. Imports increased by 8.2% compared to February 2021 and 24.0% compared to March 2020.

Our main imports are machinery and transport equipment (22%) followed by food and live animals (21%); mineral fuels, lubricants and related materials (16%) and manufactured goods classified chiefly by material (15%); amongst others.

According to figures from Statistics Mauritius, the Balance of Visible Trade showed a deficit of Rs 10,179 million in March 2021 i.e. higher by 16.3% compared to February 2021 and higher by 34.2% compared to March 2020.

### Summary of External Merchandise Trade (Value: Rs Mn)

	2020	2021	
	Mar <sup>1</sup>	Feb <sup>1</sup>	Mar <sup>2</sup>
<b>A. Total Exports (f.o.b)</b>	<b>5,399</b>	<b>6,137</b>	<b>5,927</b>
Domestic exports	3,634	4,250	3,822
Re-exports	803	1,053	1,186
Ship's Stores and Bunkers	962	834	919
<b>B. Total Imports (c.i.f)</b>	<b>12,984</b>	<b>14,890</b>	<b>16,106</b>
<b>Total International Trade (A + B)</b>	<b>18,383</b>	<b>21,027</b>	<b>22,033</b>
<b>Trade Deficit (A - B)</b>	<b>-7,585</b>	<b>-8,753</b>	<b>-10,179</b>

<sup>1</sup> Revised figures

<sup>2</sup> Provisional

# New Reforms Could Help Mauritius Bounce Back Stronger from COVID-19 Crisis

Mauritius' best strategy for economic recovery post-pandemic includes both temporary support to firms and households, and comprehensive reforms to address pre-existing structural challenges, says the World Bank's latest economic analysis for the country.

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*The newly-released Mauritius Country Economic Memorandum, Through the Eye of a Perfect Storm – Coming Back Stronger from the COVID-19 Crisis, says the COVID-19 crisis presents policy makers with an opportunity to confront long-standing challenges.*

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Idah Pswarayi-Riddihough, World Bank Country Director for Mauritius, Mozambique, Madagascar, Comoros and Seychelles noted that the current crisis brought to the fore the need to address long standing challenges to inclusive growth – unlocking investment, restoring competitiveness, maintaining inclusiveness, and doing more with fewer public resources. This is the time to accelerate the recovery and re-emerge from the storm stronger than before with the adoption of a new series of reforms.

The report highlights four main pillars for a strong recovery:

- A new industrial policy approach that focuses state support on innovation and technology transfer, while addressing cross-cutting issues in skills development, competition, natural resource management, and public private partnerships to promote productive private sector investment.
- Reversing the ongoing decline in competitiveness by leveraging foreign direct investment and new preferential trade opportunities to upgrade exports, while focusing Covid-19 support measures on managing the fallout from the pandemic in the short term.
- Maintaining Mauritius' inclusive development path will require renewed and more comprehensive efforts to promote labor market participation, especially for low educated women and youth, and more attention to early childhood and second chance education. Moving resources from the overly generous basic pension system to more targeted and effective anti-poverty programs would help cope with the increased social needs and reduced fiscal space.
- Further strengthening of the public sector, in terms of policy coherence in complex, multi-sector reforms, and implementation capacity. Close collaboration with the private sector is also key.

“This report lays out a short- and medium-term agenda to reignite inclusive and sustainable growth in Mauritius,” added Erik von Uexkull, World Bank Representative for Mauritius. He added that while the global situation is slowly improving with the increased availability of vaccines, this is not a storm that countries can simply ride out and return to business as usual.

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*For Mauritius, the best way forward will be to focus on its proven ability to adapt and preserve its social contract by laying the foundations for future inclusive growth. This can start now, under the new budget.*

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*Mauritius along with two ESA States, namely Seychelles and Zimbabwe, signed the EPA with the UK on 31<sup>st</sup> January 2019. The EPA entered into force on 1<sup>st</sup> January 2021 after the Brexit transitional period ended on 31<sup>st</sup> December 2020.*

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## **First UK -Eastern and Southern Africa (ESA) Economic Partnership Agreement (EPA) Committee**

The first meeting of the UK - ESA EPA Committee was held virtually on 7th May 2021. The meeting was attended by representatives from the UK and ESA States namely, Mauritius, Seychelles and Zimbabwe. Madagascar participated as an observer.

The UK side was led by Mr B. McMullan, Head of Trade Agreement Department, UK Foreign, Commonwealth & Development Office. The ESA side on the other hand was led by Mr N. Boodhoo, Director Trade Policy, Ministry of Foreign Affairs, Regional Integration and International Trade.

The EPA Committee adopted its Rules of Procedure. It was agreed that Mauritius would co-chair the EPA Committee, Seychelles the Customs Cooperation Committee and Zimbabwe the Development Cooperation Committee. It was also agreed that the tuna derogation would be equally shared between Mauritius and Seychelles pending the signature of the other agreement by Madagascar.



The EPA Committee exchanged views on trade flows between the Parties and the need to introduce appropriate measures to bolster trade. Discussions covered the impact of the UK duty-free Autonomous Tariff Quota (ATQ) for 260,000 tons of raw cane sugar on Mauritius; the review of rules of origin in specific areas such as tuna, possibility to exclude the ESA States from any safeguard applied by the UK for products having a share of more than 3% of the UK total imports.

On assistance and support, the UK enumerated a series of programmes currently covering trade, investment, infrastructure development, climate change amongst others. The possibility of having a dedicated financial amount earmarked for ESA countries was also raised. As regards the deepening of the UK-ESA EPA, the Committee agreed that a scoping paper outlining the priority sectors for the negotiations be considered as an initial step.

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# AfCFTA

## Council of Ministers take stock of progress



The fifth meeting of the AfCFTA Council of Ministers took place on 03rd May 2021. The objective of the meeting was to provide guidance on the way forward towards the finalisation of outstanding negotiations and the operationalisation of the Agreement.

The Agreement became operationalised on 01 January 2021. However, several issues still need to be finalised including negotiations on the remaining rules of origin and market access for both goods and services.

The 5th meeting of the Council of Ministers took note of the progress made under the Phase I issues, that is Trade in Goods and Trade in Services as well as the development under the Phase II negotiations which cover Investment, Competition Policy, Intellectual Property Rights and E-commerce.

With the aim to effectively implement the Agreement, several sub-committees have been put in place under the Protocol of Trade in Goods. These include the Sub-Committee on Rules of Origin; Sub-Committee on Non-Tariff Barriers (NTBs); Sub-Committee on Sanitary and Phyto-Sanitary (SPS); Sub-Committee on Trade Remedies; and Sub-Committee on Technical Barriers to Trade (TBT).



The Ministers took note of the progress made on the negotiations on the rules of origin and the market access for goods. The State Parties/non-State Parties and Customs Unions were urged to finalise bilateral engagements on offers and Schedules of Tariff Concession by end of May 2021 to enable full implementation of the start of trading.

They also took good note of the ongoing negotiations under the Trade in services and urged the 21 State Parties and non-State Parties that are yet to submit their initial services offers to urgently do so before the June 2021 deadline for the conclusion of negotiations in the five (5) priority services sectors. The five sectors are Business services, Financial Services, Transport Services, Tourism Services and Communication Services.



With the entry into force of the AfCFTA Agreement on 30th May 2019, the Protocol on the Rules and Procedures on the Settlement of Disputes and its Annexes, also entered into force. This Protocol sets out a clearly defined mechanism for the resolution of trade disputes arising from the implementation of the AfCFTA Agreement. Article 5 of the Protocol establishes a Dispute Settlement Body as the supreme organ, with the mandate to monitor implementation of rulings and recommendations of dispute Panels and the Appellate Body. In this regard, Ministers invited State parties to submit their nominations of two (2) individuals to be included on the indicative list or roster of Panellists.

The next meeting of the Council of Ministers is expected to take place end of June with the view to finalise all outstanding works on the Phase I issues of the AfCFTA for adoption by the AU Summit.





# Second Joint Committee under Mauritius-Turkey Free Trade Agreement



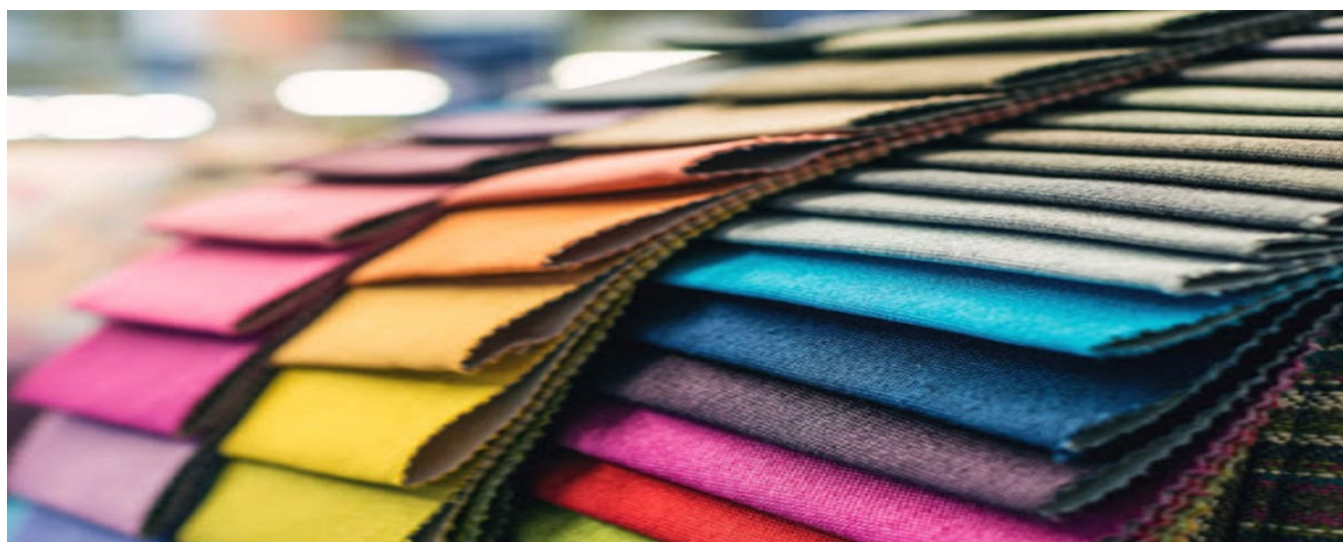
Mauritius and Turkey are implementing a Free Trade Agreement since 2013. The Agreement provides for the establishment of a Joint Committee to inter-alia review the general functioning of the FTA, improve market access and explore the possibility to enhance trade and investment.

The second meeting of the Joint Committee was held virtually on 20 April 2021.

The Turkish delegation was led by Mr. Atilla BASTIRMACI, Deputy Director General, Directorate General for International Agreements and EU Affairs, Ministry of Trade.

The Mauritian delegation was led by Mr. Narainduth BOODHOO, Director Trade Policy, International Trade Division, Ministry of Foreign Affairs, Regional Integration and International Trade and comprised representatives from relevant Ministries and institutions including, the Ministry of Finance, Economic Planning and Development, Economic Development Board, Ministry of Industrial Development, SMEs and Cooperatives, Business Mauritius, Mauritius Chamber of Commerce and Industry (MCCI), and Mauritius Export Association (MEXA).

During the meeting, the Parties agreed inter-alia to expand the scope of the Agreement to include additional products, to step up promotional and sensitization activities, to collaborate in key sectors including textiles and address impediments to trade. The meeting further agreed to the signing of a Customs Mutual Administrative Assistance Agreement.





# Productive new negotiating rounds for an Investment Facilitation Agreement

Over the past two months, negotiators have met repeatedly to review new proposals and the “Easter Text” circulated by the coordinator of the structured discussions. This Easter text, which consolidates the two main working documents, serves as the main basis for negotiations.

During their meeting on 19 and 23 April 2021, Members discussed recent submissions and heard an update from the facilitators of the discussion/small groups about their work. Members also considered the possible inclusion of a “Most-Favoured Nation” (MFN) treatment clause in the future Agreement, reviewed draft provisions and proposals on financial exceptions, and held a debriefing session on the negotiating state-of-play for international organizations.

Members also adopted a revised schedule of meetings covering the period between April and the 12th Ministerial Conference (MC12), which foresees meetings being held every two weeks, except during the August break. Their subsequent meeting on April 30 included a discussion on MFN treatment, with the introduction of a text proposal by one Member.

At the following negotiating meeting on 11-12 May, Members made good progress, with a view to achieving a concrete outcome at the 12th Ministerial Conference at the end of the year. Delegations addressed a number of provisions across several sections of the Easter text.

During that negotiating meeting, Members received the reports of the facilitators of the small/discussion groups on “Scope” and on “Facilitation of the Entry and Temporary Stay of Business Persons for Investment Purposes” (Movement of Business Persons – MBP).

They also continued discussing the inclusion of an MFN treatment provision based on the Easter Text and on a text proposal submitted by one Member. Among other topics, Members also discussed the section on Section III Ter (“Transfer and subrogation”), reviewed “plain text” in Section IV “Focal points, domestic regulatory coherence, and cross-border cooperation”) and discussed the provision on “Responsible business conduct” contained in Section VI.

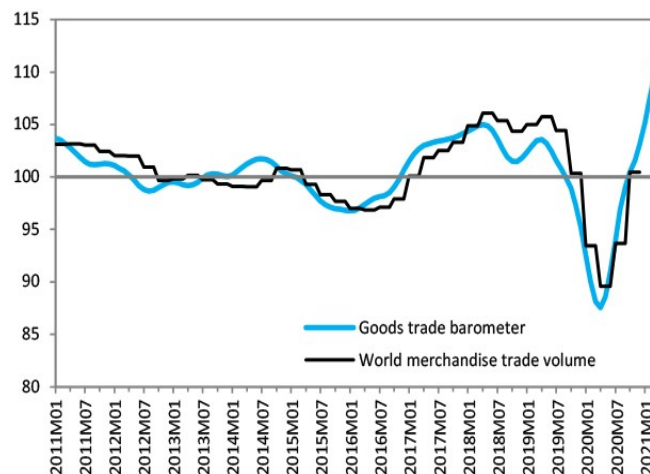
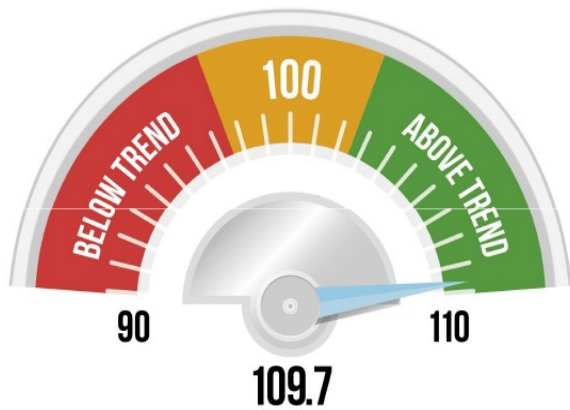
At the next intersessional meeting on 31 May-1 June, participating members held a discussion on possible definitions to be included in the future agreement. They considered the section of the “Easter text” on transparency of investment measures and discussed the text proposals on measures to combat corruption as well as the possibility of a future work programme and the issues that could be included.

In addition, a discussion – outside the negotiations – looked at the legal architecture or possible options for giving legal effect to the outcome of these negotiations.

# Goods barometer shows strength of trade recovery, depth of COVID-19 shock

Global merchandise trade is continuing to recover in 2021 following a steep but brief pandemic-induced drop in the second quarter of last year, according to the latest WTO Goods Trade Barometer released on 28 May.

The Goods Barometer is a composite leading indicator for world trade, providing real-time information on the trajectory of merchandise trade relative to recent trends. The barometer's current reading of 109.7 is nearly 10 points above the baseline value of 100 for the index and up 21.6 points year-on-year, reflecting both the strength of the current recovery and the depth of the COVID-19 shock last year.



In the latest month, all of the barometer's component indices were above trend and rising, highlighting the broad-based nature of the recovery and signalling an accelerating pace of trade expansion.

Among the barometer's component indices, the biggest gains were seen in export orders (114.8), air freight (111.1) and electronic components (115.2), all of which are highly predictive of near-term trade developments. The strength of the automotive products index (105.5) may reflect improving consumer sentiment, since confidence is closely linked to sales of durable goods. This is also true of agricultural raw materials (105.4), which are mostly made up of wood intended for housing construction. Finally, the strong showing for container shipping (106.7) is more impressive in light of the fact that sea shipments held up well during the pandemic and had less ground to make up as a result.



## Drivers of goods trade

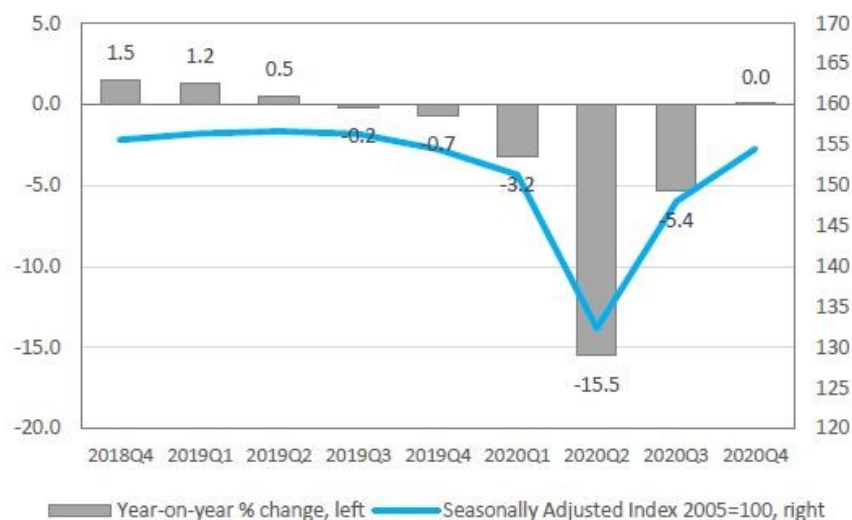
Component index values, trend = 100



The latest barometer reading is broadly in line with the WTO's current trade forecast issued on 31 March, which predicted an 8% pickup in the volume of world merchandise trade in 2021 following a 5.3% decline the previous year. The relatively positive short-term outlook for trade is marred by regional disparities, continued weakness in services trade and lagging vaccination timetables, particularly in poor countries.

Global trade has been recovering since the second quarter of 2020, when the spread of the COVID-19 virus prompted lockdowns in many countries and triggered a steep drop in world trade. The volume of merchandise trade was down 15.5% year-on-year in Q2, when lockdowns were in full effect, but by the fourth quarter trade had surpassed the level of the same period in 2019.

## World merchandise trade volume



While quarterly trade volume statistics for the first and second quarters of 2021 have not been released yet, they are expected to show very strong year-on-year growth, partly due to the recent

strengthening of trade and partly as a result of the trade collapse last year. However, COVID-19 continues to pose the greatest threat to the outlook for trade, as new waves of infection could easily undermine the recovery.

*Source: WTO*

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## WTO negotiations on Fisheries Subsidies

Members agreed to continue to engage in negotiations on fisheries subsidies with the aim of adopting an agreement by the next Ministerial Conference, scheduled for 30 November to 3 December 2021 in Geneva, Switzerland.

In this context, the WTO Director General Dr. Ngozi Okonjo-Iweala has convened a virtual meeting of the Trade Negotiating Committee (TNC) at Ministerial level on 15 July 2021. The meeting will focus on fisheries subsidies, where Ambassador Santiago Wills, Chair of the Negotiating Group on Rules, intends to present the final draft outcome on new fisheries subsidies disciplines.

The aim of this meeting is to conclude the negotiations soon and subsequently finalise a text that will curb harmful state support for fishing by the forthcoming 12th Ministerial Conference.

Since 2017, Mauritius has been advocating for adequate flexibility in terms of special and differential treatment to be able to support the development of the fisheries sector.



# For an urgent intellectual property response to Covid-19, WTO Members approach text-based discussions

*At the formal meeting of the World Trade Organization (WTO) Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS) held on 8-9 June 2021 in Geneva, WTO members moved closer to a text-based process to address the proposals put forward by delegations aimed at improving the international response to Covid-19. The aim is to achieve the common goal of providing global equitable access to vaccines and other medical products.*

At the meeting held last week, WTO Members expressed their willingness to engage in a discussion based on two proposals tabled by Members. The proposals are (i) the revised one for a waiver from certain provisions of the TRIPS Agreement which is co-sponsored by over 60 delegations, and (ii) the communication from the European Union (EU) on urgent trade policy responses to the pandemic.

## A proposal which underlines the importance of diversifying vaccine production

During the two-day meeting, the co-proponents of the proposal to waive certain TRIPS Agreement obligations detailed the main points of their revised text. They stressed that the updated proposal takes into account the existence of virus mutations and new variants which have a significant impact on public health measures. It also underlines the importance of diversifying production and supply to increase access to vaccines and other medical products, and the need to preserve incentives for research and innovation.



## A waiver that would be in force for at least 3 years?

Co-proponents responded to concerns regarding the revised provision on the duration and termination of the waiver, seen by some members as a means to permanently waive various TRIPS Agreement obligations. They explained that according to the proposal, the waiver

would be in force for at least three years from the date of adoption, requiring that the WTO General Council decides on the date of termination once the exceptional circumstances end.

## WTO: A matchmaker between vaccine developers and manufacturers?

Other Members acknowledged the new phase of discussions would require a great deal of compromise to accommodate all views without losing sight of other elements necessary for a holistic response to the pandemic, such as addressing tariffs and export restrictions, trade facilitation and the role the WTO can play as a matchmaker between vaccine developers and manufacturers.



On the other hand, the communication from the EU on urgent trade policy responses to the pandemic calls for limiting export restrictions and supporting the expansion of vaccine production.

On the issue of facilitating the use of current compulsory licensing provisions in the TRIPS Agreement, the EU calls for clarification that the requirement to negotiate with the patent holder of the vaccine does not apply in urgent situations such as a pandemic, among other issues.

According to the WTO's website, Members will be called to a first informal meeting on 17 June 2021 to assess how textual discussions can move forward and to agree on the necessary steps to be taken leading up to the General Council meeting on 21-22 July 2021.

*Source: WTO*



## **Production arrangements under which vaccine developers contracted vaccine manufacturing to other companies**

### **WTO presents vaccine data compilation**

In response to interest from WTO Members, the WTO Secretariat presented an initial compilation of data on the number of production arrangements under which vaccine developers had contracted vaccine manufacturing to other companies, and on the projected and actual production of Covid-19 vaccines under such agreements.

The Chairperson of the TRIPS Council encouraged a continued collection and updating of such data to contribute to the TRIPS Council's deliberations. Interest was also shown in reporting on the evolving patent landscape for Covid-19 related technologies.

It is to be noted that as per the Budget Speech 2021/2022, Mauritius has the potential to create a major new manufacturing industry, that of vaccine and pharmaceutical production. It has been announced that Government will provide a seed capital of Rs 1 billion to the Mauritius Institute of Biotechnology for the setting up of a manufacturing plant for the local production of Covid-19 vaccines and other pharmaceutical products.

*Source: Budget Speech 2021/2022 & WTO*

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