

## Environment and Natural Resources

### Fact Sheet No. 2 (Published in 2008)

- Stratospheric Ozone Depletion
- Environmental Pollution
- Water Resources
- Coastal Zone
- Wetlands
- Tourism and Environment

### Fact Sheet No. 3 (Published in 2007)

- Composting
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- Land Use, Agriculture and Environment
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## CLIMATE CHANGE

In April 2008, the Mauritius Meteorological Services issued a study report entitled, **Climate Change – Impacts on Mauritius**.

The report namely observed that a definite warming trend was affecting Mauritius and its outer islands since the mid-seventies. Analysis of temperatures at Vacoas for the period 1950 – 2007 also showed an increase in the annual number of hot days and warm nights. During the last ten years, summer maximum temperatures (therefore daytime temperatures) became warmer by an average of 1.0°C. Long-term time series of rainfall amount over the past century (1905 to 2007) further showed a decreasing trend in annual rainfall over Mauritius, of 8 per cent currently when compared to the 1950s.

Projected climatic changes in Mauritius through model simulation for the Indian Ocean gives a temperature increase in the range of 0.51 to 3.77°C and sea level rise between 18 and 59 cm by 2100. Mauritius is expected to experience the same effect with resulting increased risk of flash floods, more frequent heat waves in summer, increase in the number of intense tropical cyclones, increase in duration of dry spells and increased events of high energy waves (tidal surge) impacting the shores of the island.

For agricultural and fish production in particular, the consequences of the impacts of climate change in Mauritius can be significant as our marine ecosystem falls prey to rising temperatures, coastal areas are exposed to increasing risks of coastal erosion due to sea-level rise, traditional and present crop varieties will suffer, and there will be an increased incidence of disease proliferation.

It is therefore becoming urgent that a more rational management of our water resources and a revision of related policies be secured. Research into new crop varieties has to be accelerated. And, most importantly, the absence of a legal framework (climate change issues are not explicitly included in current sustainable development policies) requires rectification.

## chapter five

## Trade, Development and Cooperation



## Trade, Development and Cooperation

### WTO

#### WTO Negotiations

After the suspension of the negotiations in July 2006 by the Director General of the WTO, WTO members continued consultations with a view to find an agreement and break the deadlock on modalities. It will be recalled that after the failure of the WTO Hong Kong ministerial meeting, members agreed to consult with a view to find an acceptable compromise to put the Doha Development Agenda back on track. The main bones of contention were market access in agriculture and NAMA (non agricultural market access) and domestic subsidies.

During the year extending from July 2007 to June 2008, members continued to consult in a bid to reach some compromise. The key to a possible success is an agreement on modalities, including the formulas for making the cuts which are the very heart of the 'modalities'. Once they have been agreed upon, governments can apply these formulas to their tariffs and subsidies in order to set new ceiling commitments. However prior to agreeing to such formulas, members want a number of other concerns to be part of the same deal. These include flexibility to allow some deviation from the formulas, tighter disciplines to ensure loopholes are plugged and trade-distorting subsidies are not camouflaged in permitted policies, and different treatment for developing countries and some other groups of members. To that effect the Director General acting as facilitator, with the respective chairs of negotiations, is expected to submit modalities papers for consideration of members.

The interests of Mauritius in the negotiations lie in the protection of its margin of preference in the EU market, more particularly in the wake of the denunciation of the Sugar Protocol in September 2007. Indeed, Mauritius has to exercise vigilance with regard to the decrease of tariffs in the EU on sugar which could be as high as 66 per cent, a cut that would put our exports to the EU at risk. Mauritius considers that the issue of longstanding preferences should be at the forefront when the issue of sugar is discussed; this implies that there should be either none or very low tariff cuts but extended over a longer period than the normal time frame, notwithstanding the maintaining of the special safeguard clause over the same period.

#### Trade Policy Review - WTO

As provided in the Marrakesh agreement, each WTO member has to undergo a trade policy review periodically, depending on its share of world trade. In April 2008, Mauritius was subject to its third trade policy review, the first one being in 1995 and the second in 2001. As required by the procedures, two reports were drafted, one by the Government and the other by the WTO Secretariat. The reports were then circulated to WTO members for questioning.

According to the WTO Secretariat report on the trade policies and practices of Mauritius, the country has recently undertaken bold reforms aimed at liberalising its trade regime and boosting competitiveness; the reforms have begun to bear fruit, providing a real GDP growth of 5.1 per cent on average per year since 2003. The report adds that Mauritius' trade regime would benefit from increased predictability if the gap between applied and bound rates were reduced and the existing services commitments were improved to make them better reflect the current more liberal regime applied in the sector. The report also notes that Mauritius' participation in various regional trade agreements is difficult to manage and to reconcile with its plans to transform the country into a duty-free island.

### THE ECONOMIC PARTNERSHIP AGREEMENTS

#### The Eastern and Southern Africa EPA

During the year under review, the Eastern and Southern Africa (ESA) Region configuration for the EPA negotiations held a total of seven meetings. The high number of meetings can be largely explained by the urgent situation non-LDC ACP countries were confronted with. Indeed, in the absence of a signed EPA within the 31st December 2007 deadline marking the end of the Cotonou waiver, these countries were facing real trade disruption risks.

Intensive negotiations were held within the ESA region and with the EU. However progress was very slow due to a number of contentious issues. Indeed, the main bone of contention within the ESA region and vis-à-vis the EU was the question of minimum acceptable EPA, which would be at the same time acceptable to both parties and WTO compatible too. The question revolved around the issue of what constitutes the minimum requirement in terms of percentage for the EPA to qualify under the 'substantially all the trade' definition under GATT article XXIV.

Whereas there is to date no agreement on this percentage, the EU said that it would only be able to defend a list with not more than 20 per cent exclusion. ESA countries tried to keep a common front by maintaining a common list but owing to the current varying levels in economic and industrial development, this approach was not possible. On top of that, there were legal issues to be resolved with regard to the definition of parties and signatory states to the EPA.

## Trade, Development and Cooperation

In view of the difficulties, ESA states and the EU finally agreed to sign an interim agreement bilaterally with some common parts. The interim agreement is a provisional solution which will allow trade to continue until a full and comprehensive EPA is signed. The interim agreement stepped in as from 1 January 2008, at the expiration of the legal waiver WTO members had extended to cover the existing trade arrangements between the ACP and the EU. The European Union has now initialled interim Economic Partnership Agreements with SADC, EAC, Eastern and Southern Africa and key trading partners in the Pacific. These interim agreements cover market access and other areas including development cooperation.

In all cases, the EU has offered to remove all remaining tariffs and quotas for all exports from the ACP as from 1 January 2008, with a short transition period for sugar and rice. In a nutshell, the interim agreements contain the following:

Liberalisation in ACP countries is gradual, taking place over many years. Where trade is liberalised at once or in the short term, tariffs for the products in question are in many cases already set at 0 per cent.

The EU and the ACP have sought the greatest possible flexibility to exclude sensitive products from liberalisation – most ACP countries have opted not to liberalise most agricultural goods and many other important local products.

The EU and the ACP have prioritised the need to provide shelter for growing industry from external competition. Sensitive industrial sectors have been excluded and an 'infant industry clause' has been agreed upon in order to allow ACP countries to reinstate tariffs in future if they wish to protect a growing industry.

Concerning the ESA region, the European Commission, on behalf of the European Union, initialled an interim trade agreement with the Seychelles and Zimbabwe on 28 November 2007, with Mauritius on 4 December 2007 and with Comoros and Madagascar on 11 December 2007. The deal includes a WTO-compatible market access schedule, provisions on development cooperation, fisheries and other issues. Negotiators confirmed that the agreement is open to other parties in the region, who are expected to join in the near future.

The agreement is a framework towards the completion of a comprehensive Economic Partnership Agreement by the end of December 2008; however it should be noted that the interim ESA-EU EPA agreement contains an article which provides that the interim EPA shall continue until the entry into force of the full EPA. This will ensure that there is no disruption of trade. It should be noted that Zambia signed the interim agreement; however, as its market access offer was not deemed compatible, Zambia was admitted to the interim agreement with the exception of the market access part.

### Goods Covered

The agreement allows for 100 per cent liberalisation by value by the EU as of 1 January 2008, with transition periods for rice and sugar.

The Seychelles will liberalise 97.5 per cent of its imports from the EU by 2022 : 62 per cent of its imports will be liberalised after five years, 77 per cent by 2017 and the remaining 20.5 per cent by 2022.

Zimbabwe will liberalise 80 per cent of its imports from the EU by 2022 : 45 per cent by 2012 with the remaining 35 per cent being liberalised progressively until 2022.

Mauritius, for its part, will liberalise 95.6 per cent of its imports from the EU: 24.5 per cent in 2008, 53.6 per cent by 2017, and the remaining 42 per cent in 2022.

Coverage for Comoros and Madagascar is over 80 per cent of their imports from the EU. In the case of Comoros, 21.5 per cent of its imports will be liberalised after five years, and the remaining 59.1 per cent will be progressively liberalised by 2022.

In the case of Madagascar, 37 per cent of its imports from the EU will be liberalised after five years, and the remaining 43.7 per cent will be progressively liberalised by 2022.

### Goods Excluded

Several products from different sectors have been excluded from liberalisation, mainly due to the need to protect sensitive products or infant industries in the various countries. In the case of Seychelles, these include meat, fisheries, beverages, tobacco, leather articles, glass and ceramics and vehicles. In the case of Zimbabwe, excluded products include those of animal origin, cereals, beverages, paper, plastics and rubber, textiles and clothing, footwear, glass and ceramics, consumer electronics and vehicles.

Mauritius excluded from liberalisation live animals and meat, edible products of animal origin, fats, edible preparations and beverages, chemicals, plastics and rubber articles of leather and fur skins, iron and steel and consumer electronic. In the case of Comoros, the excluded goods are mainly of animal origin, fish, beverages, chemicals and vehicles. For Madagascar, the excluded products comprise meat, fish, products of animal origin, vegetables, cereals, beverages, plastics and rubber, articles of leather and fur skins, paper and metals among others.

The Parties will cooperate to facilitate the implementation of the Agreement and support regional integration and development strategies. They agreed that cooperation will be based on the ESA Development Cooperation Strategy and a jointly agreed Development Matrix. They will cooperate to mobilise resources additional to the financial framework of the EU, from EU Member States and other donors, in particular expanding Aid for Trade commitments, relating specifically to EPA support requirements and adjustment costs. The agreement contains an extensive fisheries chapter, mainly aiming at reinforcing cooperation on sustainable use of resources.

### EPA after the initialling of the Interim Agreement

It was clear for all parties that the interim agreement was only a stepping stone leading to the signature of a more comprehensive agreement. To that effect, the ESA region decided to continue negotiations with a view to finalise the agreement, tentatively by end 2008.

Taking stock of the new developments, i.e. the initialling of the interim agreement, and past experience, the internal ESA negotiation process, as well as with the EU, the ESA region decided to review its working procedures in order to be more efficient.

For countries that have initialled the interim agreement, it was agreed that an implementation committee will be created to coordinate and report on issues relating to the execution of the interim agreement. At the first meeting of the implementation committee in Lusaka in February 2008, Mauritius was elected chair of the said committee. The committee will meet as and when required in order to expedite issues relating to the implementation of the interim agreement.

## Trade, Development and Cooperation

Concerning the negotiating forum within the ESA, it was decided to retain two levels, the technical level and the senior officials level. At the technical level, four clusters were retained, namely market access, services, development cooperation and trade related issues. The ESA agreed that each group would comprise experts from ESA member states based on personal merits, qualifications and experience.

After consultation, Dr N. Boodhoo, Deputy Director, International Trade Division, Ministry of Foreign Affairs, International Trade and Cooperation of Mauritius, was elected as chair of the services cluster. The other chairs are Mr G. Ravelomantsoa from Madagascar for development cooperation, Ambassador N. Wahab from Sudan for trade related issues and Mrs D. Tembo from Zambia for market access issues.

Following the initialling of the interim agreement, and up to end of June 2008, the ESA group held a total of five meetings namely in Lusaka (twice), Lilongwe, Addis Ababa, and Brussels. Two of the five meetings were joint meetings with the EU. As the interim agreement is only a stepping stone for a full and comprehensive agreement, both parties agreed to continue negotiations on an array of issues with a view to concluding a full and comprehensive EPA covering the following areas:

- Customs and trade facilitation.
- Outstanding trade and market access issues, including rules of origin and other related issues, and trade defence measures including outermost regions.
- Technical barriers to trade and sanitary and phytosanitary measures.
- Trade in services.
- Trade related issues namely:
  - (i) Competition policy.
  - (ii) Investment and private sector development.
  - (iii) Trade, environment and sustainable development.
  - (iv) Intellectual property rights.
  - (v) Transparency in public procurement.
- Agriculture.
- Current payments and capital payments.
- Development issues.
- Cooperation and dialogue on good governance in the tax and judicial area.
- An elaborated dispute settlement mechanism, institutional arrangements, and
- Any other areas that the parties find necessary including consultations under Article 12 of the Cotonou Agreement.

However, both parties also acknowledged that on some issues, much work remain to be achieved namely on market access, contentious issues and the financing of development. The contentious issues on market access are:

- Standstill.
- Definition of substantially all trade and timeframes.
- Export taxes.
- MFN clause.
- Safeguards including safeguards for OCTs.

On development cooperation, the contentious issue revolves around the financing of development of ESA countries in the context of the full EPA. ESA countries want the EU to acknowledge that as a result of the opening of their economy to the EU, there will be an adjustment cost that will have to be financed; to that effect, they request a specific financial envelope for the ESA in the context of the full EPA. The EU argued however that it cannot commit a financial envelope for the EPA agreement as under the 10th European Development Fund, the allocated funds can take care of the developmental demands of the ESA countries.

## THE TRADE AND INVESTMENT FRAMEWORK AGREEMENT

The Trade and Investment Framework Agreement (TIFA) is an international agreement that creates a consultative mechanism for the USA to discuss issues that are related to trade and investment with its partners. TIFAs have been signed with nearly 30 countries and regional blocs including Mauritius. Although it is only a consultative mechanism between the USA and its partners, TIFA can be used to address specific issues or problems related to trade and investment encountered by both parties and solve them in a spirit of cooperation. TIFA can also be used as a stepping stone for the creation of a free trade area between the parties to the TIFA. The TIFA between Mauritius and US provides a formal mechanism to address bilateral trade issues and helps enhance trade and investment relations between the United States and Mauritius. The TIFA encourages new trade and investment opportunities in both countries by establishing a cooperative forum for implementing specific strategies to enhance the U.S.-Mauritius trade and investment relationship.

During the period under review, progress under TIFA was minimal, except for taking stock of the participation of Mauritian exporters of processed foodstuffs to the Fancy Food Show in the US. The various submissions and exchanges, namely on food security requirements for Mauritius and market opportunities to be pursued in the US, led to some initial achievements in the TIFA process.

## OTHER REGIONAL DEVELOPMENTS

### The COMESA-SADC-EAC initiative

Given the many regional economic communities forming part of the eastern and southern Africa region, it has not been possible so far to implement a true project of regionalisation. With SADC, COMESA, EAC, IOC and IGAD in this part of Africa, there is potential to develop a common project for the harmonisation of the whole region. To that effect COMESA, SADC and EAC have agreed to hold a tripartite summit early in October 2008 to discuss the possibility of a common FTA with a view to becoming a better integrated region in the future.

### Others

Efforts towards regional integration were given a significant boost by the challenge posed by food security issues upon Mauritius but also on the region. From 30 July to 3 August 2008, the Chamber participated in a workshop on the Preparation of a Regional Programme on Agriculture Production in Lusaka, Zambia. This first Preparatory Committee meeting also initiated strategies to tap resources from the newly-established EU Food facility which is intended to address structural reforms and production in the agriculture sector.

Otherwise, the Chamber pursued its involvement in promoting trade exchanges and agricultural production in Mauritius and the region, namely by increasing business contacts among operators and increasing its members' exposure to new opportunities. The Chamber was present at the *Foire Internationale de l'Économie Rurale (FIER MADA)* in Madagascar from 31 July to 5 August 2007, and at the *Foire Mauricienne à Madagascar* in November 2007. A third major event to which the Chamber participated was the *Agro Industry 2008 (Dar-es-salaam)* held in Tanzania in May 2008. That last event was focused on project build-ups essentially as relevant business contacts, interested investors and project opportunities were pre-identified in a number of countries of the region prior to the event, namely through the expertise of PROINVEST and all major trade promotion agencies.

It is to be noted, lastly, that the Chamber participated in a regional workshop *Atelier Régional du Programme Régional de Protection des Végétaux (PRPV) sur le Développement des Filières Semences et Plants de Qualité et des Zones Protégées* held in Madagascar from 21 to 29 April 2008. Stakeholders during that event were able to assess production management and importation issues for plant material among IOC countries and the various certification and control systems in place. They also determined practical modalities for the implementation of protected areas for safe trade exchanges of horticultural goods.

## chapter six

## Research and Scientific Progress