



USAID
**TRADE
HUB**
EAST AFRICA

MAURITIUS NATIONAL AGOA STRATEGY

**SUPPORTING THE ABILITY OF MAURITIAN FIRMS TO
SUCCESSFULLY SELL INTO THE U.S. MARKET, LEVERAGING
EVERY OPPORTUNITY THAT AGOA PROVIDES**

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Contents

Acronyms	iv
Executive summary	2
Part I: Situation analysis	3
Background	3
The Africa Growth and Opportunity Act (AGOA) deal	3
<i>Results to Date</i>	4
<i>Rising concerns</i>	6
<i>Benefits Capture</i>	7
<i>Sustainability</i>	7
<i>Diversification</i>	7
Sector profiles	8
Textiles and apparel	8
<i>Precarious trade politics</i>	9
<i>Lack of supply</i>	9
<i>Apparel's competitive weakness</i>	9
Other sectors – Overview	12
Jewelry	12
Agro and Seafood Processing, Specialty Food	13
Light Manufacturing, Plastic and Metal-based Products	14
Leather, Handbags and Fashion Accessories	14
Summary	17
Part II: Defining Strategic Priorities	17
Challenges	17
Trade policy	18
U.S. trade-specific challenges	19
Competing in a non-AGOA Distorted International Textile and Apparel Market	20
<i>Apparel</i>	20
<i>Textiles</i>	20
Transportation	20
New market entry	20
Economy-wide challenges	21
AGOA Strategy Framework	22
Strategic priority 1: Trade policy	24
Strategic priority 2: Business Support – U.S. Market Focused	24
Strategic priority 3: Business Support – General	27
Aligning for action	27
Annexes	29
Annex I References and consultations	29
<i>References</i>	29
Annex II: Meeting List	30
Annex III: Project background and scope	31

Acronyms

ACTIF	African Cotton & Textile Industries Federation
AGOA	Africa Growth and Opportunity Act
BOI	Board of Investment of Mauritius
ECA	East and Central Africa
EM	Enterprise Mauritius
GSP	Generalized System of Preferences
ITC	International Trade Center
ITD	International Trade Division
JEC	Joint Economic Council
LDC	Lesser-Developed Country
MBA	Mauritius Bankers Association Limited
MCA	Mauritius Chamber of Agriculture
MEF	Mauritius Employers' Federation
MCCI	Mauritius Chamber of Commerce & Industry
MEXA	Mauritius Export Association
MFA	Multi Fiber Arrangement
MFN	Most Favored Nation
MIA	Mauritius Insurers' Association
MOI	Mauritius Oceanography Institute
MRPA	Mauritius Rum Producers Association
MSPA	Mauritius Sugar Producers' Association
SSA	Sub-Saharan Africa
TCFP	Third Country Fabric Provision
TPO	Trade Promotion Organization
UNCTAD	United Nations Conference on Trade and Development
US	United States
WTO	World Trade Organization

Executive summary

The preferential market access granted to Mauritius and other African countries through the Africa Growth and Opportunity Act (AGOA) has played a critical role in spurring Mauritius' exports with the U.S. The textiles and apparel sector grew annually at a steady rate of 5 percent since AGOA's adoption and leading non-textile/ apparel exports grew annually at as much as 23 percent between 2001 and 2006 and an overall rate of 12 percent since 2001. In effect, AGOA has contributed to expand the apparel industry of Mauritius on a scale that the country would unlikely have achieved without preferential access to the U.S. market.

Compared to other African countries, Mauritius has developed an industry whose competitive edge is based not only on policy but also on firm-level advantages. Mauritian exports are still vulnerable and depend on the largess of U.S. policymakers and currency exchange rates. Mauritius needs to take advantage of AGOA and increase trade links with the U.S. in textile and apparel and new sectors.

Outside of textiles and apparel, AGOA has not had a significant impact on Mauritius' other exports. Most other sectors are trading more with the U.S., but this is on the back of a general rise in exports to all trading partners. In 2011, 65.4 percent of total exports went to Europe, 13.9 percent to the U.S. and 10.9 percent to South Africa.

However, AGOA offers Mauritius opportunities that it cannot afford to pass up. The U.S. is a huge market that offers Mauritian firms considerable opportunities for business growth. Therefore, the government and the private sector must do what it can to push for AGOA's extension beyond 2015, when it is set to expire. Preferential market access is particularly critical for the textile and apparel sector.

Supporting the growth of other sectors' exports to the U.S. will require specific sector support to address barriers to U.S. market entry—from market knowledge, to buyer linkage, to addressing non-tariff barriers such as U.S. sanitary and phytosanitary requirements. Support of this kind will require considerable resources, both public and private. Targeted sectors will therefore need to be carefully selected.

Finally, all businesses in Mauritius face market barriers that make doing business difficult and costly. These are not unique to firms that are doing business with the U.S., but they are too fundamental to leave unaddressed. Therefore, the AGOA strategy will actively focus on the general business barriers faced by Mauritius's entrepreneurs, and specifically those that disadvantage firms that export to the U.S.

The objective of the AGOA strategy is to support the ability of Mauritian firms to successfully sell into the U.S. market, leveraging every opportunity that AGOA provides.

The AGOA Strategy will focus on:

Focus area 1: Trade policy

Focus area 2: Business support in view of U.S. trade specifics

Focus area 3: General business support

Part I: Situation analysis

Background

The Africa Growth and Opportunity Act (AGOA) deal

A summary of AGOA's evolution is provided in Table I below. Key provisions of AGOA since its inception include:

- The AGOA passed as part of the Trade and Development Act of 2000, which provides beneficiary countries in Sub-Saharan Africa (SSA) with the most liberal access to the United States market available to any country or region with which the U.S. does not have a free trade agreement.
- The thinking behind AGOA was based on the existing Generalized System of Preferences (GSP), used in the international trade regime since 1971. This is a non-reciprocal concession under which developed countries allow duty-free or low-duty entry of imports from selected developing countries up to a certain limit or quota, covering 4600 products. However, in the case of the U.S., it excluded critical developing world exports, such as textiles, clothing and footwear. It was also subject to political influence, and could be withdrawn.
- AGOA built on the same idea but expanded product coverage by an additional 1,800 product lines (which have since increased further), and included many critical developing world exports, in particular textiles and apparel. Local content restrictions were also subsequently eased for particular products.
- A major thrust of AGOA has been to support the ability of African economies to use the textile and apparel sectors as potential engines of economic growth, in much the same way as historically happened in South and South East Asia.
- A "special rule" named Third Country Fabric Provision (TCFP) permits lesser developed AGOA beneficiary countries to utilize fabric manufactured anywhere in the world, unless the fabric is designated as being in 'abundant supply' from within Sub-Saharan Africa. After losing TCFP for a while, it was re-instated in Mauritius in October 2008. All apparel-eligible countries qualify for the special rule, except Gabon, Seychelles, and South Africa.

Table 1: Summary of different AGOA Acts

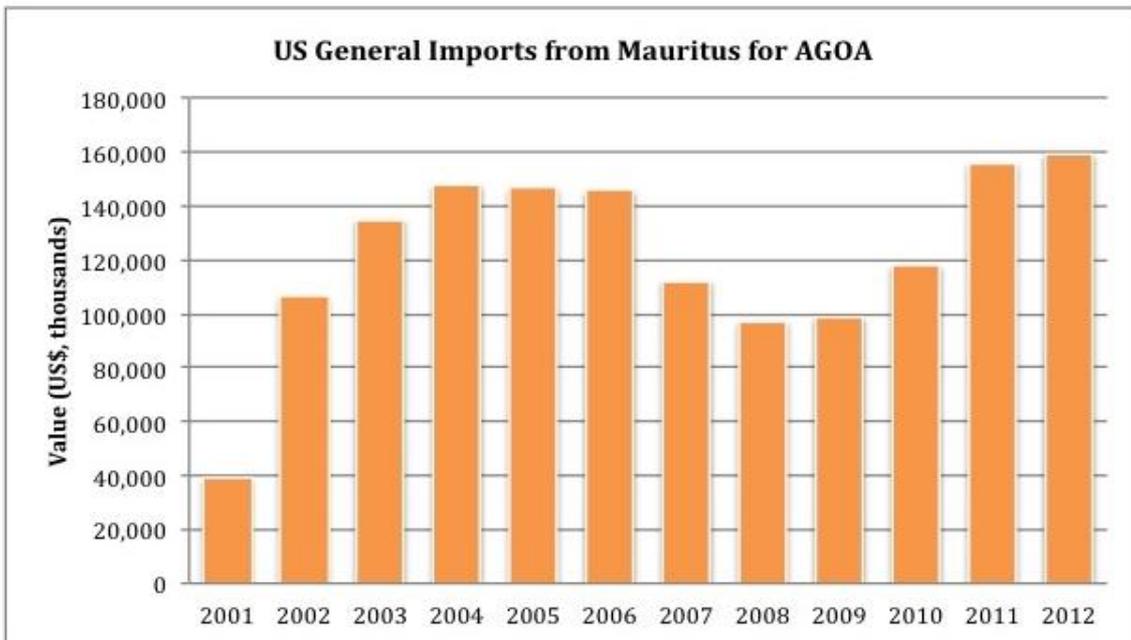
Date	AGOA act	Summary
2000	AGOA	Provided beneficiary countries in Sub-Saharan Africa with the most liberal access to the U.S. market available to any country or region with which the U.S. does not have a free trade agreement
2002	AGOA II	Botswana/Namibia included as Lesser Developed Countries (LDCs); additional textile provisions
2004	AGOA III	Extended AGOA until Sept. 2015 and the Third Country Fabric Provision until Sept. 2007; increased emphasis on U.S. technical assistance in agriculture; Mauritius also included as an LDC
2006	AGOA IV	Extended Third Country Fabric Provision until 2012 and adds abundant supply provisions
2012	AGOA IV (con't)	Extended Third Country Fabric Provision until September 2015

Results to Date

AGOA has had a clear impact in stimulating Africa-U.S. trade: all exports, including energy related products, from AGOA-eligible countries have grown over 300 percent, from \$21.5 billion in 2000 to \$86.1 billion in 2008. It has created over 300,000 jobs, many of which are in the apparel sector, which provides employment opportunities for women.

- AGOA's impact on Mauritius' exports has been nothing short of impressive. Mauritius' exports to the U.S. exploded to a growth level of over 400 percent since 2001 as shown in Exhibit I below.

Exhibit I Mauritian's exports to the U.S.

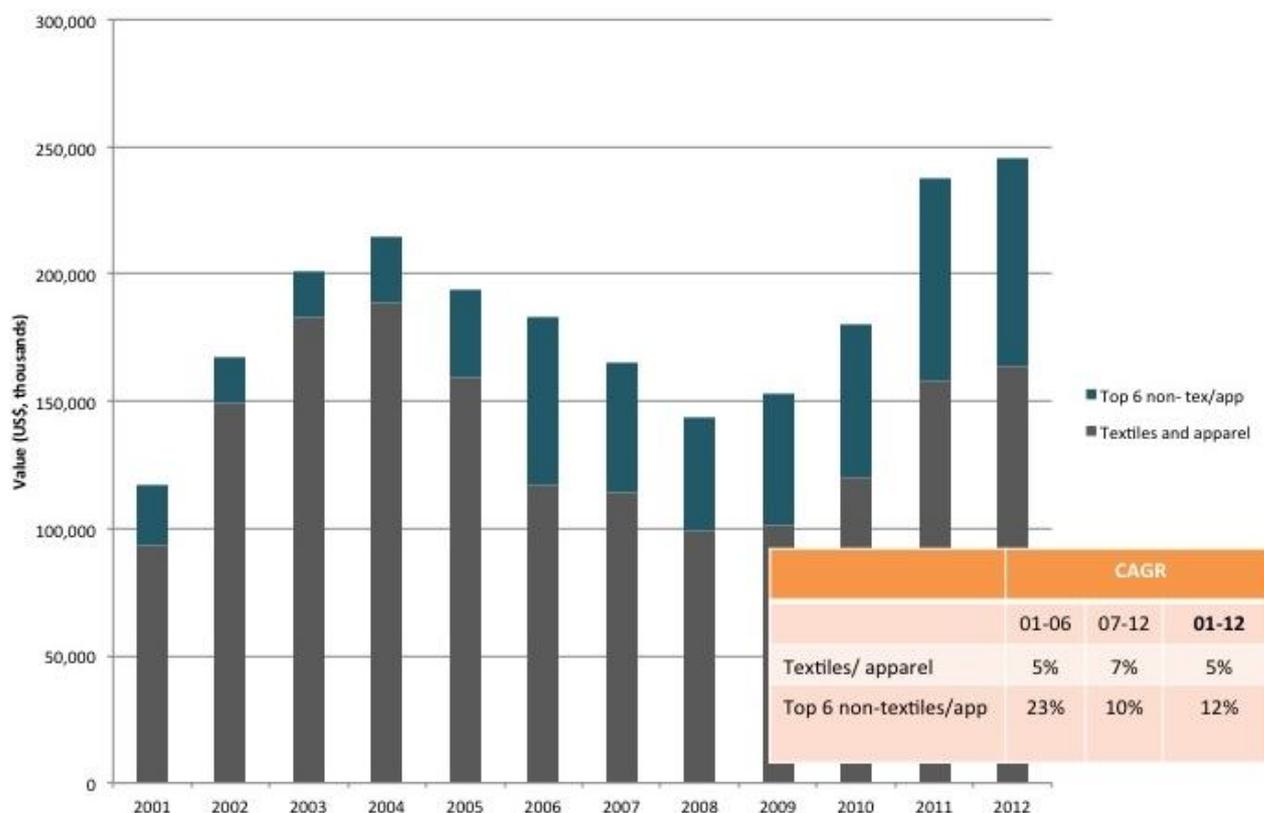


Source: U.S. International Trade Commission (USITC) data; AAC analysis

Proving the G in AGOA

- The textiles and apparel sector grew annually at a steady rate of 5 percent since AGOA's adoption.
- Leading non-textile/ apparel exports grew annually at as much as 23 percent between 2001-06 and an overall rate of 12 percent since 2001

Exhibit 2. Mauritius' Exports to the U.S. (value; CAGR percent over period)



Source: U.S. International Trade Commission (USITC) data; AAC analysis
 CAGR- Cumulative annual growth rate

However, the end of the Multi Fiber Arrangement (MFA)—which imposed quotas on the amount of textile and apparel developing countries, could export to developed countries—in 2005 led to a collapse in growth in 2007-2009. Because export restrictions did not apply to many LDCs, the MFA enabled industry growth in these countries. With the end of the MFA came increased competition, mainly from China, whose textile and apparel exports flooded the U.S. market. Coupled with the onset of the American recession in 2009, textile and apparel exports from Mauritius experienced a drastic decline. Fortunately, after leading non-textile and apparel exports slumped in 2010, steady growth has been since then, peaking at USD 159M in 2012.

Moreover, the history of the Third Country Fabric Provision in Mauritius demonstrates the importance of consistency in policies. Mauritius was given the right to use the derogation initially for a period of one year from October 2004 to October 2005, but it lasted for just nine months. As most apparel orders require a lead-time of 6 to 9 months, this did not help apparel factories secure orders as it was intended. Mauritius gained access to the derogation again in October 2008 and apparel exports began to grow again as of 2010.

Rising concerns

Despite these achievements, there have been concerns. In general terms, the advantages of AGOA – as with all preference systems – are eroding over time, as they are relative to a most-favored nation (MFN) tariff that will likely decline

with further multilateral liberalization.

More specific concerns relate to:

- 1. How competitive will Mauritius be in the future**
- 2. How sustainable the developed apparel sector is**
- 3. Why some non-apparel sectors are facing difficulties**

Benefits Capture

The main exporter to the U.S. from Mauritius is a foreign-owned company. Their dedication and investments in Mauritius have been steady over the years. While this firm employs and a lot of skilled people, it is not clear to what degree profits are reinvested in Mauritius. In this instance, AGOA is more a way to circumvent quota and import caps for firms from countries with competitive apparel industries.

Sustainability

In 2005, the end of the global MFA, which allowed countries to impose varying restrictions such as duties and quotas on textile-related imports from specific countries, meant that the U.S. market became open to increased apparel imports from China, India and Southeast Asia. Many Mauritian garment producers found they could not compete, even with a duty-free advantage. Employment dropped as a result of the phasing-out of the MFA and subsequent decrease of Mauritian exports.

Although U.S. restrictions on Chinese exports have somewhat reduced the effects of the opening of the U.S. apparel market, it remains to be seen how long they will last. Moreover, benefits offered exclusively to African countries are not WTO-rule compliant, meaning that they may have to be extended to other LDCs, such as Vietnam and Bangladesh, which are more competitive than Mauritian producers. However, these new competitors will have lesser impact on Mauritius because the private sector has developed products of higher value in terms of creativity and fashion. This policy is encompassed in Enterprise Mauritius new tag line:

“Mauritius, more than just duty-free”

The Rule for Lesser Developed Countries has been extended until September 2015. This will give Mauritius the opportunity to further develop a textile sector able to meet market demands.

Diversification

Given the strong global competition and the uncertain future of trade advantages in textiles and apparel, Mauritius cannot rely on this sector alone. Other sectors have to take advantage of the market opportunities that AGOA offers.

Sector profiles

Textiles and apparel

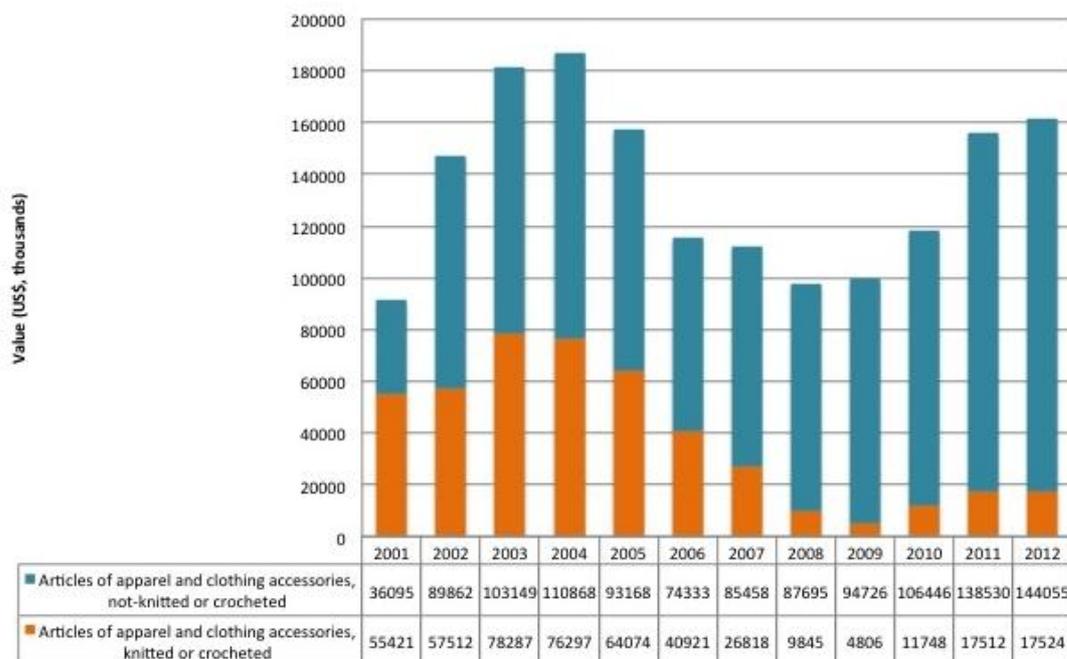
AGOA has had an unambiguously positive impact on the Mauritian textile and apparel sector. Following AGOA's passage, the sector experienced expansion of existing product lines as well as the launch of new products in which Mauritius was not previously active.

This emergence of new products has enabled diversification of Mauritian textile and apparel, resulting in business opportunities such as high fashion knitted clothes, as well as denim jeans and children's garments.

Given that AGOA specifically sought to encourage Africa's movement into the textile and apparel export market, Mauritius' response should be considered a huge success.

However, the future of Mauritius' textile and apparel sector remains uncertain. It is difficult to assess whether the sector will grow (but at a low rate), level off where it is, or whether it is actually in the early stages of a gradual decline.

Exhibit 3. Mauritius' Textiles & Apparel Exports to the U.S.



Source: U.S. International Trade Commission (USITC) data; AAC analysis

Traditionally, the main export markets for apparel have been Europe and the U.S., but over the past few years exports to South Africa have steadily increased. In 2011, 10.9 percent of Mauritian exports went to South Africa.

Fundamental structural issues continue to make the sector vulnerable, particularly with respect to the international trade regime and whether or not advantages and exceptions currently offered to the sector will continue. Other issues exist at the sector-level, including textile supply concerns and issues with the competitiveness of the apparel sector as a whole.

Precarious trade politics

The Mauritian textile industry struggles to remain competitive against its global rivals, highlighted by the plummet in sales following the increased opening of the U.S. market to China's exports in 2005. Since then, the Chinese threat has been mitigated by restrictions on Chinese imports, but without their renewal, the Mauritian industry will likely suffer.

Mauritius also faces competition from India, Bangladesh and Vietnam, all with strong textile and apparel sectors. Although India's sector incurs the same restrictions as China, U.S. policymakers are finding it increasingly difficult to justify trade advantages offered to African countries over Bangladesh and Vietnam, which are equally as poor. According to the WTO, rich countries should extend preferential access to all poor countries, not just African nations.

Time is running out on AGOA, less in terms of its formal expiry in 2015—AGOA will likely be extended beyond 2015, as in the past—than in terms of whether meaningful advantages African states will continue. Mauritian textile and apparel exporters will thus need to develop a business advantage over their competition based on firm-level advantages, rather than advantages offered by U.S. trade policy.

Lack of supply

Currently, sector success is subject to exceptions being made by U.S. policymakers for Mauritian exporters. However, such exceptions certainly cannot be expected to continue indefinitely. Although Mauritius has developed a significant textile supply sector, a feasibility assessment of whether the country can develop an industry that meets quality and quantity end market requirements, at globally competitive prices, should precede major textile investments.

Apparel's competitive weakness

Similar concerns regarding the capacity of Mauritius to support a cotton and textile supply sector exist in apparel. It is questionable whether Mauritian apparel exporters can compete on the global market in the absence of current tariff advantages as shown in the example of women's jeans in Table 3 below. If exporters do indeed have potential, the question of how long it will take, and action steps needed to become competitive must be considered.

Currently, Mauritian apparel firms compete internationally thanks to a mix of trade policy advantages, and firm- and country-level advantages. Changing this requires careful analysis of where and how Mauritius can increase business-based advantages in the context of a level international playing field. Only then can the industry take action steps toward increased competitiveness.

Should analysis reveal that Mauritian apparel is unlikely to remain competitive against other exporters, the industry must strive to maintain its policy-based competitive advantage for as long as possible.

Table 3. Comparative production and delivery costs of women’s jeans (US\$)

Cost of Basic Women’s Jeans: 13-Ounce 100 Percent Cotton (Rigid) 5-Pocket Women’s Jeans wit Studs and Garment Wash

Factory in:	Kenya	Lesotho	Jordan Qualified Industrial Zone (QIZ)	China	Cambodia	Mauritius
Fabric from:	China	Lesotho	China	China	China	Mauritius
Fabric cost per linear meter (factory gate)	\$2.10	\$2.10	\$2.10	\$2.00	\$2.11	\$2.10
Fabric yield per garment—linear yards	1.5	1.5	1.5	1.5	1.5	1.5
Total fabric cost per garment	\$3.15	\$3.15	\$3.15	\$3.00	\$3.17	\$3.15
Trims from:	China	South Africa	Israel/China	China	China	China
Trim cost per garment (thread, rivets, pocketing)	\$1.20	\$1.30	\$1.30	\$1.00	\$1.04	\$1.20
Cut/make/finish per garment (including wash)	\$1.25	\$1.40	\$1.80	\$1.25	\$1.20	\$1.80
Average profit per garment	5 percent	5 percent	5 percent	5 percent	5 percent	5 percent
Ex-factory cost per garment	\$5.88	\$6.14	\$6.56	\$5.67	\$5.66	\$6.46
Average shipping cost per garment	\$0.15	\$0.25	\$0.15	\$0.07	\$0.10	\$0.15
Tariff where applicable	0 percent	0 percent	0 percent	16 percent	16 percent	0 percent
Landed cost, including duties	\$6.03	\$6.39	\$6.71	\$6.66	\$6.68	\$6.61

Source: USAID-COMPETE, “US Apparel End Market Analysis,” July 2011.

Notes: Product: women’s jeans with studs and garment wash, 13-ounce 100 percent cotton (rigid) 5-poc

COMPETITIVE DISADVANTAGE

- Without a tariff advantage, Mauritius cannot compete against Cambodia and China for women's jeans
- Mauritius is at a particular disadvantage in terms of local transportation costs, and also pays more to ship by sea than Cambodia
- In the end, Mauritius sells jeans at \$6.61 compared to China's \$6.66 but only because China pays 16 percent duty. Without duty, China would land its jeans at \$5.74, 13 percent cheaper than a Mauritian pair of jeans

Other sectors – Overview

The primary focus and advantage of AGOA to exporting countries has been – and was intended to be – in textiles and apparel. However, Mauritius has also seen growth in exports to the U.S. in non-textile and apparel sectors, although the results are less dramatic. The degree of growth attributable to AGOA or simply part of the general trend of Mauritian growing exports remains unclear.

The second fastest growing sector is jewelry, in the form of metal, diamonds, pearls, semi-precious stones, imitation jewelry and accessories.

Additionally to AGOA-targeted sectors, Mauritius' exports in other categories include chemical products, cosmetics, eyewear and digital printing.

Jewelry

An estimated 574 registered jewelers around 2000 operators work in the Mauritian jewelry sector. This sector encompasses fancy silver, gold, precious stones and diamond manufacturers.

Eleven diamond jewelry companies currently operate in Mauritius, three of which are involved in the cutting of diamonds. Jewelry exports to the U.S. totaled USD 36M in 2011. In this sector there is no major exporter that one could consider as an industry leader.

As India is Mauritius' main competitor in jewelry and gold products, AGOA has helped Mauritian exporters and will continue to help them as long as exports from India are taxed at 17 percent. From all other countries, the advantage is minimal. Sales of jewelry and fashion accessories to the U.S. depend on the presence of agents that represent the large chain-store buyers. This sector must link with major agents in order to penetrate the U.S. market.

Based on the industry comments and public sector opinion, the jewelry sector has other very competitive advantages. Goods are non-perishable, lightweight and have little volume, and therefore easy to airfreight. Speed of delivery is not a top concern, meaning that fundamental business barriers, such as distance to market, will not hinder Mauritius from increasing its U.S. jewelry market penetration.

U.S. Imports for Consumption at Customs Value from Mauritius in 2011

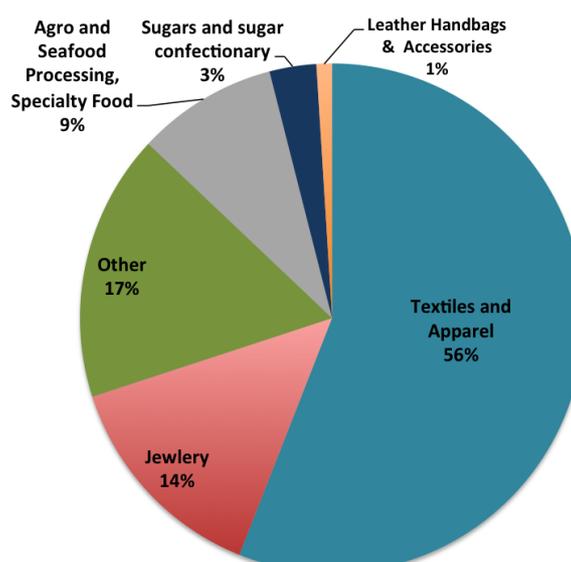
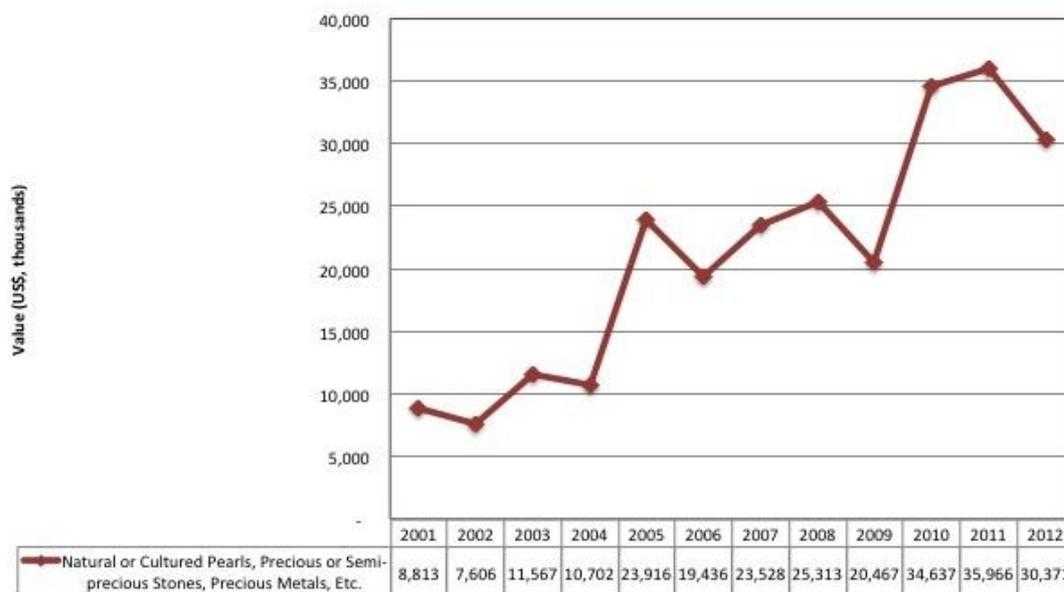


Exhibit 4. Mauritius Jewelry Exports to the U.S.



Source: U.S. International Trade Commission (USITC) data; AAC analysis

When it comes to building a competitive advantage at firm level, Mauritius has not yet developed a branding image in the gold and diamond sector. It remains the task of the sector to invest in marketing and branding and bring the Mauritian exporters to a better level of awareness in the U.S. market.

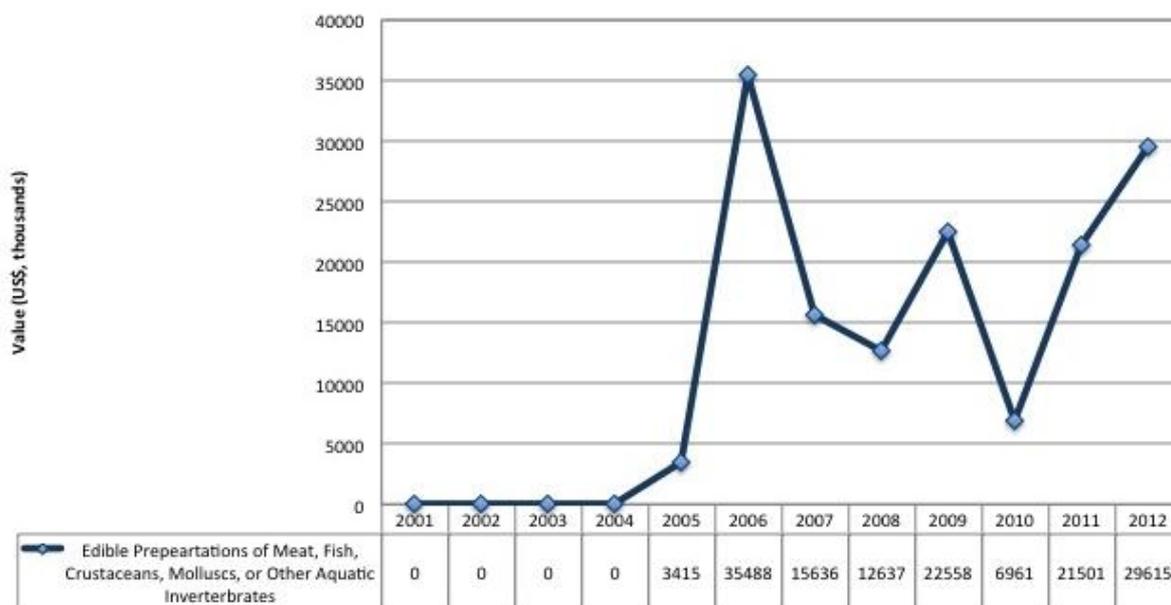
Agro and Seafood Processing, Specialty Food

The agro-industrial sector has been dominated by the production and export of sugar for decades. However, with the demise of the sugar-protocol and the drastic price reduction of sugar on the European Union (EU) market, the sector's profile has changed. This evolution has also been triggered by the global food crisis and changing food habits to the benefit of convenience foods, with an emphasis on quality and food safety.

The seafood industry in Mauritius is a processing industry, not a fishing industry. Because foreign vessels catch the fish that is packaged in Mauritius, these products do not qualify for duty-free access to the U.S. market.

There are two ways to alleviate this competitive disadvantage. The first option is for Mauritius to acquire fishing vessels for their own industry. According to industry leaders, this option is capital intensive and is not affordable for Mauritius. The other option would be to include a Third Country Fishing Provision in the future AGOA, similar to the Textile and Apparel Fabric Provision. This would allow Mauritian fishers to gain duty-free access to the U.S.

Exhibit 5. Mauritius' Agro and Seafood Processing Exports to the U.S.



Source: U.S. International Trade Commission (USITC) data; AAC analysis

Light Manufacturing, Plastic and Metal-based Products

Ranging from cutlery, hardware, fabricated metal, forgings, plastic items, to machinery equipment and electrical and automotive goods, the sector comprises of a diverse and impressive range of metal and plastics-based products.

For most of the items in these categories, the main competitive advantage should be at firm level. An innovative approach to the U.S. market in terms of creativity and branding, are more important than a very limited competitive advantage based on duties.

Leather, Handbags and Fashion Accessories

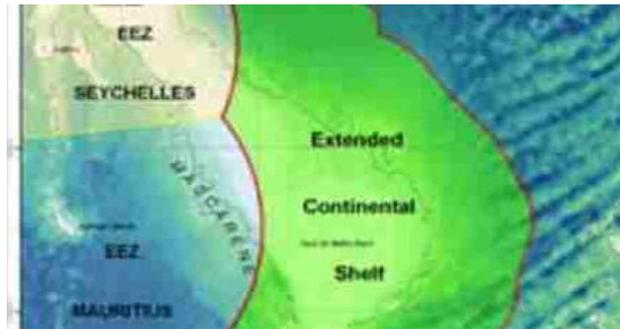
Mauritius has skilled human resources in the craft sector. Artisans make embroideries, silk paintings, metal work, sculptures, beading, basket weaving, wood pyrography and coconut products. These handicrafts are primarily designed for the tourist market. Artisans find it difficult to become export-ready, without the help of the government.

In the leather and handbags industry, Mauritius has a few larger companies who appear to be better equipped to export.

Overall, this industry can create employment through numbered SMEs. The challenge would be to define an export strategy for these small enterprises. However, it is interesting to note that exports to the U.S. are already at \$3.5M in 2011.

The Blue Economy, A Way Forward

With an Exclusive Economic Zone of nearly 2 million square kilometers, Mauritius has a wide maritime zone to manage and thus has an enormous potential for exploitation of ocean resources. This coastal and ocean territory holds an immense potential for development which could play a vital role in the Mauritian economy. The Mauritius Oceanographic Institute (MOI), as announced in the Government Program 2012 – 2015, has been asked to lead the nation on this journey to develop the ocean economy. All fundamental and applied research on the ocean industry will be carried out under the aegis of the MOI.



At this stage the MOI has identified two products that could be exported to the U.S.: farmed live coral and sponges. Further studies will be carried on to identify more projects and products, which could lead to other exports.

Institutional support

There are a number of organizations that support exporters to take advantage of trade opportunities offered by AGOA. AGOA has, in fact, played a catalytic role in directing increased technical assistance toward export readiness for the U.S. market. This has arguably been just as important in boosting trade to the U.S. as the reduced tariffs that AGOA offers. Below are summaries of some key AGOA export-support institutions.

Enterprise Mauritius (EM)

Enterprise Mauritius (EM) is the apex Trade Promotion Organization of the Republic of Mauritius entrusted with the responsibilities to develop, promote and facilitate exports of products and services from Mauritius.

Enterprise Mauritius was awarded the Best Trade Promotion Organization Award in the Small Country category in 2006 and in the Small Island Developing States category in 2010 by the International Trade Center

Team EM offers a wide range of personalized services to Mauritian-based enterprises, with a particular emphasis on market development. Every year, Enterprise Mauritius coordinates the participation of businesses in various local and international events such as trade fairs, buyers-sellers meetings, business-to-business meeting, contact promotion programs, conferences, market surveys, market testing and inward buying missions.

EM was awarded the Best Trade Promotion Organization (TPO) Award in the Small Country category in 2006 and in the Small Island Developing States category in 2010 by the International Trade Center (ITC).

Board of Investment of Mauritius (BOI)

BOI is a strategic partner for any investor wishing to benefit from the business environment in Mauritius. BOI provides access to markets, through investment partners and joint ventures with their international U.S. counterparts.

The Mauritius Export Association (MEXA)

MEXA aims to promote and defend the interest of the export community of Mauritius at national, regional and international levels.

MEXA membership reflects a full representation of the export sector:

- Agro Industries
- Fish-related products/Seafood
- Jewelry
- Light Engineering
- Textile and Apparel

Joint Economic Council (JEC)

JEC, founded in 1970, is the coordinating body of the Mauritian private-sector and regroups the main business organizations of the country, namely:

- Mauritius Chamber of Commerce & Industry (MCCI)
- Mauritius Chamber of Agriculture (MCA)
- Mauritius Employers' Federation (MEF)
- Mauritius Sugar Producers' Association (MSPA)
- Mauritius Export Association (MEXA)
- Mauritius Bankers Association Limited (MBA)
- Mauritius Insurers' Association (MIA)

Other national institutions that support Mauritian exports to the U.S. under AGOA include: *Mauritius Rum Producers Association (MRPA), the International Trade Division (ITD) the Ministry of Foreign Affairs, Regional Integration and International Trade, and the Mauritius Chamber of Commerce and Industry (MCCI).*

Regional organizations include:

African Cotton & Textile Industries Federation (ACTIF)

ACTIF is a regional association with 38 members in 20 countries. It acts as the main thrust in advocacy – particularly around extension of third party fabric rule – and connects trade partners through its 'Cotton Africa' website. ACTIF also supports apparel investment through participation at trade fairs and provides technical training in partnership with its member associations.

East and Central Africa Global Competitiveness Hub (ECA Hub)

ECA Hub provides support to utilize market opportunities of AGOA at both the national and firm levels by helping firms prepare and participate in trade shows and arranging and leading delegations to attend.

The ECA Hub conducts U.S.-specific export readiness training with pre-vetted firms, with consultants based in the U.S. for its focus sectors and also leads inward U.S. buyer delegations, developing buyer-mentor groups. The ECA Hub launched 'Origin Africa', a brand that promotes purchase of African products and builds a global African product identity.

Focus sectors of the ECA Hub include: apparel, floriculture, specialty food, footwear, home décor and fashion accessories.

Summary

A 2003 UN Conference on Trade and Development (UNCTAD) report stated that: “The overall thesis of this analysis can be summarized as follows: tariff preferences in general offer a relatively small and declining margin of preference to developing countries, and the additional benefits of the AGOA preferences represent a modest expansion over the preferential treatment that sub-Saharan countries already enjoyed under the GSP.” It continued to state that: “the non-tariff aspects of the program may ultimately be much more important to the beneficiary countries than are the tariff preferences per se.”

This is a harsh reading of the advantages of AGOA to Africa, and may be because it reflected an early assessment. Particularly with regard to the textile and apparel sector, AGOA has created an apparel industry in Mauritius on a scale that the country would unlikely have achieved without preferential access to the U.S. market.

However, the strong trade regime-based advantages that AGOA offers have meant that Mauritius has developed an industry whose competitive edge is based on policy advantages and firm-level advantages.

Apart from textiles and apparel, the above UNCTAD analysis becomes more relevant. AGOA has not had a dramatic impact on Mauritian non-textile and apparel exports, perhaps with the exception of jewelry. Most other sectors have increased trade with the U.S., but this is on the back of a general rise in exports to all trading partners. It is also the result of the increased focus on export-oriented technical assistance by the U.S. government that accompanied AGOA.

In the final analysis, despite some strong growth in particular product lines, Mauritian exports to the U.S. are substantial but not more than that. AGOA has managed to increase Mauritian exports to the U.S., but they have leveled out at about 14 percent of all exports. An end to AGOA would certainly have a negative impact, and Mauritius should do what it can to ensure its extension. AGOA’s benefits however erode year to year, and one day it will have to end. If it continues for some time, and if Mauritius uses this time to develop competitive advantages based on true firm- and national-level competencies, industries will be better off. Should AGOA end abruptly, it will be painful, but not devastating.

Part II: Defining Strategic Priorities

Challenges

The overwhelming challenge faced by the Mauritian private sector is to meet the requirements of the U.S. market, which is a comparatively new large market. Buyers’ needs should be understood and products must be adapted to their requirements. Transportation and logistics systems must be established, and compliance with entry regulations should be ensured. Supporting private firms in this process can do much to increase Mauritian exports to the U.S., and to increase the volume of non-textile and apparel exports to provide wider opportunities for Mauritius’s private sector.

A focus on U.S. market entry alone is not sufficient. The business environment in Mauritius puts Mauritian firms at a disadvantage to their international competitors who are also pursuing U.S. opportunities. Addressing high transportation costs, erratic and costly energy

supply is also necessary to bolster U.S. trade.

However, AGOA itself should not be overlooked. It provides important advantages to Mauritian firms, and is pivotal to the current competitiveness of the Mauritian textile and apparel sector, which has matured under the protection of AGOA preferences. Nevertheless, AGOA is scheduled to soon come to an end. Therefore, Mauritius (and many other African countries) should do what it can to extend the advantages AGOA offers for as long as possible.

Trade policy

The future of AGOA is uncertain. It could expire in 2015 or it may be extended. One thing is certain about AGOA, it will not continue indefinitely. Therefore, Mauritius must do what it can to develop a U.S. market-focused export sector that competes globally based on firm and country-level competitive advantages and not trade regime-based advantages.

Although Mauritian firms will be affected differently depending on the route which AGOA negotiations take, what Mauritius does from this point on will not be substantially different.

Regardless of what happens with AGOA negotiations, Mauritius must work to put its U.S.-focused firms on strong competitive foundations. If AGOA is extended beyond 2015, firms will have more time to prepare a successful transition to a post-AGOA global trade economy. If it is not extended, Mauritian firms have just three years to strengthen their competitive profile, with fewer firms able to survive the transition to a more level global playing field.

Action steps that Mauritian Government and firms must take will remain similar regardless of AGOA's expiration timetable, but the impact of different expiry dates will vary. The sooner AGOA expires, the fewer Mauritian firms will survive the transition to the post-AGOA economy.

Below is a summary of different AGOA scenarios and potential actions and outcome.

Table 4. AGOA Scenarios and Possible Outcomes

Scenario	Action	Outcome
AGOA expires in 2015	<ul style="list-style-type: none"> Develop local textile sector and ties with regional suppliers 	<ul style="list-style-type: none"> Many apparel firms (those that cannot compete without duty-free advantages) lose business in 2015
	<ul style="list-style-type: none"> Build the firm-level competitiveness of U.S.-focused exporters 	<ul style="list-style-type: none"> Most other product exporters continue with similar advantages under GSP as AGOA
Third Party Fabric Provision and AGOA extended	<ul style="list-style-type: none"> Ensure a supportive business environment 	<ul style="list-style-type: none"> Few apparel firms (those that cannot compete without duty-free advantages) will lose business in 20XX when AGOA expires
		<ul style="list-style-type: none"> Most other product exporters continue with similar advantages under GSP as AGOA

Rigorous action should be taken to ensure the extension of AGOA. This begins with extension of the Third Party Fabric Provision and extends to AGOA in general. That said, not enough has been done under AGOA to increase exports to the U.S. based on firm level advantages. More time is required to do so, but a real commitment thus far has been made.

U.S. trade-specific challenges

All export businesses face challenges. In the context of AGOA, some of these challenges are general and relevant to many Mauritian businesses while others are more specific to trading with the U.S.

- US Specific Challenges

 1. Building the competitiveness of the textile and apparel industry so that Mauritian firms can compete in a level-trading environment
 2. Managing transportation to a distant market
 3. Facilitating entry into a comparatively new market

Competing in a non-AGOA Distorted International Textile and Apparel Market

Apparel

AGOA distorted the international textile and apparel market to give African firms a special advantage over their competitors. This opened up space in the market for Mauritian firms. However, the choice of product was driven more by the cost of quotas— which were traded in international markets—than by a specific advantage that Mauritius had in that product.

Mauritius started in knit products. However, as the cost of knit products declined, production moved back to original producer countries. At the same time, the overall demand for knit products rose and Mauritius still saw increase in knitted products.



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Mauritius must compare its cost structures to those of its closest competitors, and assess whether it can remain competitive in the absence of the duty advantages that it currently enjoys. Where it is not competitive, it must decide how it can reduce costs so that it is, or whether it can migrate into different products where it can create a competitive advantage. Failing both, it will need to develop a plan for exiting that product market altogether.

Textiles

In much the same way that the apparel sector needs to assess the likelihood of developing into a globally competitive sector without duty advantages, Mauritius needs to determine whether it can increase capacity in a viable local textile sector to supply apparel makers with the necessary range of inputs at prices that are close to current import prices. This will play an important role in determining the competitiveness of the apparel sector.

However, evaluating competitiveness and then taking action in the textile sector will be comparatively more complex than the apparel sector. Apparel firms are already active in the U.S. market but will need to make crucial changes if they are to compete in the future. The textile sector requires not only change, but also capacity building for the long-term. It will take bigger investment and more time, working up through the value chain. It will also require considerable coordination among different actors.

It is also possible that Mauritius struggles to increase its viable local textile sector. In this case, the country will have to build ties to textile producers in the region to cultivate a reliable supply base. This may already be necessary as a transition strategy.

Transportation

Due to the distance between Mauritius and the U.S., transportation costs to the U.S. are relatively higher than other markets. This puts Mauritian suppliers at a disadvantage to their Asian or South American competitors. More connections to the U.S. would reduce lead times, increase competition and therefore reduce costs.

New market entry

As a relatively new large market for Mauritian products, there are key challenges that Mauritian firms face in penetrating the U.S. These include:

1. Understanding the market's needs and finding buyers
2. Complying with market entry regulations, particularly for plant, specialty food and animal products
3. Setting up the infrastructure and relationships with other service providers to access the market, from banks to transporters.

Connecting exporters to buyers and building knowledge and trust between them is crucial to expanding U.S. exports. Tradeshows are a good avenue for this, and considerable support has already gone towards establishing relationships between exporters and buyers. In addition, actionable market data is also essential and must move beyond generalities to product-specific details. This currently remains a gap.

U.S. non-tariff barriers continue to be a barrier for Mauritian exporters, and will continue to be so particularly for new products.

Finally, Mauritian exporters need to develop the experience and support systems to be able to efficiently get their products to their U.S. buyers. Access to EU markets is relatively well developed; making it is easier for new businesses that plan to begin selling to buyers in the EU. This is less the case with the U.S., which is a comparatively new market with less developed trade support infrastructure in place. Streamlining coordination between firms and service providers required to move their products both in Mauritius and the U.S. will greatly reduce the risks, costs, and time firms incur in trading with the U.S. This will encourage more firms to embark on U.S.-focused trade.

Economy-wide challenges

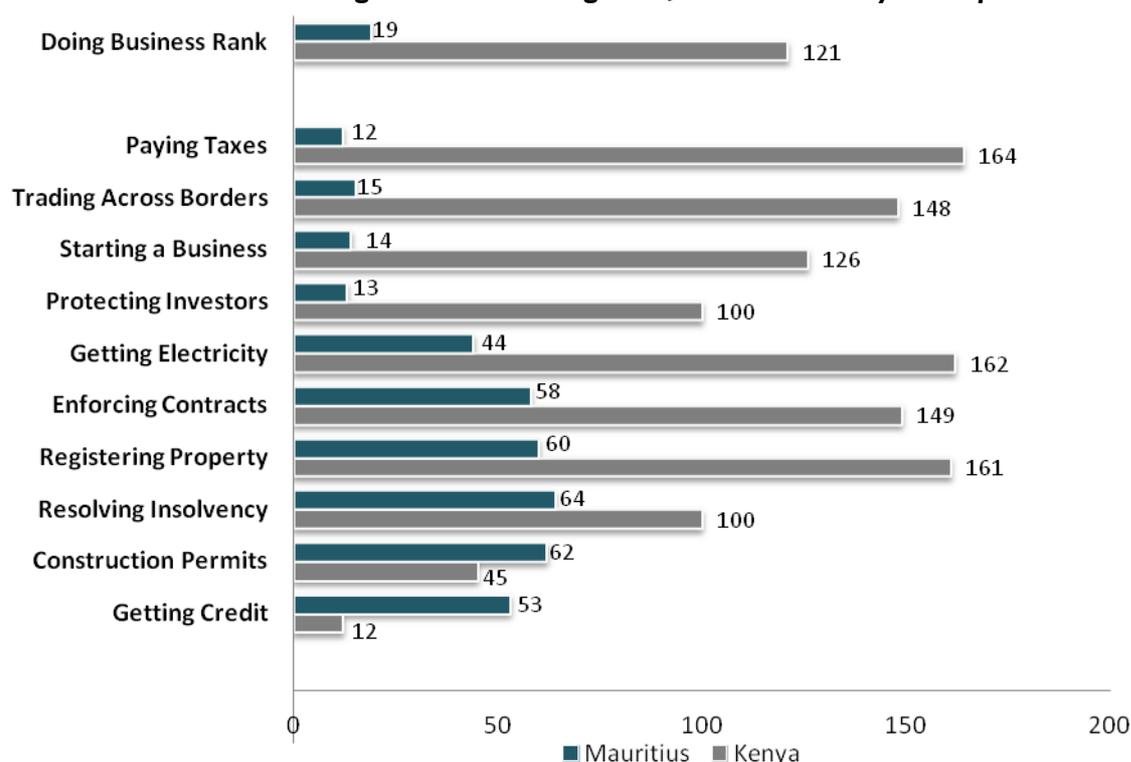
All private firms in Mauritius face challenges in doing business, whether or not they export to the U.S. Addressing these issues is primarily the responsibility of various public institutions, with deeper economic implications than Mauritius trade with the U.S. alone.

Unless some of these fundamental business environment challenges are confronted, Mauritian exporters to the U.S. will always be doing business with one hand tied behind their back. Therefore, some larger business challenges have to be highlighted and pressure brought to bear to bring them to the fore.

To understand the scale of these challenges, it is useful to put them in context of other countries and the degree to which they face similar obstacles. This gives perspective and shows what improvements should be pursued by public and private action.

Kenya serves as useful comparator country because it is an AGOA beneficiary, has demonstrated success in private sector-led economic growth and is also active in the textile and apparel sector. For example, ranked 19th out of 183 by the World Bank's Doing Business survey, Mauritius outperforms Kenya by 102 places in terms of its private sector regulatory framework as shown in Exhibit 6 below. This benchmark is interesting because the volume of Mauritius apparel exports to the U.S. is only half that of Kenya's exports to the U.S.

Exhibit 6: World Bank Doing Business Ranking 2013, Mauritius/ Kenya Comparison



Source: World Bank Doing Business 2013: www.doingbusiness.org

AGOA Strategy Framework

A range of actions is necessary for Mauritius to respond to the opportunities that AGOA offers. A simple framework will help guide, focus and communicate these actions.

The overall objective of the AGOA strategy is to support the capacity of Mauritian firms to successfully sell into the U.S. market, leveraging every opportunity that AGOA provides. Achieving this objective will entail action across three main focus areas, which, between them address all of the important AGOA-related actions that Mauritius must undertake. They relate to trade policy, business support specifically focused on exporting to the U.S., and business support that is relevant to all businesses. These comprise the three main strategic priorities of the AGOA strategy.

Actions under each strategic priority have different geographic focus areas: some are predominantly focused on the U.S., others on the crossover point between the U.S. and Mauritius, and others mainly on Mauritius. The bulk of the work will occur under the second strategic priority, which targets U.S.-specific business support issues, but focused effort across all three strategic priorities is essential to address all major challenges to increasing Mauritius' exports to the U.S. under AGOA.

Table 5. Main Actions for Each Strategic Priority

Mauritian National AGOA Strategy Objective: “To support the ability of Mauritian firms to successfully sell into the U.S. market , leveraging every opportunity that AGOA provides”		
Strategic Priority 1 <i>Trade policy</i>	Strategic Priority 2 <i>Business support: U.S. market focused</i>	Strategic Priority 3 <i>Business support: General</i>
<ul style="list-style-type: none"> • Lobby for extension of AGOA beyond 2015 • Ensure commitment to sunset dates of AGOA preferences among industry and general public 	<ul style="list-style-type: none"> • Prioritize key initial focus sectors • Compile actionable market analyses/opportunity guides for priority sectors • Participate in trade shows for priority sectors • Ensure inward buyer visits for priority sectors and develop contact hubs • Analyze feasibility of local textile sector • Analyze transportation lead-times • Develop training programs to address non-tariff barriers for priority exports • Develop horizontal cluster coordination strategies for priority exports 	<ul style="list-style-type: none"> • Lower transportation costs • Address energy supply and pricing • Streamline customs and trade regulations

Strategic priority 1: Trade policy

Actions under the trade policy strategic focus are predominantly U.S.-focused, mainly revolving around ensuring AGOA's extension. This is a pressing need, but once done will not have to be returned to. There are therefore few medium-term actions relating to it.

There are also Mauritian-focused components to this strategic priority; namely, developing local commitment to building competitiveness profiles among its key U.S. exports that are not trade regime dependent. Developing this commitment is not urgent; therefore work on this can be started at a later date.

Table 6. Trade Policy Actions

<i>Output</i>	<i>Near-term Actions</i>	<i>Medium-term Actions</i>	<i>Implementation Lead</i>
<ul style="list-style-type: none"> • Lobby for extension of AGOA beyond 2015 	<ul style="list-style-type: none"> • Ensure coordination across actors • Develop common position • Keep Contract with professional lobbyist • Develop position papers • Track progress 	<ul style="list-style-type: none"> • Track results • Close gaps as necessary 	<ul style="list-style-type: none"> • Policy and Advocacy sub-committee • MFA ITD • ACTIF/MEXA • Others
<ul style="list-style-type: none"> • Ensure commitment to sunset dates of AGOA preferences among industry and general public 	<ul style="list-style-type: none"> • Clarify outreach objectives 	<ul style="list-style-type: none"> • Develop AGOA outreach program: <ul style="list-style-type: none"> ○ Industry focused ○ Public focused • Roll-out and track progress 	<ul style="list-style-type: none"> • Policy and Advocacy sub-committee • MFA ITD • ACTIF/MEXA • Others

Strategic priority 2: Business Support – U.S. Market Focused

The first step in supporting Mauritian firms to increase exports to the U.S. requires developing a short-list of priority sectors. This should be limited to about five to start, and can then be expanded as progress is proven and resources made available.

As many sectors can grow working in the U.S., they will need considerable support in identifying market opportunities, and then coordinating across a range of service providers to capitalize on these opportunities. This work is best guided by a strategy that locates key

areas of sector weakness and develops means by which to address them, facilitating coordination across a range of different actors.

Market research elements of the work program will be mainly undertaken in the U.S., while buyer-seller linkage activities require a mixed focus on both the U.S. and Mauritius. Most of the industry analysis and coordination activities will occur mainly in Mauritius.

All subcommittees with the exception of Policy and Advocacy will be involved in implementing this strategic priority. Because a number of activities revolve around market linkage, Enterprise Mauritius and the ECA Trade Hub should be asked to play active guidance roles as they have the deepest experience in buyer-seller linkage.

Table 7. U.S. Market Focused Business Support Actions

<i>Summary</i>	<i>Near term actions</i>	<i>Medium term actions</i>	<i>Implementation lead</i>
<ul style="list-style-type: none"> • Prioritize key initial focus sectors 	<ul style="list-style-type: none"> • Develop prioritization criteria • Develop short-list of priority sectors • Conduct review and finalize 	<ul style="list-style-type: none"> • Review and revalidate priority sector list • Adjust as necessary 	EM
<ul style="list-style-type: none"> • Compile action able market analyses /opportunity guides for priority exports 	<ul style="list-style-type: none"> • Develop short-list of priority sectors • Assess exporters 'market intelligence needs • Commission market reports 	<ul style="list-style-type: none"> • Update reports as required • Track usage 	EM
<ul style="list-style-type: none"> • Participate in trade shows for priority exports 	<ul style="list-style-type: none"> • Assess trade show circuit for each sector • Assign coordination role to particular institutions • Develop proposals for financial support for above • Launch implementation 	<ul style="list-style-type: none"> • Repeat annually • Track implementation 	EM Private Sector
<ul style="list-style-type: none"> • Ensure inward buyer visits for priority sectors and develop buyer contact hubs 	<ul style="list-style-type: none"> • Short-list relevant buyers for each sector • Assign contact coordination role • Develop proposals for financial support for above • Launch implementation 	<ul style="list-style-type: none"> • Repeat U.S.-market focused business support actions annually • Track implementation 	EM Private Sector
<ul style="list-style-type: none"> • Analyze feasibility of increased capacity of local textile sector 	<ul style="list-style-type: none"> • Commission textile sector feasibility and benchmarking study 	<ul style="list-style-type: none"> • Implement findings of textile sector study 	BOI JEC
<ul style="list-style-type: none"> • Develop training programs to address non-tariff barriers for priority exports 	<ul style="list-style-type: none"> • Assess non-tariff barriers for priority exports 	<ul style="list-style-type: none"> • Source funding to implement systems to address 	MFA
<ul style="list-style-type: none"> • Develop horizontal cluster coordination strategies for priority exports 	<ul style="list-style-type: none"> • Draft proposals for cluster coordination strategies • Develop proposals for financial support for strategy formulation 	<ul style="list-style-type: none"> • Develop cluster coordination councils • Commission cluster strategies • Implement cluster strategies 	EM MEXA JEC Private Sector

Strategic priority 3: Business Support – General

Many actions relating to larger business environment issues will revolve around understanding, quantifying and publicizing the challenges faced by exporters to the U.S. as a result of environmental challenges, and advocating for change. Much of this advocacy will be focused on particular institutions that play a critical role in alleviating each particular business constraint. This work will almost exclusively be undertaken in Mauritius.

Table 8. General Business Support Actions

<i>Summary</i>	<i>Near-term Actions</i>	<i>Medium-term Actions</i>	<i>Implementation Lead</i>
<ul style="list-style-type: none"> • Lower sea and air transportation costs • Address energy cost and pricing • Streamline customs and trade regulations 	<ul style="list-style-type: none"> • Map key efforts to address constraints in transport, power, and customs trade regulations • Develop short-list of key initiatives that would aid exporters to the U.S. for above 3 areas • Develop briefs on constraints and solutions 	<ul style="list-style-type: none"> • Publicize briefs amongst counter parts and in media • Monitor progress in addressing solutions and publicize results 	All Stakeholders

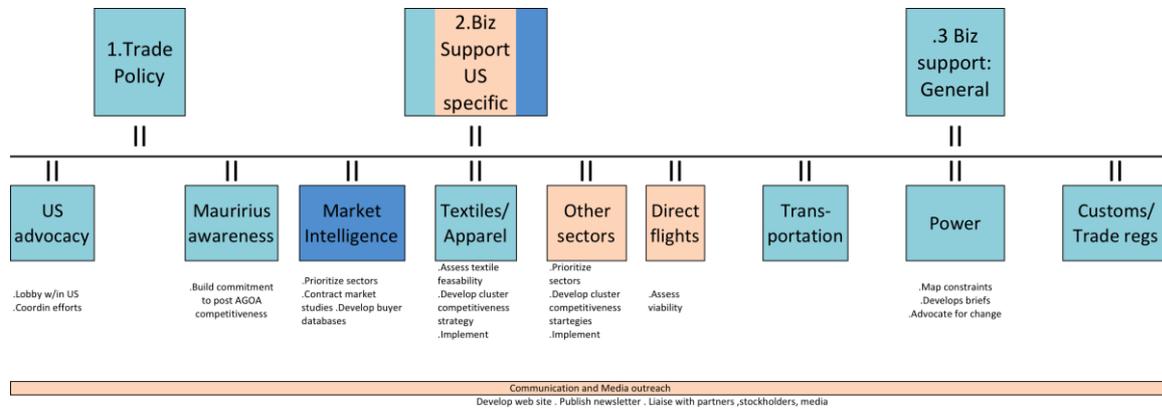
Aligning for action

Implementing the AGOA strategy will require establishing explicit leadership and implementation teams.

The institutional structure will be anchored around the main priorities of the strategy. The progress of the strategy will be overseen by the MFA and EM, with small coordination committees established for each strategic thrust to coordinate and share information across ad hoc implementing teams. This will be particularly important for the second strategic thrust– U.S.-specific business support– because actions undertaken in this area involve a number of different stakeholders.

Finally, all teams will require support to communicate their work to the private sector, other arms of government and the general public. Therefore a team should be established with the skills required to help to get the word out on the work being done to support Mauritian’s firms take advantage of AGOA, which will include establishing and updating a website, publishing newsletters targeted to certain groups of stakeholders, and linking sub-committees with representatives of the media.

Exhibit 7. Implementation Structure for the AGOA Strategy



Annexes

Annex I References and consultations

The major sources of information for the situation analysis are trade data from the International Trade Center and the U.S. International Trade Commission, and interviews with industry experts from the private sector, business associations and government agencies.

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Annex II: Meeting List

Institution	Contact	Title	Met	Solicited
Embassy of the U.S.A	H.E. Shari Villarosa	Ambassador	X	
Embassy of the U.S.A	Mr. Hugo A. Jimenez	Economic/Commercial Officer	X	
Embassy of the U.S.A	Mr. Shariff Jathoonia	Economic/Commercial Specialist	X	
Enterprise Mauritius	Mr. Dev Chamroo	CEO	X	
Enterprise Mauritius	Mr. Oumesh Prithipaul	Business Development Officer	X	
Esquel (Mauritius) Ltd	Mr. Hemraj Ramnial	Director	X	
Floreal Diamond Cutting Ltd	Mr. Edley J.C Chimon	Managing Director	X	
Groupe Saint Aubin	Dr. Yousof Ismael	Commercial and Business Development Manager	X	
JEC, Joint Economic Council	Mr. Ahmed Parkar	President	X	
JEC, Joint Economic Council	Mr. Raj Makoond	Director	X	
Labourdonnais	Pierre Raffray	General Manager	X	
Mauritius Rum Producers Association	Mr. Pierre Raffray	President	X	
MCCI, The Mauritian Chamber of Commerce and Industry	Mrs. Rooma Pillay Narrainen	Manager Trade Division	X	
MEXA, Mauritius Export Association	Mrs.Lilowtee Rajmun	Assistant Director	X	
MEXA, Mauritius Export Association	Mrs. Danielle Wong	Director		X
Ministry of Foreign Affairs, International Trade and Cooperation	Mr.Danandjav Vinod Luximon	Senior Trade Policy Analyst	X	
Ministry of Foreign Affairs, Regional Integration and International Trade	Mr. Anund P. Neewoor	Secretary for Foreign Affairs	X	
Ministry of Foreign Affairs, Regional Integration and International Trade	Mrs.Soraya Ramjanally-Nuthay	Senior Trade Policy Analyst	X	
Ministry of Foreign Affairs, Regional Integration and International Trade	Mr. Narainduth Boodhoo	Deputy Director, Trade Policy	X	
Ministry of Industry, Commerce and Consumer Protection	Mr. Ramjit Imrit	Director of Industry	X	
Ministry of Industry, Commerce and Consumer Protection	Mrs.Asha Burrenchobay	Permanent Secretary	X	
MVL Marketing	Mr. Maurice Vigier de Latour	Director	X	
Plastinax Austral	Mr. Nicolas Park	General Manager	X	
Rhumerie des Mascareignes	Mr. Pierre Raffray	Director	X	
Saint Aubin Ltee	Mr. Patrick Guimbeau	President Directeur General	X	
Star Knitwear Group Ltd	Mr. Ahmed Parkar	CEO	X	
Thon des Mascareignes	Mr. Patrice Robert	General Manager	X	

Annex III: Project background and scope

- This strategy document was prepared as part of a strategy formulation process that ran from November 2012 to March 2013, The strategy has been undertaken in a compressed time frame, to have it in place to guide the engagement of Mauritius delegation to the 12th AGOA Forum in Ethiopia in June 2013.
- The strategy was reviewed, discussed, and validated at a workshop held in Port Louis, Mauritius on March 14th, 2013. Comments from stakeholders were incorporated.
- The Ministry of Foreign Affairs leads this project, with support from USAID-COMPETE ECA Trade Hub and Enterprise Mauritius. The strategy was developed by the ECA Trade Hub.