AFRASIA

More activities expected between India and Africa via Mauritius

THE CULTURAL AND ECONOMIC ties and the numerous bilateral agreements between Mauritius and India, no doubt, make Mauritius the best partners. With the positioning of Mauritius as a hub, bridging Asia and Africa, the island offers very promising opportunities of triangular cooperation between India, Mauritius and the African continent. *"If we take India's export of goods and services, for instance, these average USD528bn p.a. Most of India's exports go the US, UAE and Europe and a relatively smaller amount to the African countries. With the enabling of the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) on 1st April 2021, which, by the way, has actually been guided by the role that Mauritius can play as a platform for India to penetrate the African continent, we can see more activities between India and Africa via Mauritius,"* says Yogesh Gokool, Senior Executive, Head Global Business at AfrAsia Bank. In addition, Mauritius is a multilingual country and it can act as a facilitator for Indian companies with respect to the 31 Francophone countries of Africa.

Yogesh Gokool, SENIOR EXECUTIVE - HEAD GLOBAL BUSINESS AT AFRASIA BANK

Furthermore, Mauritius is a member of both the COMESA and SADC, and this allows duty free transportation of goods from the island to Eastern and Southern Africa. Since the transportation of goods from Mauritius to the Coastal African cities can at times be easier than internal transportation between them, businesses domiciled in Mauritius can gain access to special economic zones in Africa and enjoy an easier business travel regime. Indian companies can therefore have an industrial base in Mauritius to cater to the demand of the African continent.

Yogesh Gokool also observes that international trade has experienced a sharp drop due to the spread of the Covid-19, affecting almost every sector of the global economy. Experts predict that if the virus is not contained soon, production could fall up to 40%, which could translate to soaring unemployment and anaemic economic activity for years to come. *"Whilst it is true that this pattern is widespread, the recovery speed substantially varies across countries. For instance, in July 2021, India's monthly exports (goods only) hit a record of USD35.2bn, signalling a rapid economic recovery in key Western markets which has led to a rise in demand for Indian products. The Indian Government has set a merchandise exports target of USD500bn for FY23 and a USD1 trillion in the next 5 years."* Strict lockdowns and international travel bans during the pandemic have affected and keep affecting tourism revenues in the balance of payments, especially for countries which typically attract many tourists, such as Mauritius.

"Going forward, we expect to see more companies take their businesses to international markets. Shrinking economies will force companies to look for new growth opportunities beyond borders." Even before Covid-19, companies were banking on international expansion, especially in emerging markets like Africa and Asia, for their long-term prospects. Coronavirus will only force them to expedite their pre-existing expansion plans. There are also other reasons why businesses will have to consider taking their businesses internationally, one of them being proximity to sources of raw materials and semi-finished goods. More companies have been forced to stop operations due to disrupted supply chains merely because they are unable to access critical raw materials. Strengthening of domestic sourcing by opening plants in resource-rich countries could be a key objective to make companies more resilient and sustainable in this pandemic era.

Another prediction for global trade is the export restrictions ban on essential goods. Although exports restrictions increase goods availability in domestic markets and lower prices, Covid-19 has proven that this approach is not sustainable. Domestic companies tend to slow down their production when forced to serve local markets, their demand for supplies from world markets shrinks and international prices for both raw materials and finished products take the plunge. This is damaging to economies that rely on international markets for essential goods like food and medical supplies.

"Last but not least, I believe that Governments will put more emphasis on medical supply chains in the future. Developing and less developed countries cannot produce enough personal protective equipment and other medical supplies, as we have seen during this crisis." Most developed countries cannot do any better because they are unable to produce medical supplies cost-effectively. Labour shortages, mobility restrictions and overdependence on imported inputs have also affected production capacity in developed countries. Going forward, governments all over the world will be spending a significant portion of their international trade budgets on medical supplies. No country in the world can rely solely on its local production capacity to guarantee supplies of medical equipment, so countries will have to join hands to support global medical demand.