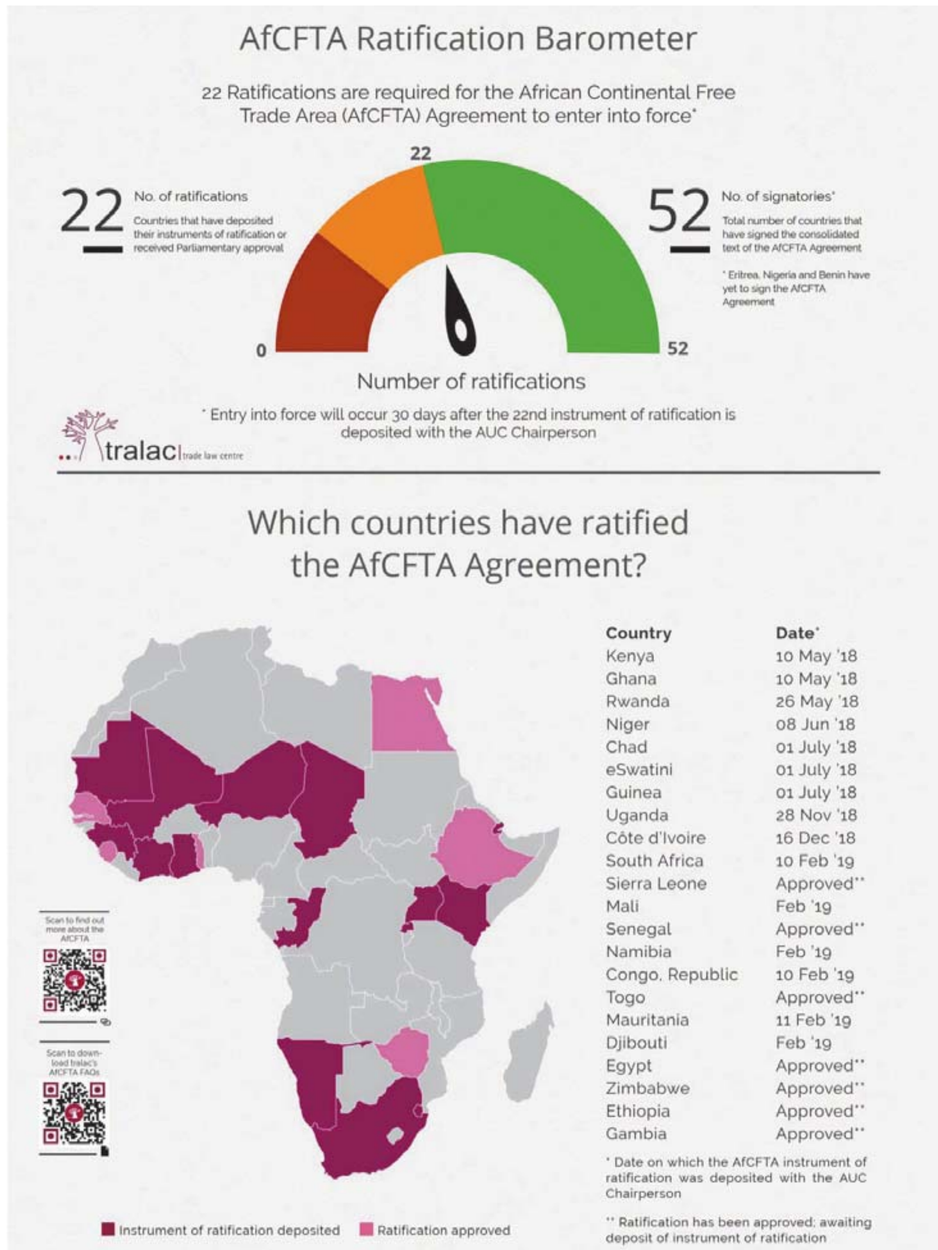
Mauritius, a springboard for the continental free trade area

With the African Continental Free Trade Agreement all set for implementation, the Mauritius IFC is well placed to offer international investors a secure entry into Africa, based on geographical, legal and financial considerations

The 2nd of April 2019 was a historic day for Africa as, with parliamentary approval, The Republic of the Gambia became the 22nd signatory needed to ratify the African Continental Free Trade Agreement (AfCTA). This significant move helped to secure the minimum threshold to mandate the creation of the world's largest free trade area in terms of participating countries since the formation of the World Trade Organisation (WTO). It may be noted that the Africa Continental Free Trade Area (CFTA) will encompass 44 out of the 55 African Union members with a combined nominal GDP of US$ 2.19 trillion according to IMF 2017 estimates.

The agreement initially requires members to remove tariffs from 90% of goods to allow free access of commodities, goods and services as well as movement of people across the continent and is set to boost intra-Africa trade by more than 50%, according to various respected estimates. This is a game changer, as Africa is set to become the second fastest growing region worldwide with an estimated GDP of USD 4.5 trillion by 2025.

This is, however, incumbent on the continent, which is home to a total of 1.2 billion consumers, being able to bridge its significant infrastructure gap as well as harness the energy and creativity of the youngest population in the world. Ostensibly, once the CFTA is established, there will be a need for a robust, vibrant efficient and secure International Financial Centre (IFC) to support the projected growth in intra-Africa trade and cross-border investments.



Infographic: Trade Law Centre (tralac)

Mauritius: the game changer

Enter the tiny paradise island of Mauritius which, in hindsight, appears to have been deliberately gearing up to become the natural choice of IFC for those seeking to take advantage of the CFTA.

Although located in the middle of the Indian Ocean, about 2,000 kms from the East Coast of Africa, Mauritius, since its independence from Britain in 1968, has decided to identify itself more with the African Sub-Continent than the Indian Sub-Continent from where a large part of its 1.3 million population originated. Moreover, Mauritius was a fast mover in joining existing regional Common Markets such as the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC).

> Mauritius ranks first on all key investor metrics

Most importantly, Mauritius offers three key unique value propositions (UVPs) to the CFTA that position the island physically, legally and financially to be the preferred springboard for trade and investments into Africa.

Location, location and location

Firstly, its geographical location offers the ideal route to boost trade between the East Coast of Africa, India and the Far East.

To this end, the island nation has developed the Mauritius Freeport, a tax-efficient modern logistics hub which offers incentives to operators and access to the free market, although rules of origin and local value addition will apply as prescribed in the CFTA.

The Mauritius Ports Authority is also currently extending its deep-water harbour in Port Louis to position itself for the increased trade volumes anticipated.

Regional Arbitration Centre

Secondly, due to the island's unique colonial history – Mauritius being probably the only country that has been colonised by the Portuguese, Dutch, French and the British – most Mauritians tend to be bilingual, fluent in both French and English. Moreover, this multiculturalism is also reflected in its robust legal system which is derived from codified and common law. The island has also liberalised the legal sector to allow for the practice of foreign and international law in the country from 2008.

To add further comfort for international investors, the country has offered itself as an International Arbitration Centre for the region to resolve legal disputes outside of the court system. It is currently home to leading international arbitral institutions such as The London Court for International Arbitration (LCIA) and the Mauritius International Arbitration Centre (MIAC) and the Permanent Court of Arbitration (PCA).

A globally recognised IFC

Last but not least, Mauritius has, over the past 20 years, reformed its financial services sector into a globally recognised IFC of repute to support cross-border investments into Africa. The country has worked really hard to build a business-friendly climate and is ranked first on all key investor metrics including political, economic, governance, transparency as well as ease of doing business in Africa.

The regulatory environment is free from exchange and currency controls and, recently, through a series of reforms, the country has been cleared by the OECD.

Supporting African Trade and Investment

Since Mauritius as a jurisdiction has been positioning itself for the advent of the CFTA, Africa-focused banks, such as Bank One, have a unique opportunity to support market players in realising the opportunities that the CFTA will bring, through their onshore and offshore experience. We look forward to playing our part in delivering the next exciting chapter of intra-African trade and cross-border investment that the CFTA will shortly usher in.

By Carl Stephen Chirwa,
Head of International Banking,
Bank One Limited