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MAURITIUS

Statement Circulated by the Honourable Jaya Krishna Cuttaree Minister of Industry and International Trade

Mauritius would like to join the previous delegations in commending the Emir of Qatar and his people for hosting this WTO Ministerial Conference and to thank them for their hospitality. We all know the difficult circumstances in which this event is taking place. Our gathering in Doha therefore demonstrates our strong commitment to keep business running in a rule-based multilateral system.

The WTO is at a crossroad. Its credibility will depend upon its capacity to meet the unfolding challenges of globalization whilst ensuring that the multilateral trading system is an inclusive framework, that accommodates the concerns of the strong and the weak, the rich and the poor and the big and the small economies.

Mauritius strongly believes that the WTO should be guided by a fundamental development agenda. The development of such an agenda, however, can only succeed if it identifies and addresses concretely the concerns of all developing countries. At the very core of these concerns are the difficulties faced by the poorest of the poor comprising 614 million people spread over 43 countries. Let me recall that out of the 43 existing LDCs, only one is expected to graduate from the group by 2015 and only eight countries are expected to graduate out of the LDC status in the next 50 years. At the same time, it is expected that a far larger number of countries will regress even further into poverty. Already this year, two countries in Africa, which at one time seemed poised for better economic prospects were proposed for reclassification as LDCs.

The UNCTAD 2000 Report on LDCs indicates that the 22 LDCs where real GDP per capita either declined or was stagnant during the period 1990-1998 could be expected to become caught in a situation in which economic regress, social stress and political instability interact in a vicious circle.

In the context of such a fundamental developmental agenda, trade should play a role that will allow our countries to exploit their productive potential and generate further momentum for growth through, *inter alia*, the enhancement of our supply-side capacities, human resource development, appropriate transfer of technology, and foreign direct investment for the purpose of developing a knowledge-based economy. There will also be a need for greater coherence at the level of the WTO, the Bretton Woods Institutions, UNCTAD and the International Trade Centre.

At the LDC III Conference in Brussels last May, statements by the World Bank and UNCTAD underscored that trade negotiations should not be conducted solely on the basis of legal aspects but should also be based on differences of economic structure. In December 2000, the White Paper issued by the UK on "Eliminating World Poverty: Making Globalization Work for the Poor" actually indicates that "In the longer term, the WTO needs to consider a more workable set of country categories to take better into account different levels of development."

Mauritius firmly believes in a strong rule-based multilateral trading system that recognizes the economic realities of the world and that provides adequate flexibility to national governments to pursue their policy objectives. In fact, this is the philosophy underlying the WTO principle of special and differential treatment, which subscribes to the idea of allowing varying levels of obligations and policy spaces to countries at different stages of development.

As a small economy, Mauritius faces a number of permanent constraints which it must grapple within the process of its economic and trade development. Thus for example, Mauritius is isolate from its major trading partners, it is about 12 airplane hours form its nearest export market and on average about seven airplane hours away from its nearest suppliers. Mauritius is not endowed with natural resources and its entire manufacturing base depends on imported raw materials. This is obviously a situation that impacts heavily on manufacturing costs and competitiveness.

Mauritius is also situated in the middle of a cyclonic belt and is faced with scarcity of arable land. Indeed, it has only some 2000 sq. kms. of land. Hence diversification possibilities within agriculture are severely constrained. In spite of attempts to diversify into other crops, sugar remains the main agricultural activity and plays a major multifunctional role in respect of rural development, environmental protection and energy provider.

Mauritius has tried to develop new sectors in the economy, aided in this by the predictability of our preferential market access. So far the socio economic development of the country has been possible due to market access opportunities through trade preferences in its major markets, namely the EU and the US. These trade preferences, in many ways, have helped us to overcome many of our inherent disadvantages.

Beyond the insurmountable difficulties related to geography, Mauritius also faces daunting challenges. These include the ongoing erosion of trade preferences for our exports; increased competition from all sources; reduction of revenue flows resulting from the lowering of customs tariffs; the requirement to contain budget deficit; the need to find resources to fuel growth and launch new activities and the mounting pressures on scarce resources, high production costs and the need to improve productivity of labour force.

One of the major concerns of the small vulnerable developing economies like Mauritius is that the existing WTO Agreements contain several imbalances and inequities that are highly prejudicial to their interests. One glaring example is that the Agreement on Subsidies allows certain large economies to use some subsidies and support measures while the same are not possible for small countries like Mauritius owing to its relatively higher GNP. This puts a restraint on countries like Mauritius to support their industrialization and development strategy. The GNP indicator is definitely not a perfect measure to reflect the true realities of small vulnerable developing economies.

It is incumbent, therefore, upon the WTO, as part of its fundamental agenda to recognize the special and difficult situations of small economies like Mauritius, which include very many small developing island States. At the second WTO Ministerial Conference in 1998, the Ministers express deep concern over the marginalization of certain small economies and recognized the urgent need to address this issue. The follow-up to this decision has been rather disappointing as there has been no concrete action, so far, in this regard.

These countries do not only have a narrow economic base, but are also dependent on a few commodities which are vulnerable to external shocks and natural disasters. Some of these economies are single commodity exporters, Mauritius being a notable example. Furthermore, as a result of their poor endowment in natural resources and their small size, it is not possible for these countries to exploit economies of scale, thus perpetuating the high cost of production and consequently the low level of competitiveness.

Besides their inherent vulnerabilities, these small economies have also been exposed to a rapidly evolving international trading environment which warrants the mobilization of huge amounts of resources and continued efforts to enable their integration into the multilateral system. Many developing countries lack the organizational capacity to implement fully obligations arising in new policy areas like intellectual property rights, investment and services. Hence, the Doha agenda should not be overburdened with issues for which they are not yet ready to enter into negotiations.

During the past few years, small economies have continued to be affected by a convergence of negative factors in the wake of liberalization, mainly due to erosion of preferences and increasing competition from larger and more sizeable economies. Our own experience, since the Uruguay Round, has demonstrated that the costs of adjustment in a rapidly liberalizing world, for small economies can be extremely high. The importance of the continuation of existing trade preferences in these circumstances cannot be overstressed. Any disruption thereof will only have a severe negative impact on the fragile socio economic fabric of our countries.

The vulnerability of our economy in the face of further liberalization of the world economy has been acknowledged. This is why I wish to stress once again that we strongly advocate a fundamental development agenda in the WTO, which will recognize fully the specificities of countries like Mauritius. This requires the full support of the WTO and the international community. Mauritius, therefore, strongly urges effective progress on the Work Programme in order to address the problems and concerns of small economies.

Before I end, allow me to express a very warm welcome to the People's Republic of China and Chinese Taipei which are acceding to the Membership of the WTO. We look forward to work with these new Members and rely on their support in addressing the concerns of small vulnerable developing countries.
