Positioning Mauritius as the ideal trading hub for Africa

Sangeetha Ramkelawon, Deputy CEO at BCP Bank (Mauritius), explains how the COVID-19 crisis can be leveraged to enhance the attractiveness of the Mauritius International Financial Centre and to reinforce the jurisdiction's strategic partnerships with neighbouring African countries such as Morocco

Lying at the crossroads of Africa and Asia in an enviable strategic location, Mauritius has demonstrated in the past – and continues to prove - its positioning as the springboard to the African continent.

Despite the economic challenges in these unprecedented times, it is now more important than ever to turn the COVID-19 crisis into investment opportunities, not only to respond to challenges posed by the pandemic but also to position Mauritius as the perfect hub for trading and investment.

The trading landscape in Africa

With a relatively young and increasingly urban population, an abundance of natural resources, and the capabilities to explore strong emerging sectors like agriculture, supply chains, technology, finance and telecommunication, there is no doubt that Africa remains an attractive investment destination.

According to the United Nations Conference for Trade and Development (UNCTAD) data for the period 2015-2019, the average value of Africa's total trade was USD 760 bn per year which represented 29% of Africa's GDP. As highlighted in the 'Trade Finance in Africa' report published in September 2020, the average size of bank-intermediated trade finance in Africa for the period 2011-2019 was estimated at USD 417 bn.

The report highlights that Development Finance Institutions (DFIs) play a fundamental role in supporting trade finance intermediation in Africa, whereby an average of 60% of banks that engaged in trade finance activities during 2015–2019 received some form of DFI support. It is noted that support from DFIs is concentrated among banks based in West and Southern Africa and foreign-owned private banks all over the continent. Trade finance therefore remains a sought-after activity among banks in Africa, and in spite of the participation rate continuing to decrease – dropping by 16% between 2013 and 2019 – Africa's quest for sustainable economic transformation is yet to be explored.

Moving forward, according to McKinsey and Company, the COVID-19 crisis "contains the seeds of a large-scale reimagination of Africa's economic structure, service delivery systems and social contract. The crisis is accelerating trends such as digitalisation, market consolidation and regional cooperation, and is creating important new opportunities - for example, the promotion of local industry, the formalisation of small businesses and the upgrading of urban infrastructure."

With increased intra-African trade, the new and emerging Africa can contribute largely to cross-border businesses in various sectors and, at the same time, minimise the limitations of unfavourable boundaries for landlocked countries.

Mauritius, the ideal springboard to Africa

Having long been a trusted investment route, Mauritius has always been considered as a safe jurisdiction for cross-border businesses.

With a strong track record in facilitating investments across Africa and the rest of the world, the island continues to leverage the many advantages that make it an International Financial Centre (IFC) of substance, including:

- A sophisticated banking system, with a robust regulatory and corporate governance framework;
- A hybrid legal system combining both Common and Civil law;

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- A bilingual workforce, including a pool of finance, legal and accounting experts;
- A network of Double Taxation Avoidance Agreements & Investment Promotion and Protection Agreements;
- An attractive fiscal regime;
- The memberships of major regional organisations – the Common Market for Southern and Eastern Africa (COMESA), the Southern African Development Community (SADC) and the Indian Ocean Rim Association (IORA);
- The signatures of the COMESA-EAC-SADC Tripartite Free Trade Agreement as well as the African Continental Free Trade Agreement (AfCFTA), all aimed at boosting intra-African trade;
- Being ranked 1st in Africa (and 13th out of 190 countries worldwide) by the World Bank for Ease of Doing Business in 2020.

Bridging the Morocco-Mauritius trade and investment corridor

Strategically positioned at the heart of pan-Africanism as a catalyst to drive ambitious growth in Morocco and Africa, the Casablanca Finance City (CFC), which is mainly focused on foreign investments, particularly those targeting Africa, represents modernisation and internationalisation for the continent. The newly created financial centre includes around 43% of companies that come from Europe, which in turn cover or target 46 African countries.

In terms of investment flows between Mauritius and Morocco, in recent years Mauritian investments in Morocco have been focused mainly on the tourism sector, while Moroccan investments in Mauritius have been mostly noted in the banking arena as well as some Global Business Companies and other investment structures whereby Mauritius has been used to invest in Africa.

As highlighted in a thought leadership seminar organised by BCP Bank (Mauritius) earlier this year, Morocco is today perfectly placed as an international financial hub facilitating access to North, West and Central Africa, with an economic diplomacy that is increasingly targeted towards sub-Saharan Africa, where we are supporting investors looking for international expansion, particularly in Morocco and in Africa. Using Mauritius as the investment gateway creates significant opportunities for investors in emerging, diversified sectors such as industrial acceleration, agriculture, fishing, textile and metallurgy, offshoring zones, BPO, FinTech, tech start-ups, data centres and telemarketing, among others.

> The Casablanca Finance City represents modernisation and internationalisation for Africa

Morocco has also established policies to offer incentives to foreign investors aimed at providing maximum legal certainty in terms of transferability of proceeds of investments.

Having reinforced its policy to attract foreign investments, Morocco is recognised for its:

- cost competitiveness;
- strong and stable macroeconomic performance;
- agreement with the EU;
- 52 international tax treaties (DTAAs) with Europe, Africa, Asia and USA & agreements for promotion and protection of investments (IPPAs);
- free trade access to over 50 countries representing more than one billion consumers and 60% of the world's GDP;
- high-end infrastructure, skilled workforce and a steadily improving business climate.

These are all complementary elements which show the significant potential of its business relationship with Mauritius, representing a vast, untapped opportunity that is yet to be explored.

The path ahead

No doubt, the COVID era represents many challenges ahead, but with a different perspective we can seize the opportunity to address the limitations, leverage knowledge and digitalisation to trade, and explore strategic partnerships with our neighbours such as Morocco, among others.

This will allow us to fully capture growth-enhancing benefits for the African continent, while positioning the Mauritius IFC as Africa's trading hub.