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WT/TPR/G/304

17 September 2014

(14-5195)

Page: 1/43

Trade Policy Review Body

Original: English

TRADE POLICY REVIEW

REPORT BY

MAURITIUS

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Mauritius is attached.

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1 INTRODUCTION

1.1. The Mauritian economy has witnessed remarkable progress in the years immediately following the implementation of an ambitious economic and trade reform programme initiated in 2006. The economy grew by 5.6% in 2006 compared to 2.7% the preceding year.

1.2. This progress has to be viewed in the light of global challenges which started with the complete phase out of the Multi Fibre Arrangement quotas in 2005 followed by soaring oil prices and drastic cut in the price of sugar on the EU market which started in 2006. The core objective of the ambitious economic transformation programme is to drive the country away from dependence on trade preferences towards competiveness in the global markets.

1.3. The economic trajectory of Mauritius was on a positive spin until the global financial crisis of 2008 which thereafter spilled to global economic slowdown and the euro debt crisis. Although the growth rate fell to 3.1% in 2009 as compared to a growth of 5.5% in 2008, Government took a series of measures to maintain economic buoyancy; including through successive fiscal stimulus packages to the tune of US$300 million and more recently a National Resilience Fund.

1.4. Measures were also taken to further facilitate business startups, streamline trade and investment procedures as well as create new poles of growth through economic diversification. In this regard, new sectors are being developed, including Health services, the Ocean Economy, Aviation and Maritime hubs.

1.5. Government is also implementing an Africa strategy to harness the opportunities emerging on the African continent and to contribute to its development through increased trade and investment. Mauritius has liberalised trade in the context to the COMESA FTA and SADC FTA, respectively and is now actively involved in the negotiations of COMESA-EAC-SADC Tripartite initiative which aims at creating an enlarged FTA encompassing all the member-states of the three regional economic communities. As part of its endeavor to accelerate regional integration, Mauritius is actively participating in the Accelerated Program for Economic Integration which involves four other regional partners, besides Mauritius. The emphasis is on diversifying towards new market avenues whilst at the same time consolidating existing access to traditional markets such as the EU and US. In this regard a Preferential Trade Agreement with Pakistan is being implemented as from 2008 whilst an FTA with Turkey became operational in 2013. Mauritius is also implementing an Interim Economic Partnership Agreement with the EU as from May 2012 and is seeking, together with its African partners the re-authorisation of the Africa Growth an Opportunity Act (AGOA) before its expiry in 2015.

1.6. With a view to creating the right environment conducive to both home-grown and foreign talents, know-how and technology, Government is reviewing its Intellectual Property Policy by modernizing its IP laws and creating an empowered Mauritius Intellectual Property Office. The new IP legislation will enable a holistic view towards Intellectual property protection and provide enhanced protection as well as step up enforcement.

1.7. This Country Report therefore highlights the salient points of our economic trajectory since the last Trade Policy Review in 2008 and at the same time outlines the opportunities for growth as well as the challenges facing the country. It includes the measures taken by Government to facilitate trade and investment in the context of the economic reform agenda as well as recent trade policy initiatives, at bilateral, regional and multilateral levels.

1.8. The Government has always taken a pragmatic approach in its trade policies with a view to integrating Mauritius further into the Global economy and the Global Value Chains. We are prospecting all possible opportunities to bolster capacity and technical expertise and devise strategic approaches to enable the business community to tap trade and economic opportunities. This is evidenced by a series of agreements/initiatives during the past few years in which Mauritius is involved. In the process, a particular attention is also being given to garner the interest of the Micro, Small and Medium Enterprises (MSMEs) to explore regional and international avenues.

1.9. The main challenge for Government is to consolidate growth within the existing pillars of the economy, give an impetus to the new pillars of growth identified whilst addressing the inherent challenges of a Small Island Developing State. These challenges are being addressed in a holistic manner to achieve higher levels of growth and sustain the economic prosperity and welfare of our citizens.

2 ECONOMIC ENVIRONMENT

2.1 Performance of key indicators and impact of the global economic slowdown on Mauritius

2.1. The year 2013 was marked by subdued economic conditions, mainly due to the prolonged sub-par growth in Europe, slowdown in emerging economies and timid recovery in the US. The IMF trimmed down world GDP growth estimates for 2013 and 2014 by 0.2 percentage points to 3.1% and 3.8% respectively. The global growth outlook remains fragile in the short to medium term. Global inflation remained low due to contained international commodity prices and subdued demand.

Table 2.1 Key economic indicators

Main Economic indicators							
	Unit	2008	2009	2010	2011	2012	2013
GDP(market prices)	Rs bn	274	282	299	323	344	366
Per capita GDP (market prices)	US$	7,623	6,932	7,559	8,733	8,899	9,217
GDP growth (basic prices)	%	5.5	3.1	4.2	3.6	3.4	3.2
Headline inflation	Dec, %	9.7	2.5	2.9	6.5	3.9	3.5
Budget deficit	% of GDP	3.0	4.0	3.2	3.2	1.8	3.5
Public sector debt	% of GDP	52.2	61.2	58.8	58.7	57.9	60.0
Unemployment rate	Average, %	7.2	7.3	7.8	7.8	8.0	8.0

Source: Statistics Mauritius, Ministry of Finance and Economic Development.

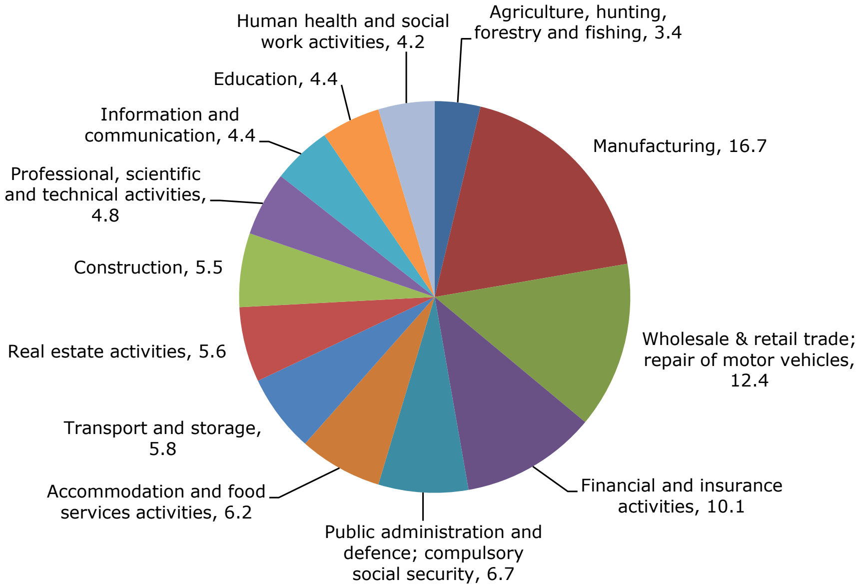
2.2. The domestic economy showed some resilience in 2013 to the external economic conditions but growth was below average at 3.2% instead of 3.4% as originally forecast. The resulting economic performance could be explained by slower growth in major export sectors and a contraction in the construction sector. Unemployment increased from 7.8% in 2011 to 8.0% in 2013. Headline inflation stood at 3.5% in 2013 as compared to 6.5% in 2011. Moderate food and energy prices and a relatively stable exchange rate helped to contain inflationary pressures. The budget deficit for 2013 stood at 3.5% as compared to initial estimates of 2.2%, mainly due to lower collection of value added tax and corporate income tax and also, larger than expected capital spending.

2.3. The 2014 budget estimated that economic growth will attain 3.8% in 2014 on the assumption that the worst phase of the world economic crisis would be over and that global GDP would recover from recent shocks. The 2014 overall budget deficit is also expected to contract to some 3.2% of GDP after reaching 3.7% in 2013.

2.2 Contribution of main sectors to the economy

2.4. The chart below illustrates the contribution of main sectors to the Mauritian economy in 2013. Mauritius has a relatively well-diversified economic base and is now an upper-middle-income country with manufacturing, financial services, tourism, ICT, real estate and sea-food constituting important economic pillars.

Chart 2.1 GDP composition, 2013



Source: Statistics Mauritius.

2.3 Sectoral Performance

2.5. Table 2 below shows the real growth rates of main sectors of the economy. The highest sectoral growth rates were registered by financial and insurance activities and the ICT sector. The negative growth of the construction sector could be mainly attributable to the completion of major infrastructure projects. For the year 2013, the economy was mainly driven by financial and insurance activities, manufacturing and distributive trade sectors.

Table 2.2 Gross domestic product-sectoral real growth rates (% over previous year), 2007–2013 in selected sectors

	2007	2008	2009	2010	2011	2012	2013
Agriculture, forestry and fishing	-5.0	+3.0	+9.1	-0.8	+4.1	-0.2	+3.1
Sugarcane	-14.2	+4.8	+12.5	-6.4	+3.5	-7.3	-1.3
Other	+4.6	+1.4	+6.4	+2.4	+4.4	+3.7	+5.5
Mining and quarrying	-5.5	+1.5	-5.4	+4.4	-18.9	-8.3	-3.0
Manufacturing	+2.6	+3.3	+2.4	+1.9	+0.7	+2.2	+3.0
Sugar	-13.6	+3.7	+15.0	-4.0	+3.8	-6.3	-0.6
Food exc. Sugar	+2.7	+7.3	+4.2	+4.1	-1.4	+7.6	+1.0
Textiles	+9.8	+0.3	0.0	0.0	+3.0	-1.1	+2.0
Other	-4.3	+2.8	+1.8	+2.0	+0.6	0.0	+7.0
Electricity, gas, steam and air conditioning supply	+3.9	+7.1	0.0	+4.6	+4.4	+4.5	+4.4
Water supply, sewerage, waste management and remediation activities	-1.4	-0.7	-0.2	-0.3	+2.5	+2.2	+2.5
Construction	+15.7	+11.8	+5.9	+4.3	-2.0	-3.0	-9.4
Wholesale & retail trade; repair of motor vehicles and motorcycles	+4.8	+4.6	+0.6	+4.0	+3.7	+3.9	+3.3
of which wholesale and retail trade	+4.5	+4.3	0.0	+3.7	+3.3	+3.5	+2.9
Transportation and storage	+4.6	+3.1	+2.6	+3.4	+2.5	+2.1	+2.2
Accommodation and food service activities	+12.0	+1.3	-6.0	+6.0	+3.5	+0.0	+3.5
Information and communication	+13.8	+13.2	+11.6	+10.9	+9.0	+8.6	+7.1
Financial and insurance activities	+7.6	+10.1	+4.6	+4.5	+5.6	+5.7	+5.4
Monetary intermediation	+8.6	+13.3	+4.3	+4.4	+6.3	+6.3	+5.5
Financial leasing and other credit granting	+8.0	+10.0	+7.0	+5.6	+6.0	+6.0	+6.3
Insurance, reinsurance and pension funding	+5.1	+5.0	+4.0	+4.5	+4.5	+4.6	+4.9
Other	+10.0	+2.1	+7.5	+4.0	+3.7	+5.0	+5.4
Real estate activities	+3.0	+3.1	+1.9	+2.7	+2.9	+2.8	+2.9
of which owner-occupied dwellings	+1.8	+2.2	+0.6	+1.4	+1.5	+1.2	+1.4

Source: Statistics Mauritius.

2.6. The agricultural sector expanded by 3.1% for the year 2013 as compared to a contraction of 0.2% in 2012 mainly driven by the subsector "other agriculture, forestry and fishing" which recorded a growth of 5.5% as compared to a 1.3% contraction of the sugar subsector. The manufacturing sector grew by 3% in 2013 as compared to 2.2% in the previous year. The textile sector registered a growth of 2% in 2013 against a contraction of 1.1% the preceding year. The manufacturing sector has diversified with seafood processing having emerged as a new sector with high growth potential. The financial and insurance activities sector posted marginally lower growth of 5.4% in 2013 as compared to 5.7% in the previous year. Accommodation and food service activities recorded a growth of 3.5% in 2013. The wholesale and distributive trade sector grew by 3.3% in 2013 as compared to 3.9% in 2012. The information and communication sector grew by 7.0% in 2013 as compared to 9.1% in 2012. Growth in real estate activities increased marginally from 2.8% in 2012 to 2.9% in 2013.

2.4 Balance of payments

2.7. Table 2.3 indicates the trend in the balance of payments which shows a surplus due to positive capital and financial inflows. Current account deficit as a percentage of GDP increased to 9.9% in 2013 from 7.3% in 2012.

Table 2.3 Current account (balance of Payments), 2008-2013

(Rs million)

	2008	2009	2010	2011[a]	2012[a]	2013[b]
Current account	-27,633	-20,836	-30,986	-44,630	-25,059	-36,187
GDP market prices	274,316	282,354	299,173	323,011	343,834	366,509
Current account balance as a % of GDP	-10.1	-7.4	-10.4	-13.8	-7.3	-9.9
Overall Balance of Payments	+4,624	+12,103	+6,177	+5,247	+6,041	+16,580

a Revised. 2011 and 2012 data have been revised and are not strictly comparable to previous years and 2013. This is largely due to revision brought in 2011 and 2012 balance of payments statistics, which have been supplemented with results obtained from the Foreign Assets and Liabilities Survey (FALS 2013) conducted last year.
b Current Account (balance of payments), 2008-2013, indicates provisional figures.

Source: Bank of Mauritius.

2.5 Foreign investment

2.8. Gross Foreign Direct Investment (FDI) inflows in Mauritius stood at Rs 9,512 million in 2013 compared to Rs 11,419 million in 2008. Following the introduction of the Real Estate Development Scheme under the Investment Promotion Act and Investment Promotion Regulations in 2007, FDI in the real estate activities sector surged from Rs 4,525 million in 2008 to Rs 5,924 million in 2013, of which the IRS/RES component accounted for Rs 4,596 million.

Table 2.4 Foreign direct investment in Mauritius by sector , 2008-2013 (excluding GBC1s transactions)

(Rs million)

	2008	2009	2010	2011[a]	2012[a]	2013[b]
Construction	68	211	1,292	2,117	2,305	762
Accommodation and food service activities	1,348	1,850	836	999	1,839	314
Financial and insurance activities	4,564	1,371	4,645	1,972	5,512	716
Real estate activities	4,525	4,305	3,422	5,236	7,553	5,924
of which IRS/RES	2,637	2,074	2,033	3,352	4,228	4,596
Other	914	1,056	3,753	2,570	3,164	1,796
Total	**11,419**	**8,793**	**13,948**	**12,894**	**20,373**	**9,512**

a 2011 and 2012 data have been revised and are not strictly comparable to previous years and 2013. This is largely due to revision brought in 2011 and 2012 balance of payments statistics, which have been supplemented with results obtained from the Foreign Assets and Liabilities Survey (FALS 2013) conducted last year. Direct investment data, besides equity, now also include reinvested earnings and shareholders' loans.
b Preliminary estimates. 2013 data will be revised once FALS 2014 results will be finalised.

Source: Bank of Mauritius.

2.9. As illustrated in the Table 2.5 below, Gross Foreign Direct Investment (FDI) outflows were mainly channeled towards the accommodation and food service activities sector (Rs 2,397 million) in 2013. Direct investment abroad was mainly directed to African countries (Rs 2,993 million), followed by Rs 730 million to European countries in 2013.

Table 2.5 Direct investment abroad by sector , 2008-2013 (excluding GBC1s)

(Rs million)

	2008	2009	2010	2011[a]	2012[a]	2013[b]
Manufacturing	205	114	347	992	449	124
Accommodation and food service activities	920	711	1,002	1,850	1,017	2,397
Financial and insurance activities	209	209	1,063	1,253	2,381	535
Real estate activities	213	330	124	164	254	862
Other	65	48	1,473	1,842	1,448	217
Total	1,612	1,412	4,009	6,101	5,549	4,135

a 2011 and 2012 data have been revised and are not strictly comparable to previous years and 2013. This is largely due to revision brought in 2011 and 2012 balance of payments statistics, which have been supplemented with results obtained from the Foreign Assets and Liabilities Survey (FALS 2013) conducted last year. Direct investment data, besides equity, now also include reinvested earnings and shareholders' loans.

b Preliminary estimates. 2013 data will be revised once FALS 2014 results will be finalised.

Source: Bank of Mauritius.

2.6 Trade Performance

2.10. As shown in the table below, total exports of goods increased from Rs 59 billion in 2008 to Rs 72 billion in 2013.

Table 2.6 Exports of goods by Mauritius to main markets

(Rs million)

Country of destination	2008	2009	2010	2011	2012	2013
Total exports	**59,015**	**56,162**	**61,990**	**62,358**	**67,371**	**71,967**
Europe	40,136	37,445	39,281	38,328	38,795	40,351
United Kingdom	20,134	15,280	13,373	12,644	12,497	11,976
France	7,915	9,317	10,517	8,797	8,720	8,594
Africa	9,826	10,516	11,399	13,140	15,916	15,066
Madagascar	3,451	3,587	3,562	3,973	4,641	4,510
South Africa	2,146	2,553	3,602	4,982	6,693	6,039
United States	3,926	4,624	6,189	6,667	6,714	7,253
Asia	4,412	2,904	4,471	3,488	5,107	8,467

Source: Statistics Mauritius.

2.11. Europe remained the main export market for Mauritian products accounting for the largest share in total exports, namely some 56% in 2013. Moreover, the share of exports destined to the EU market has not fluctuated much between 2008 and 2013. By contrast, the share of exports to the African market has registered a significant increase from 16.7% in 2008 to 20.9% in 2013. The Malagasy and South African markets have registered good progression over the period under review. The noticeable progress on the South African market was mainly due to the positive effect of tariff liberalization under the SADC Free Trade Area which was launched in 2008. During the same period, the share of exports to the US market increased from 6.7% to 10.1%.

2.12. Exports of food and live animals, as a proportion of total export of goods, increased from 31.3% in 2008 to 37.8% in 2013. The share of miscellaneous manufactured articles declined from 47.6% in 2008 to 40.7% in 2013 while the share of articles of apparel and clothing accessories went down from 40.5% in 2008 to 32.6% in 2013, reflecting mainly a slowdown in demand in our main export markets. The share of manufactured goods classified chiefly by material, however, went up to 10.2% in 2013 from 8.9% in 2008.

Table 2.7 Imports by Mauritius from main markets

(Rs Million)

Country of origin	2008	2009	2010	2011	2012	2013
Total imports	**132,165**	**118,444**	**134,882**	**147,815**	**160,996**	**165,661**
Asia	71,520	59,049	71,188	79,067	90,506	93,837
India	31,699	22,336	29,629	34,666	37,191	40,035
China	15,288	14,903	18,033	20,780	25,834	24,313
Europe	32,162	33,960	34,264	38,320	39,391	40347
France	10,159	13,812	11,787	13,158	13,363	13,367
Spain	3,759	2,800	3,680	4,462	5,484	6,551
United Kingdom	2,996	2,925	2,992	3,403	3,230	3,560
Africa	16,986	14,799	16,910	16,925	17,383	17,789
South Africa	10,723	10,236	11,433	10,457	10,535	10,230
Kenya	1,038	1,089	1,317	1,294	1,560	1,375
Egypt	961	834	945	957	1,124	1,085
United States	2,990	2,576	3,142	2,633	2,801	2,438

Source: Statistics Mauritius.

2.13. Total imports increased from Rs 132.17 billion in 2008 to Rs 165.66 billion in 2013. The Asian continent remained our main supplier with imports accounting for 56.6% in 2013 compared to 54.1% in 2008. Imports from India and China represented 24.2% and 14.7% respectively in 2013. Imports from Europe remained more or less constant over the 2008-2013 period making up some 24.3% of total imports.

2.7 Opportunities for growth and new economic infrastructure

2.7.1 Improving the investment climate

2.14. The Business Facilitation Act was central to the Economic Reform Programme which started in 2006. The ambitious economic reform programme was built on the premise that the country had to be globally competitive and the major development thrust was to promote the diversification of the economy by (i) opening up further to foreign capital, talents, expertise, and ideas; (ii) consolidating the economic structure by identifying emerging sectors and (iii) reforming the regulatory environment to harness the creativity of the private sector. In this regard, the spirit of the Business Facilitation Act was to focus on self-adherence guidelines and ex-post monitoring by the relevant authorities rather than ex-ante controls. Procedures for starting a business were significantly streamlined.

2.15. With a view to pursuing progress towards building a world-class investment climate, the 2014 Budget contained two important measures: (i) fast-tracking of significant projects and (ii) speeding of the delivery of Building and Land Use Permit.

2.16. A Fast Track Committee under the Chairmanship of the Financial Secretary has been set up to expedite the processing of all permits and approvals concerning major investment projects. Consequential amendments would be brought to relevant legislations and the measures are expected to lead to investment of some Rs 20 billion into new projects over the next few years.

2.17. The Business Facilitation Act will be further enhanced through the setting-up of a central e-monitoring system which will track all applications for building and land use permits. The required permits would be delivered within 14 days of submission of application and past the deadline the Silent Agreement Principle will apply.

2.7.2 The Africa Strategy

2.18. Reinforcing the Africa Strategy is an important component of the Economic Agenda of Mauritius. The objective is to increase trade and investment with the African continent which is emerging as a continent with enormous potential for trade and investment.

2.19. Some core measures were introduced in the 2014 National Budget to reinforce the Africa Strategy and support Mauritian enterprises to do business in Africa. These measures include:

i. A Mauritius/Africa Fund (through which the Government has committed some Rs 500 million over the next five years).

Government would participate in the equity financing of businesses investing in viable projects in Africa at a maximum level of 10% of the share capital of the enterprise.

The Mauritius/Africa Fund will pay consultancy services on the continent for Government and public sector entities in fields where Mauritius has a competitive advantage.

Export to Africa.

As from June 2014 a support is provided to enterprises to mitigate freight cost on containers exported to Africa.

Government will provide a 50% support on the cost of the Credit Guarantee Insurance for exports to Africa.

ii. Promoting Mauritius on the continent.

2.20. The Board of Investment is expected to organize a series of high-level conferences across the continent to showcase Mauritius as a trusted partner. Mauritius hosted the first Mauritius/ Africa Partnership Conference in June 2014.

2.7.3 Air, maritime and road infrastructure

2.21. Infrastructural development is one area in which Mauritius has invested massively in recent years as adequate road, maritime and airport infrastructure is key to productivity and economic prosperity, especially taking into consideration the fact that Mauritius is far from its main export markets.

Air transport

2.22. Air Transport plays a leading role in the economic and social development of the country. As tourism is one of the main pillars of the Mauritian economy, air transport has a significant contribution since it is the main mode of travel to and from the major tourist destinations of the world which are separated by great distances and vast oceans. The national air carrier, Air Mauritius, is the main carrier of passengers in and out of Mauritius and services the main cities in Europe, India, China, South Africa and Australia amongst others. Between April 2012 to March 2013 it carried around 1.3 million passengers. Passenger traffic at the airport in Mauritius reached about 2.6 million in 2012 and grew at an annual average rate of 3.1% over the last 10 years. In addition to Air Mauritius, 14 foreign carriers serve Mauritius.

2.23. Air Mauritius Ltd and Ground2Air are the two agencies providing ground handling services to airlines operating at Sir Seewoosagur Ramgoolam International Airport.

2.24. Air Mauritius Ltd is also the main carrier of air freight into and out of Mauritius. Around 30,500 tonnes of cargo have been carried from 1 April 2012 to 31 March 2013.

2.25. The Sir Seewoosagur Ramgoolam International Airport is owned and operated by Airports of Mauritius Co Ltd (AML). There have been recent infrastructural developments at the airport consisting mainly of the construction of a new passenger terminal and a parallel taxiway that can also be used as an emergency runway. The runway has been enlarged to accommodate new large aircraft of the type A380.

2.26. The new passenger terminal which became operational in September 2013 is operated by a subsidiary company of AML, namely Airport Terminal Operations Ltd (ATOL). The new passenger terminal has an annual capacity of 4.5 million passengers and is equipped with 5 passenger boarding bridges, among which one is capable of handling A380 aircraft.

2.27. The number of passengers processed in 2012 is above 2.6 million and over the past five years the passenger traffic has grown at an average rate of 2.6% annually. AML is aiming at achieving a 3% growth for the year 2013 and is expecting to reach 3 million passengers by the end of 2014.

2.28. To further modernise the Sir Seewoosagur Ramgoolam International Airport the following projects are expected to be implemented by 2014-2015:

- construction of two additional aircraft parking stands to cope with growing aircraft parking constraints;

- construction of a new control tower so as to safeguard safety of airside operations, in view of envisaged future developments;

- a Cargo and freeport zone will be developed to boost the air freight activity;

- improved service delivery at the airport;

- the ex-passenger terminal will be refurbished and subsequently integrated with the new passenger terminal;

- new access road to the airport will be built to cater for higher volume of traffic flow;

- development of an airport environment strategy to map out the environmental measures relative to, *inter alia*, air quality, water quality, wastewater management, noise, solid waste, hazardous waste, biodiversity, energy consumption and the community environment.

2.29. The Government aims at capitalizing on the recent investment to strengthen the aviation industry with a view to making it a new pillar of the Mauritian economy. In this respect, a masterplan will be developed to focus on the following segments: passenger hub; cargo hub; regional training centre for maintenance technicians and pilots; centre for maintenance repairs and overhaul for aircrafts. In the short term, Airports of Mauritius Co Ltd will expand the cargo and freeport facilities at the airport for a sum of Rs 525 million.

Port development

2.30. Port-Louis Harbour includes a dedicated container terminal, a multi-purpose terminal as well as terminals for handling fish and dry bulk products like coal, sugar, wheat and cement; a petroleum jetty for the discharge of petroleum products and a dedicated cruise jetty to accommodate cruise vessels. The port sector contributes more than 2% to Mauritius GDP. The Mauritius Container Terminal (MCT), operational since January 1999, handles around 94% of total container throughout (e.g. 486,184 TEUs out of a total of 517,768 TEUs in 2013).

2.31. The Government plans to develop the Port Louis Harbour into a regional maritime, logistics and business hub. The objective of the Government is to provide a port that is well equipped, professionally managed and constantly upgraded to promote higher productivity and performance at competitive rates. In this respect, Mauritius intends to embark on a strategy that would result in a substantial increase in transhipment trade, from 268,820 TEUs in 2013 to about 495,000 TEUs by 2020 and 745,000 TEUs by 2025.

2.32. The Mauritius Port Authority (MPA) is planning port development ahead of demand to cater for the requirements of the local economy extending into the future with a view to positioning Port Louis as an international and efficient conduit for trade in the region. The MPA has thus already completed the construction of both an oil jetty, designed to accommodate tankers of 5,000 to 50,000 DWT and a cruise berth and associated terminal facilities. In line with its Port Master Plan of 2009, the MPA is proceeding with the extension of the container terminal berth by 240m, the upgrading of the existing 560m long berth, the expansion of the container-stacking yard and dredging of the navigational channel to 16.5m below chart datum. On completion of the project, two container vessels of over 8,000 TEUs could be accommodated at any one time.

2.33. The 2014 budget projects a total investment in port development of Rs 3.7 billion and an additional Rs 2.8 billion is anticipated over the following two years. However, due to some delay in the implementation of some projects, namely on the upgrading and the extension of the berth at the Mauritius container terminal, (procurement of floating craft among others), the timing of the capital expenditure might change.

2.34. In connection with the maritime sector, the 2014 budget has announced the creation of a marine services platform and a petroleum hub. The marine services platform will be centered on growing the bunkering facilities and the various economic activities linked to trade, namely repairs and maintenance, crew management, ship leasing. Regarding the petroleum hub, procedures have already started for the construction of storage facilities for automotive fuel and gas oil.

Road transport

2.35. Government has seriously tackled road decongestion in recent years and various link roads have been operational so as to reduce traffic congestion towards the capital. The opening of Terre Rouge-Verdun and Verdun-Trianon link roads has better connected the south and north parts of the island. New projects are envisaged to alleviate congestion, with private sector participation. The decongestion of the roads and enhancing the efficiency of the land transport system is critical to the efforts towards improving the productivity of enterprises and the mobility of tourists all over the island.

2.36. Mauritius is now committed towards better and safer public transportation, namely through incentives towards low-floor buses and forthcoming Mauritius Light Rail Transit Project.

2.7.4 Maurice Ile Durable Project (MID)

2.37. Launched in 2008, in response to the global energy crisis, the MID has for aim to deliver a sustainable growth for Mauritius. The MID aims at facilitating economic growth taking into account the limitations of natural resources. Mauritius has developed a MID Policy - a 10 year strategy and a detailed Action Plan - as a commitment to integrate the sustainable development concept into its overall policies. With a national as well as interdisciplinary dimension, MID policies and strategies have implications beyond single areas of social, environmental and economic activity.

2.38. Much work has been undertaken to the movement of policy formulation since 2008 to achieve the long-term vision for sustainable development in Mauritius. In April, 2011, the MID Green Paper, launched by the Government, became the foundation of the MID policy development process and a milestone for stimulating discussion on the MID concept in the public arena.

2.39. The MID Action Plan, developed in 2013, revolves around 130 actions to be taken across the 5Es namely: energy, environment, education, employment and equity identified in collaboration with different stakeholders. In the first instance, the Action Plan will be delivered mainly through the following four MID priority programmes:

- energy;
- cleaner, greener and pollution-free Mauritius;
- green economy;
- ocean economy.

2.40. A Concept Plan encompassing a number of short-term projects has been developed for each programme aiming to simultaneously bring benefits to all of the five Es more effectively. Each project aims at building on current activities and introduce new ideas to further improve the benefits to MID. The projects form the priority actions for the next three years and in no case hinder ongoing projects.

2.41. The preliminary cost estimates revolves around the following:

- energy: US$170 million (Rs 5.1 billion);
- cleaner, greener, pollution-free Mauritius: US$32.9 million (Rs 1.0 billion);
- green economy: US$5.2 million (Rs 0.16 billion).

2.42. The ocean economy has been developed on a separate axis whereby a roadmap has already been developed.

2.43. The MID Commission is responsible for coordinating and ensuring the timely implementation of the MID Policy, Strategy and Action Plan (MIDPSAP) which includes as one of its programmes the Green Economy, financed by the MID Fund. These projects relate mainly to:

- "green job" policy in the National Employment Policy;
- Green Procurement;
- Green Agriculture;
- Green Industry;
- Green Hotels and Eco-Tourism.

2.44. The initiative of MID Commission in driving the green economic agenda has made it possible for Mauritius to benefit from support under the Partnership for Action on Green Economy (PAGE), a joint initiative between UNEP, UNDP, the International Labour Organisation, the United Nations Industrial Development Organisation and the United Nations Institute for Training and Research.

2.45. To this effect, a Green Economy Assessment (GEA) will be carried out. The development of the green economy is part of the priority programmes of the MIDPSAP. The objectives of the study will be to identify opportunities that a green economy can offer in terms of sustained economic growth, energy and water savings, agricultural productivity and the creation of green jobs. The Green Economy Action Plan, which will also be an outcome of the GEA, will feed into the efforts of Government to achieve a high income and inclusive economy.

2.7.5 Ocean economy

2.46. Mauritius has an Exclusive Economic Zone of nearly 2 million square kilometres and has recently been conferred, together with the Seychelles, an additional seabed area of nearly 400,000 square kilometres. The strategy is to use the ocean and its underlying seabed as the next frontier for sustainable development. Mauritius has a conspicuously underutilised asset in terms of its extensive maritime zone. The potential in the ocean economy is considered enormous and would be instrumental for the creation of high-productivity jobs and improving the standard of living of the people.

2.47. At present the ocean economy, which is estimated to contribute to some 10.8% of the GDP of Mauritius, comprises mostly of activities related to fishing, maritime transport, hotels, restaurants and seafood. This opens up the scope for unprecedented new activities and industries. The aim along with a well sequenced investment will be to grow the ocean economy at an annual growth rate of 10% for the coming decade. To this end the Government has initiated a national dialogue in July 2013 to chart up a roadmap for the development of this sector.

2.48. A roadmap on the ocean economy has been finalized and sets out the initial clusters where actions will be focused in the short-medium-and long-term.

2.49. These clusters are:

1 Seabed Exploration for Hydrocarbon and Minerals;
2 Fishing, Seafood Processing and Aquaculture;
3 Deep Ocean Water Applications (DOWA);
4 Marine services:
  (i) Marine Tourism & Leisure;
  (ii) Marine ICT;
  (iii) Marine Finance;
  (iv) Marine Biotechnology;
  (v) Ship Registration;
5 Seaport-related activities;

6 Marine renewable Energies;
7 Ocean Knowledge.

2.50. The roadmap also identifies enabling factors such as appropriate regulatory framework, governance, marketing and promotion, R& D, Capacity building and infrastructural development as well as international and regional co-operation.

2.7.6 Seafood sector

2.51. The Government's decision to transform Mauritius into a Seafood Hub for trading, warehousing, processing, distribution and re-export of fresh, chilled and frozen or value-added seafood products prompted relevant government agencies, mainly the Ministry of Fisheries to set up a one-stop shop service, in 2006, at the Trade and Marketing Centre (TMC) in the Freeport area to facilitate the administrative procedures for loading/unloading/export of fish and fish products. A Port State Control Unit (PSCU) is based at the one-stop shop which facilitates and provides expedient services to operators and includes, among others: Ministry of Fisheries; Competent Authority-Seafood; Customs Department; Ministry of Health and Quality of life; and Passport and Immigration.

2.52. The main functions of the one-stop shop include: (i) the issue of authorization for port access; (ii) verification of documents on board vessels and inspection of fish landings from foreign and local vessels; (iii) authorization for vessels/boats to leave port for fishing campaigns; (iv) issue of landing permits for imported fish and fish products; (v) issue of export authorizations; and (iv) monitoring of transshipment.

2.53. The Fisheries and Marine Resources Act was reviewed to facilitate foreign investment in the fishing industry in 2006. Since then, Mauritius has witnessed an investment of around US$600 million in soft and hard structures.

2.54. As part of its seafood strategy, Mauritius intends to draw more fishing vessels fishing under Mauritian flags to supply the processing factories with raw materials. Processing of aquaculture-derived products offers prospects in the export markets and the long-term outlook lies in the processing of high-value farm cultures such as sea cucumbers, seaweed and pearl culture. Marine aquaculture produce in the medium-term scenario may constitute an important part of the seafood-processing sector.

2.55. The seafood processing sector and the development of small-scale and large-scale aquaculture represent major components of ocean-related activities and will in the next decade play a central role in export diversification and consolidation of food security. To support the challenges ahead in the development of an ocean economy, the regulatory framework is being reviewed to (i) accommodate new activities, (ii) improve governance and ensure effective fisheries management, and (iii) conserve marine eco-systems.

2.56. Increasing efforts are being made to (i) exploit and manage resources sustainably through an ecosystem approach to fisheries and (ii) re-enforce maritime surveillance capabilities to combat IUU fishing in collaboration with regional and international institutions to prevent depletion of fish stocks, destruction of marine habitats and distortion of competition that puts fishers who are honest at an unfair disadvantage.

Seafood sector in the ocean economy strategy

2.57. The Ocean Economy initiatives, including among others - (i) deep ocean water applications, (ii) offshore wind energy, (iii) wave/tidal energy, (iv) marine hydrocarbon and mineral exploration and exploitation, (v) improvement of Mauritian capacity in marine biotechnology and marine bio-product and (vi) off-shore aquaculture development will further boost the objective of realizing the full potential of the maritime zones of Mauritius.

2.58. Thus, benefits derived from the ocean will further emanate from future developments in new clusters in the next ten years. Potential priority areas of relevance to fisheries are the (i) exploitation of the deep ocean water whereby nutrient-rich and good quality deep sea water will be used for the culture of high-value marine species. The products so produced will be bio-secure from Re-circulating Water Aquaculture Systems. In this respect, two firm interests for extracting this water are already being considered, one in the city and a second in the south of the island.

2.59. Another priority area is the mapping and stock-taking of the living marine organisms within the Mauritius Exclusive Economic Zone (EEZ). The untapped living organisms in the EEZ can also bring significant earnings to our emerging marine biotechnology industry if new molecules that can be commercially exploited are found. Research Institutions in Mauritius are already operating in this field by exploring and preserving the wealth of information contained in the genes (DNA) of rare and ecologically critical marine organisms. With the required infrastructures, institutional and legal framework, and the proposed development of an ocean genome, an increased emphasis on research and their commercialisation is expected in the near future with emphasis laid on conservation of marine biodiversity and sustainability of aquatic resources.

2.8 Main challenges to growth

2.8.1 Macroeconomic challenges

i. External environment

2.60. By virtue of Mauritius being an open small economy, the global economic environment impacts on the economic performance of the country. Given that the EU is the main trade partner of Mauritius (both for goods and tourism), the country remains highly vulnerable to changes in economic and financial conditions in the euro area. Subdued economic activity in the Eurozone area spearheaded by the debt crisis spilled over to the Mauritian economy in terms of weak exports. Growth estimate for the Mauritian economy in 2013 is 3.2%. From a short to medium term perspective, macroeconomic risks might principally emanate from a prolonged downturn in the euro area.

2.61. In this regard, the IMF recommended an appropriate policy response that should include: (i) allowing automatic fiscal stabilizers to work; (ii) limited targeted spending increases focused on specific growth supporting interventions to facilitate labour market adjustment; (iii) moderately expansionary monetary policy; and (iv) allowing the exchange rate to act as a shock absorber.

ii. Inflation

2.62. Against the backdrop of the declining inflationary pressures in the economy, monetary policy has been very accommodative to shore up the economy from weak external demand conditions. The headline inflation rate rose from 3.5% in December 2013 to 4.0% in May 2014 while year-on-year inflation declined from 4.0% to 3.4% over the same period. Upside risks to inflation could stem mainly from external price pressures, in particular, higher global oil and food prices, a relatively weaker rupee and potential wage increases in the private sector above productivity gains.

iii. External imbalances

2.63. For the year 2013, the current account deficit was around 10.0% of GDP as compared to 7.4% of GDP in 2009. The high current account deficit is a source of external vulnerability as it is mainly financed by debt-creating flows. The objective of the Government is to narrow it to some 7% by 2016 as part of sustained fiscal adjustment strategy and with a view to improving our external competitiveness.

iv. National savings

2.64. Mauritius experienced a sharp fall in national savings from over 25% of GDP in the early 2000s to around 14% in 2012, reflecting the deterioration of the current account deficit. Private investment has contracted in real terms as a result of the weak and uncertain economic conditions in our main trading partners. While fiscal consolidation efforts have put the country on a prudent fiscal path, there is a pressing need to rebalance the economy away from consumption towards higher exports, investments and savings.

v. Improving competitiveness

2.65. Enhancing the competitiveness of the Mauritian economy is key to the Economic Reform Programme launched by the Government since 2006. The Government has undertaken much investment in infrastructure and human capital with a view to eliminating bottlenecks and addressing structural labour market imbalances. While we are doing well in terms of World Bank Ease of Doing Business ranking, certain areas identified in the report need to be prioritized to further improve our productivity and competitiveness.

2.8.2 Challenges facing the traditional sectors

Non-sugar sector

2.66. The Mauritian agriculture, which plays an important role in the socio-economic context, is being called upon to face increasing challenges both within the country and on the international front. With the falling of trade barriers, our local farmers have to become more competitive both in terms of cost and quality to maintain their market access.

2.67. The challenges faced by the Mauritian non-sugar agricultural sector are multi-fold and comprise of pressures on land resources, climate change and climatic uncertainties, rising costs of imported inputs, increased exposure to pests, increasingly rigorous sanitary and phytosanitary norms, stringent quality standards in our export markets and harsher competition amongst other things.

2.68. In this connection, issues like food security, quality management, and sustainability have to be embraced to better confront oncoming challenges. To this effect it is imperative to identify the appropriate vehicles that would provide an innovative and constructive way of carrying forward these themes.

2.69. The Government has reviewed its agriculture and food policy has produced a document on non-sugar agriculture for the period 2008-2015. It takes into account government policy for promoting access to agricultural land, agribusiness practice, improving food quality and safety, reducing dependency on imports, promoting exports, and ensuring food security through regional cooperation.

2.70. The overall goal is to significantly increase food and agricultural production in a competitive and sustainable manner by the year 2015 through innovative production methods, novel products development while opening access to new markets. There is a strong political will and commitment in Mauritius to address the food security issue and to remedy the situation. However, we suffer from certain inherent constraints that will never allow us to achieve food self-sufficiency.

Domestic reforms in non-sugar agricultural sector: improving food security and modernization of the sector

2.71. Mauritius is undertaking a review of its agribusiness sector; the non-sugar sector is expected to play a more important role in the economy. The Government is trying to revitalise the non-sugar sector by adopting a more sophisticated technology based approach. The Government is aiming at attaining self-sufficiency, meeting quality norms, developing local agro processing, promoting entrepreneurship optimising export opportunities and standards governing food safety are in conformity with international norms.

2.72. Institutional reforms are being put in place. For instance, a National Agricultural Products Regulatory Agency (NAPRO) Act has been enacted in 2013. The main functions of NAPRO have been established as follows: control and regulate the import, export, production and sale of regulated products, including meat, meat products, tea products, tea, tobacco and of tobacco control and regulate the preparation, processing, packaging and manufacture of regulated products; regulate the activities and facilities in connection with the slaughter of animals and determine the prices at which green leaves and tobacco leaves could be sold to a producer by a farmer and in the case of a tenant to a farmer.

2.73. Another, important reform in the non-sugar sector is the review of the agricultural services with the assistance of FAO. This is expected to bring much improvement in the delivery of services by the Ministry of Agro-Industry and Food Security.

2.74. The Mauritius Agricultural Marketing (Controlled Products) Regulations 1971 have been revoked and replaced by the Mauritius Agricultural Marketing (Controlled Products) Regulations 2013. Under this new regulation, the list of controlled products has been significantly reduced to a few strategic items (onions, garlic and potatoes).

Sugar

2.75. Sugar has been traded under the Commonwealth Sugar Agreement since 1951 and under the Sugar Protocol since 1975 until 2009. The Mauritius Sugar industry owes much of its success to the Sugar Protocol, under which Mauritius benefited from export quotas with the EC at preferential guaranteed prices. The EC quota was fixed at 507,000 metric tons per annum.

2.76. The Sugar Protocol and the Sugar Action Plan have played a critical role in Mauritius' economic growth and subsequent transformation from a low-income single-crop economy to a middle-income diversified economy. Mauritius made the most of the quota under the then Sugar Protocol which came into effect in 1975. The EC-guaranteed price has consistently been well above world market prices, yielding a "sugar dividend," estimated at US$200 million per year. In many cases, the sugar dividend provided the start-up capital for manufacturing enterprises in the Export Processing Zone and for ventures in the Tourism Industry. The development of the hotel and manufacturing sectors have not only benefited from the proceeds coming from the sugar sector but also from the managerial expertise.

2.77. Mauritius has made constant efforts to improve and maintain the economic viability of this industry which has been the very lifeblood of the economy. With the announcement of the 2006-2015 EU sugar regime, whereby the EU market environment were to become increasingly competitive with price cuts of 36%, coupled with denunciation of the Sugar Protocol in October 2009 (entailing abolition of guaranteed prices and the intervention system), the industry was called upon to undergo major reform. Though the restructuring of the industry had already started with the Sugar Sector Strategic Plan 2001-2005 and subsequently with the Multi-Annual Adaptation Strategy Plan 2006-2015, the Mauritius Sugar Syndicate embarked on an in-depth study, in parallel with intensive consultations with the main sugar producers/distributors in the EU market, in order to identify and assess a new marketing strategy for locally-produced sugars. It should be underlined that, despite the price cut proclaimed, the EU market was to remain the most remunerative, with less price volatility, for Mauritius sugar.

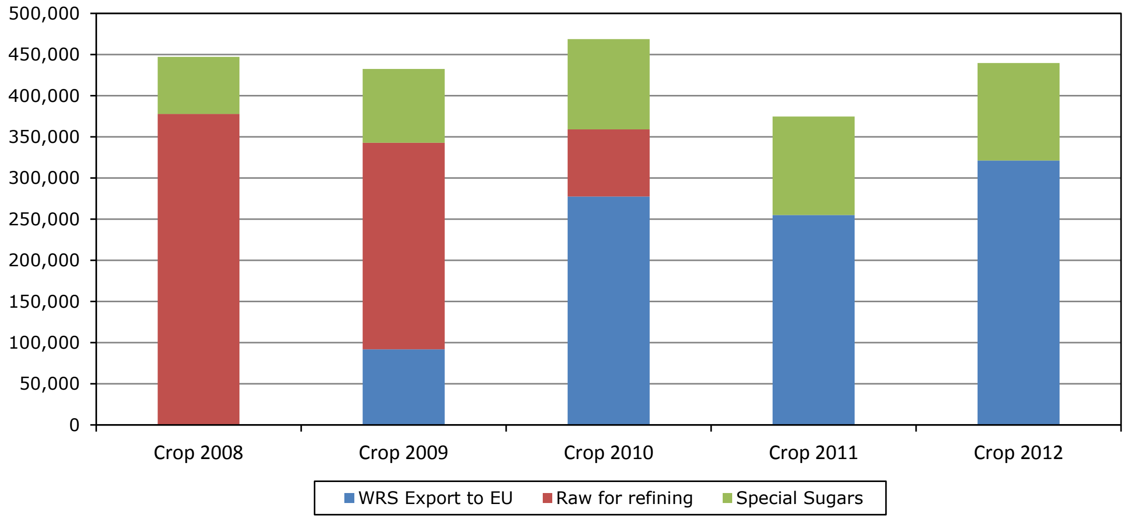
2.78. In light of the study conducted by an international firm of consultants LMC International, and the discussions held with the main EU market players, the industry adopted a strategy to move up the value chain. Till that time, Mauritius was already producing some 60,000-70,000 tons special sugars while the bulk of exports was in the form of raw sugar for refining in the EU. The objective was to increase production of special sugars, which nevertheless remained a niche market product, while diversifying the export market base, and in parallel refine locally the bulk of the raw sugar for direct delivery to customers in EU.

2.79. Given that the White Refined Sugar (WRS) could not be sold directly by the Syndicate in the EU market (owing to limited market knowledge on refined sugar, insufficient experience in supply chain and logistics, and even in production process), while end-users prioritized just-in-time deliveries, it was considered more appropriate to establish a commercial partnership agreement with a EU distributor for the marketing and sales of the sugar across the EU. The objective was to sell at the highest market prices and at lowest distribution costs thus with the flexibility of exporting to different market destinations within the EU.

2.80. A long-term partnership agreement was signed with the German group, Suedzucker, in this regard for the marketing and sales of Mauritius WRS across the EU during the period 2009-2015; likewise the new back-end refineries became operational by end-2009 and the first consignments of WRS were exported as from January 2010.

2.81. As from 2011, crop, exports comprised only direct consumption sugars exported in containers, as illustrated in the chart below. Consequently, by being closer to the end-users, Mauritius has been able to benefit from the increase in market prices.

Chart 2.2 Types of sugar exported by Mauritius



Source: Mauritius Sugar Syndicate.

2.82. With the new CAP reform (period 2014-2020) containing decisions to abolish production quota in the EU for both beet sugar and isoglucose, thereby allowing the EU to be self-sufficient in sugar, it is foreseen that market prices in the EU will decrease significantly. In addition, prices would become increasingly volatile.

2.83. This decision calls for an urgent review of the structure of the industry, including its production and operational costs, as well as the marketing strategy of the Syndicate. It also brings us back to a crossroads where the decision has to be taken whether the industry has to go further up the value chain (entailing additional investment) coupled with a further diversification of its export markets.

2.84. It is viewed that, despite liberalization of production quotas in Europe, there would still be niche market opportunities for WRS from Mauritius, provided prices remain remunerative, namely in regions where beet sugar is not being produced or in segments valuing cane sugar. There is increasing emphasis on 'responsible sourcing' and 'ethical trading' where Mauritius could have an edge over its competitors; for example, the Syndicate already exports the totality of the 21,000 tons Fairtrade sugar produced on the island thereby benefiting from the Fairtrade premium of US$60/ton.

2.85. On the other hand, with the potential decrease in EU market prices, Mauritius will be exploring opportunities in world market destinations, especially in the regional market, Middle East and Far East, for its WRS (though it is already exporting special sugars to a number of these countries). The question remains, however, whether the future prices earned in the most remunerative markets will be sufficient to maintain the long-term viability of the sugar industry in Mauritius.

2.86. Indeed, with the consolidation of the corporate sector of the industry and the massive investments undertaken at this level, sugar companies will have to fetch higher returns from markets through further integration into higher value-added products including sugar-based processed foods manufactured in Mauritius and overseas. This objective will, however, be difficult to achieve if sugarcane input is continuously on the decline. Sugar companies, which will remain the drivers of the industry, will need cane feedstock to attract value while planters will need value to grow cane feedstock. This is the key question that the industry has now to address.

Manufacturing Sector

2.87. The manufacturing sector, now accounting for 16.7% of GDP has contributed significantly to the diversification of the Mauritian economy and in propelling the country to the rank of a middle income economy. During the period 2008-2013, despite difficulties in the world economy, the sector was able to show resilience and post an annual average positive growth rate of 2%. The Government has acted as a facilitator in providing institutional support, infrastructure facilities, assistance schemes and training facilities. It has also played an important role in formulating and implementing appropriate policies which ensured sustained growth over these years. These policies aimed at addressing existing constraints, diversifying the industrial sector and developing new growth poles.

2.88. The manufacturing sector faces a number of challenges related to the following:

a. **overdependence on traditional markets:** the manufacturing sector has, for a long time, depended on exports to traditional markets namely the United Kingdom, France and the United States. In this respect, economic slowdown in these markets has impacted negatively on the export sector;

b. **relatively low level of industrial competitiveness:** with the erosion of preferential access to the EU and emergence of low-cost suppliers on the world market, Mauritian enterprises are being constantly exposed to competitive pressure;

c. **lack of skilled labour to stimulate diversification of the manufacturing sector:** a major impediment in the establishment of technology-driven industries is the lack of appropriate skills.

Actions taken by the Government

2.89. The Government has shown its commitment in supporting enterprises in the quest for achieving higher level of competitiveness. A range of measures was put in place to improve the business environment, address the challenges and capitalise on opportunities. The main ones are summarised below.

(a) The Government has put up a number of schemes to enable enterprises to grow, namely the Mauritius Business Growth Scheme (MBGS), the Leasing Equipment Modernisation Scheme (LEMS), the Export Credit Insurance Scheme (ECIS) and the Credit Financing Scheme;

(b) the Restructuring Working Group (RWG) which is a revamped version of the Stimulus Package, introduced during the financial crisis, has been developed to assist enterprises in operational and financial restructuring, reducing the cost of finance, improving access to finance for modernisation of production equipment and imports of raw materials and reducing exposure to export risks;

(c) moreover, in the 2014 budget, the Investment Tax Credit was introduced to stimulate investment in high-tech activities and the Foreign Currency Leasing Equipment Modernisation Scheme to further promote modernisation through additional funds;

(d) Enterprise Mauritius was provided more resources to come forward with an export strategy to consolidate existing traditional markets such as the UK, France and the USA and to penetrate new ones as well as to diversify into African and emerging ones;

(e) measures taken in the context of the Africa Strategy of Mauritius is giving a fresh boost to the manufacturing sector, which, has registered an increase in textile and clothing exports to Africa in the last five years.

Future Opportunities in the Manufacturing Sector

a) Mauritius has shown, with the recent developments in the high-tech sectors especially production of medical devices and high precision products, that it has a potential to move into such high-tech sector activities.

b) Besides medical devices and high precision parts, manufacturing sub-sectors, like high fashion jewellery, technical textiles and bio-based products have also been identified as new growth poles for development and strategies are being developed to promote investment in these sectors.

c) The manufacturing sector has for a long time depended on exports to traditional markets. During the past few years, the performance of the export sector has been affected by the difficult situation prevailing in the traditional markets. An export strategy has been put in place to consolidate the traditional markets, diversify in new and emerging markets such as Turkey, Russian Federation, Japan, Switzerland and Brazil, expand export within the region through the on-going Africa Strategy, and penetrate the Gulf Region.

3 TRADE POLICY OUTLOOK

3.1 Tariff and non-tariff policy

3.1.1 Tariff policy

3.1. In pursuing the implementation of its Economic Reform Programme, Mauritius has taken a number of measures to further open up its economy and liberalise trade. The country is pursuing the Customs Tariff Reform which started in 2005. Some core tariff information is provided below:

- the Customs Tariff Schedule is aligned to the WCO HS 2012 version;
- the tariff bands in 2013 are as follows: 0%, 5%, 10%, 15% and 30%;
- the percentage of tariff lines attracting zero duty has increased from 79% in 2008 to 88.87% as at November 2013;
- the simple average tariff has gone down from 6.6% in 2008 to 1.95% in 2013;
- the percentage of tariff lines attracting *ad valorem* duties is 6.34% in 2013.

3.2. The table below provides a comparison between bound tariffs at the level of the WTO for both agricultural products and non-agricultural products and the applied rates. Mauritius has undertaken ceiling bindings for agricultural products at around 119.7% on average whereas the average applied rate is 0.9%. For non-agricultural products, Mauritius has bound only 10 tariff lines at an average level of 22.1% whereas the average applied rate is 1.1%.

Table 3.1 Comparison between bound tariffs at WTO level and applied tariffs

	Final bound tariffs (WTO)%	Applied tariffs (2012)%
All goods	94.0	1.1
Agricultural goods	119.7	0.9
Non-agricultural goods	22.1	1.14

Source: WTO Country Profile.

Excise duty and other taxes

3.3. Taking into consideration health concerns, an excise duty based on the sugar contents of soft drinks has been introduced in 2013. Moreover, (1) CO^2 Levy or CO^2 Rebate scheme based on the CO^2 emission of motor cars (2011), (2) MID levy on imported petroleum products, bituminous coals and other coals (2008), and (3) excise duty based on energy efficiency index of electrical apparatus and appliances (2013) have been introduced for environment protection . Only 50% of the rate of excise duty applicable to normal cars was payable on certain imported hybrid motor vehicles until the introduction of CO^2 levy/rebate scheme.

Non-tariff policy

3.4. Mauritius has unilaterally eliminated 26 permits and licences in 2012–2013 and is pursuing further efforts to eliminate other possible barriers to trade to step up trade competitiveness. Import permits have been eliminated on products such as chilled or frozen fish, milk, infant milk, milk powder, potatoes, onions and shallots, garlic, lemon and limes, cardamons, turmeric, coconut oil, animal or vegetable fats, margarine, canned corned beef, canned corned mutton, canned fish, nutrient supplements, pharmaceutical products, diagnostic materials of biological origin, brooms, plastic carry bags, life jackets, used pneumatic tyres, syringes, sutures and ligatures and sirolimus and drug-eluting stents.

3.5. Regarding export permits, with effect from 10 December 2013, the following three items have been removed from the list of controlled goods and no longer require an export permit from the Ministry of Industry, Commerce and Consumer Protection:

(i) sugar confectioneries and products with sugar content;
(ii) fruit juices; and
(iii) non-alcoholic beverages (soft drinks).

3.6. Tariffs have been either reduced or eliminated in the context of Mauritius commitments under bilateral and regional FTAs. Details are provided in the chapter on Multilateral and Regional Trade Agreements.

3.2 Trade competitiveness and ease of doing business

3.7. The business environment and the investment climate in Mauritius are constantly being improved with a view to reinforcing the image of Mauritius as an attractive investment destination. The results of the economic reform programme which led to an improved business environment have been well reflected in various international ratings. The International Finance Corporation and the World Bank Ease of Doing Business Report 2014 has ranked Mauritius 20th most attractive place to do business worldwide compared to 29th in 2008.

3.8. A summary of some of Mauritius International Ratings are listed in the following table:

Table 3.2 Some international ratings for Mauritius

Ease of Doing Business, World Bank, June 2014	World	Africa
• Overall ranking	20th	1st
• Protecting investors	12th	1st
• Trading across borders	12th	1st
Economic Freedom 2012, World Heritage Foundation and Wall Street Journal	8th	1st
Mo Ibrahim Index of African Governance (1st for 6 consecutive years)	n/a	1st
Forbes Survey of Best countries for Business 2012	28th	1st
Global Competitiveness Index 2013-2014	45th	1st

Source: Mauritius International Financial Services, Nathan Associates for Commonwealth Secretariat, December 2013.

3.9. Mauritius now features among the top twenty economies on the overall Ease of Doing Business and in it occupies the first place in Africa for six consecutive years.

3.10. Recently, the following projects aimed at improving the business climate are operational:

- **online incorporation of companies:** The Registrar of Companies has recently implemented a fully-integrated business registration and incorporation of company online system. E-payment can also be effected through the system;

- **Single-window project:** The project is mainly focused on the online submission, processing and approval of permits and clearance by agencies and ministries through the

Single-window environment. This platform enables traders to submit documentation and/or data requirements for importation, exportation or transit of goods through a single entry point to the participating authorities or agencies;

- **online application for construction permits:** the Ministry of Local Government has recently upgraded their e-local government platform such that applications for a Building and Land Use Permit (BLP) are submitted electronically. The upgraded platform allows submission of the application form along with require plans, tracking and monitoring of the application by both the applicants and by the management of the local authority. Moreover, plan approval for electricity connection, water supply and wastewater connection will be sought electronically through the e-local government system upon applying for a BLP. This would effectively facilitate the process to obtain all pre-construction permits as the e-platform creates a more efficient system for processing of BLP applications and the number of days to get permits and approvals will be reduced;

- **online application for Occupation Permit and Residence Permit for retired Non-Citizens:** The Board of Investment has implemented a user-friendly electronic platform that will allow non-citizens willing to invest, work or retire in Mauritius to submit applications for an Occupation/Residence Permit online. The electronic platform allows non-citizens to submit their application online, track the status of the application, effect electronic payment and obtain an e-version of the registration certificate. The system comprises interactive e-forms for the application and a scanned version of all supporting documents will be uploaded on the system. The new OP system also includes online appointment and payment. With the introduction of the new computerized system, the Board of Investment would be able to give a better service to the business community, reduce paperwork and improve turnaround time. This is a huge step towards the e-government programme given that the electronic platform serves as a roadmap for key stakeholders involved in the process;

- **simplified procedures for tax returns:** The Mauritius Revenue Authority (MRA) is implementing a simplified income tax return for corporate businesses with a turnover up to Rs 10 million. The MRA has published necessary guidelines to comply with simplified record keeping requirements. The payment dates for the various taxes and other remittances to the MRA will be harmonized as far as possible to enable block payment by taxpayers thus simplifying electronic transfers;

- **E-registry project:**The Registrar General's Department has launched the Mauritius e-registry Project to scale up e-services by harnessing the latest technologies and solutions where stakeholders will have the possibility to submit their documents, effect payment and receive the registered document electronically. With the introduction of the full-fledged e-registry project, it is expected that the Registrar-General's Department will be able to register title deeds in quasi-real time;

- **improving access to finance:** Access to finance is crucial to boost entrepreneurship. To improve access to finance particularly to SMES, amendments to the Code Civil Mauricien will be brought to implement the Secured Transactions Reform to promote the use of movables including intangible assets as collateral to further give access to credit, especially to small and medium enterprises. A movable collateral registry has been implemented at the office of the Registrar-General;

- **insolvency:** The Insolvency act has been amended so that:

    - the final meeting and dissolution in voluntary winding up of a company, where the company has only one shareholders, the shareholder will constitute a quorum;

    - a shareholder's voluntary winding up or a creditor's voluntary winding up, the books of the company has to be retained for a period of 3 years;

    - a debtor who is declared bankrupt before the commencement of the Insolvency Act to be discharged from bankruptcy.

3.3 Trade facilitation measures

3.11. Mauritius has been an active participant in the WTO Trade Facilitation negotiations as reducing transaction costs is important to sustain competitiveness given its remoteness from main markets.

3.12. A series of measures have been adopted by Mauritius Customs to reduce transaction costs and facilitate trade, namely:

I. Enhancement in the Customs Management System (CMS):

a. **Paperless Customs:** hard copy of declarations and trade related documents are no longer required to be submitted. Instead, scanned copies of specified documents are sent electronically together with the declaration.

b. **SMS to importers and declarants:** payment and clearance status on CMS is provided to importers and declarants via SMS with a view to ensuring transparency and promoting integrity.

c. **e-Payment:** The number of users of this facility has increased from 40 in 2006 to 1461 in 2012 and represents 39.2% of total revenue collected.

d. **e-Certificate of Origin:** this system has been extended to the application and processing of certificates of origin under the SADC Trade Protocol, IOC Protocol on Rules of Origin and the FTA between the Republic of Turkey-the Republic of Mauritius.

e. **Fast Track System:** Under the Qualified TradeNet User (QTU)/Authorised Economic Operators (AEO) Scheme which provides for increased incentives and reduced customs formalities to qualified stakeholders, there has been an increase in number of QTUs from 2 to 36, out of which two have been granted AEO Status. Except for declarations subject to other agencies requirements, automatic Customs clearance is allowed upon validation of declarations.

f. **Automatic Clearance for Green Channel:** The CMS enables the automatic Customs clearance for consignments routed in the Green Channel if there has been no Customs intervention on the relevant declarations within 30 minutes after validation.

g. **Sea Import Module:** The CMS has been reengineered so as to allow processing of declarations per container or bulk item instead of whole consignment as was previously done. All processing is done on a single interface which allows the application of different control or delivery processes to different containers or bulk items on the same declaration. Provisions have also been made to allow immediate delivery of containers after scanning, if in order.

h. **Online Tracking System:** It is a system for online tracking of Freeport goods through gate-in and gate-out remarks by Freeport Developers and Customs as appropriate. This measure which is aimed at giving greater autonomy to Freeport Developers has also enabled the removal of resident officers at Freeport gates, thereby resulting in the reduction of costs while at the same time enabling the implementation of post audit controls.

i. **Transhipment Procedures:** A single declaration instead of two as previously required to be done is now submitted. Release for shipment can be allowed by human intervention or automatically after a time lapse of 2 hours. Shipment is allowed per container, thus allowing Customs to concentrate on targeted containers only and to release others on the same declaration. The transhipment declaration can be automatically generated by the Cargo Community System (CCS) and may contain up to 999 containers landed from different vessels.

j. **Excise:** Electronic submission and processing of declarations and electronic settlement of duties and taxes. The introduction of flow meters at excise out stations has enabled the phasing out of resident officers. As from 1 December 2008, with a view to combatting the illicit trade of cigarettes, excise stamps are required to be affixed to all packets of cigarettes manufactured locally or imported into Mauritius.

k. **Export from bonded warehouse:** With effect from July 2012, no security is required for the exportation of goods from a bonded warehouse.

l. Inventory management of warehoused goods:

- Real-time warehouse inventory control system has integrated into the CMS for electronic monitoring of incoming and outgoing of warehoused goods.

- The re-warehousing period for goods kept in bonded warehouses has been extended from 12 months to 30 months.

II. Modern Working Environment: All the various sections within MRA Customs which were located in scattered buildings in the city are now housed under a single roof in the Custom House.

III. New Airport Terminal in operation: New and modern equipment put in place at the new terminal enhances control and facilitates rapid flow of passengers.

IV. Risk Management System: A centralized section has been set up within the administration with a view to ensure a risk-based targeting for control by Customs. Consignments are electronically selected for any of the channels. Only 8% of declarations are subjected to physical examination by Customs prior to delivery at importation and has positively impacted on cargo dwell time.

V. Duty Officer Scheme: A senior manager is now available to stakeholders on a 24-hour basis for any assistance or advice that may be sought on any Customs issue at both the airport and seaport.

VI. Administrative Penalty System: This initiative benefits the Department as it is less resource and time consuming. It not only reduces the perception of discretion in Customs, but also allows "settlement by a ruling" which expedites and decentralizes the process of administrative penalty decisions. It will in the long run assist in ensuring voluntary compliance and reinforce Customs' actions in addressing integrity.

VII. Customs Initial Appeal Mechanism: An objection directorate has been set up to consider and decide on representations made by stakeholders who are aggrieved by the decision of Customs. This measure enables the review of cases and a decision is reached within a reasonable period without any cost being incurred by stakeholders as is the case for matters dealt with at the level of judicial and quasi-judicial instances.

VIII. MRA Website: Customs and other relevant legislations, requirements at import/export, administrative and other Customs related information that need to be communicated are available on the website of the organisation.

IX. The Cargo Community System: The Cargo Community System (CCS) is an integrated information system set up for the submission of advance cargo information. It operates in real time and synchronizes supply chain processes for cargo. The CCS is a web based application which allows easy access to a wide range of data elements related to cargo movements to all logistic stakeholders. Customs, as a regulatory body, has played a major role in the implementation of the CCS, defining procedures, standards and best practices to be adopted by all stakeholders concerned for the submission of advance cargo information and the movement and clearance of goods.

3.13. The CCS caters for:

- Paperless submission of inward and outward advance cargo information (manifest)

- Automatic approval of manifest amendments defined as non-risky after 3 hours

- Paperless amendment of manifests through submission of scanned supporting documents
- Automatic generation of transhipment declarations
- Provision of haulier information involved in the movement of cargo
- Provision of detailed freight information for proper calculation of duties and taxes
- Provision of date and time of arrival of vessels to ensure timely submission of cargo information
- Provision of reports of goods unloaded from vessels or unstuffed from containers
- Tracking and tracing cargo in real time.

Single Window Project

3.14. It is worth mentioning that in Mauritius, part of the Single Window concept has already been realized with the implementation of the TradeNet platform, an EDI network for the electronic submission and processing of manifests, Customs declarations, electronic payments and certificates of origin.

3.15. The Mauritius Single Window Project, which is part of the e-Government strategy, is targeted towards enhancing the existing Single Window system by developing the Other Government and Agency (OGA) Portal, a new component of the TradeNet.

3.16. The OGA is an electronic platform, to cater for the online submission, processing and approval of permits/authorisations related to import and export as well as to allow operators to effect payment of any prescribed fee online. It is expected that the time and cost of doing business in Mauritius be reduced.

3.3.1 Mauritius Trade Portal

3.17. Mauritius Trade Easy, a state-of-the-art trade portal aiming at providing maximum information to the business community and to the public at large relating to import and export procedures in Mauritius, was launched in August 2013.

3.18. The comprehensive trade portal is also expected to provide information on opportunities that exist on the regional and international markets under the different Agreements signed by Mauritius. It is of help primarily to SMEs and those who want to embark on import and export also be a valuable source of information on additional market opportunities to the already established businesses in Mauritius.

3.19. The Portal has several components, namely: import and export procedures, trading with Mauritius, market intelligence, Mauritius Trade Agreements, Intellectual Property Policy, as well as useful links. Users can also access market data relating to Mauritius which include market reports, business alerts, and import-export flows. The objective is to merge the portal with the single window with a view to providing both timely information and expedite the processing of trade documents.

3.4 Trade in services

3.20. The diversification strategy of Mauritius into services started in the 70s with the development of the tourism sector. In the 1990s the Government started to strengthen the regulatory framework of the financial services sector so as to increase its contribution to the economy. With the digitalization of the global economy, Mauritius also strengthened its legislative framework for the ICT sector and undertook relevant investment in the form of ICT infrastructure so as to take advantage of global outsourcing trends. At present, tourism, financial services and the ICT sector have evolved as principal pillars of the economy. Tourism has also had multiplier effects on the construction and real estate sectors.

3.4.1 Financial services

3.21. The financial sector has emerged as a key pillar of the economy. Financial services consist of banking and non-banking activities and currently contribute around 10% to GDP at current basic prices. The 'financial and insurance activities' sector has grown by an average annual rate of 5.3% over the period 2010-2012. It is projected that the sector would grow by 5.4% in 2013, driven by growth of 5.5% and 4.9% in 'monetary intermediation' and 'insurance, reinsurance and pension', respectively. Banks play a central role in our financial system and a well-regulated, sound and robust banking sector has contributed to the overall resilience of the Mauritian economy when the global financial crisis hit.

3.4.1.1 Banking sector

3.22. At the end of June 2013, the banking sector comprised 21 banks licensed to carry out banking business in Mauritius, of which 9 were local banks, 8 were subsidiaries of foreign-owned banks and 4 were branches of international banks. The 21 banks operated a total of 223 branches, 9 counters, 1 mobile van and 450 Automated Teller Machines (ATMs), and employed 7,464 persons as at 30 June 2013. Besides traditional banking facilities, banks offered various services such as card-based payment services, internet banking and phone banking facilities to their customers. In April 2014, the Bank of Mauritius has granted Banking Licences to two new banks – Warwyck Private Bank Ltd and Banque Richemount Limited – to carry on private banking business in Mauritius.

3.23. Several banks in Mauritius have expanded their banking activities to countries in the region as well as to other geographical areas. As of date, The Mauritius Commercial Bank Limited operates banking subsidiaries in Madagascar, Maldives, Mozambique and Seychelles. The bank has also associated itself with the Banque Française Commerciale Ocean Indien in Reunion, Mayotte and Paris, France. Besides, the bank has representative offices in Johannesburg, South Africa, and in Paris, France.

3.24. The State Bank of Mauritius Ltd has four overseas branches in India, with one in Mumbai and Chennai and two in Hyderabad. In addition, the bank has a banking subsidiary in Madagascar.

3.25. Banque Des Mascareignes Ltée has also extended its banking activities to Madagascar and participates to the extent of 80% in the share capital of Banque Des Mascareignes Madagascar.

3.26. Afrasia Bank Limited has a presence in the banking sector in Zimbabwe through one of its subsidiaries. It also has two representative offices in South Africa, (one in Johannesburg and one in Cape Town) and one in the UK.

3.27. Total assets of the banking sector registered a growth of 7.5% in the year ended December 2013, while total non-performing loans to total gross loans stood at 3.4% in December 2013. The domestic banking sector remains stable, profitable and well-capitalised and banking soundness indicators are healthy.

3.28. The Bank of Mauritius has taken a leading role in the development of the financial sector. By adopting international best practices and strengthening its regulatory and supervisory framework for the banking sector, the Bank carried in its stride other financial institutions which in turn upgraded their systems and risk management structures, making the system more stable and sounder. More recently, the Bank of Mauritius has come up with measures to improve the corporate governance practices of financial institutions under its purview and also directed concerned banks to simplify their structures and separate banking from non-banking activities. The Banking Act 2004 was amended to protect affiliates of cross-border banks operating in the Mauritian jurisdiction from any potential problem affecting their parents in their home country, thus reducing financial stability risks. In October 2013, the Bank issued five macro prudential measures to address growing level of credit risk in certain sectors of the economy. With the increasing presence of domestic banks in the region, the first supervisory colleges have been set up for significant banking groups in Mauritius to enhance cross-border supervisory collaboration and sharing of information between home and host regulators.

3.29. In addition, further to the amendment of the Banking Act 2004 in December 2013 to allow banks to contract the services of an entity to provide services on their behalf or to enter into any agency agreement for that purpose, the Bank issued for consultation a Draft Guideline on Agent Banking in April 2014.

3.4.1.2 Non-banking financial services sector

3.30. The Financial Services Commission, Mauritius (FSC) is the integrated regulator for the financial services sector other than banking, and global business. The FSC plays an important role in shaping the local operating environment and ensuring it provides the right setting for market players to conduct business effectively and in line with international best practices.

3.31. The experience of the past few years has shown that the choice of methods, priorities and timing for execution are important. Excessive regulation stifles entrepreneurship and overestimated risk, leading to a disproportionately high risk weight imposed by regulators, constricts economic growth. Therefore, in an attempt to keep pace with evolving international developments in the financial services industry and trying to keep a balanced and effective regulation, various changes were brought to the regulatory framework since the last Trade Policy Review of Mauritius.

3.32. Those changes aimed at product diversification, empowering the FSC to better deliver on its regulatory objectives, ensuring protection of consumers, meeting international standards and promoting the competitiveness of the jurisdiction.

A. Reforms and legislative changes

3.33. The Financial Services Act 2007 (FSA) was amended in 2009 to clarify that the FSC may enter into agreements or arrangements for the exchange of information with foreign supervisory institutions and with any public sector agency for the purpose of discharging the functions of that body.

3.34. For the purpose of discharging its obligations under an agreement or arrangement for the exchange of information the FSC may, following amendments to the FSA in 2011, request a Global Business company to furnish all such information and produce such documents as may be required of him.

3.35. The FSA was amended in 2010 to enable the FSC to give directions to any person in order to ensure compliance with a relevant Act or guideline and with any of the principles and practices of corporate governance laid in the Code of Corporate Governance issued under the Financial Reporting Act.

3.36. With the aim to increase substance of financial business activities in Mauritius, the FSA was amended in 2012 such that the FSC may give its approval in writing for a corporation holding a Category 1 Global Business Licence to conduct business in Mauritius. The FSA was also amended in 2009 to provide that a corporation holding a Category 2 Global Business Licence shall file with the FSC once in every year a financial summary.

Insurance Sector and Private Pension Schemes

3.37. The Insurance Regulations 2007 was amended in 2013 to provide that Regulation 3(1) shall not apply to insurance contracts providing for export credit insurance. It should be noted that Regulation 3(1) of the Insurance Regulations 2007 provides that no person shall enter into an insurance contract with an insurer not registered or licensed in Mauritius, purporting to cover risks relating to an asset situated in Mauritius, except where the Commission is satisfied that given the circumstances and nature of the relevant risks, it would not be appropriate to do so.

3.38. In order to enhance the protection of policyholders and to be line with international standards, the Insurance (Long-Term Insurance Business Solvency) Rules 2007 and the Insurance (General Insurance Business Solvency) Rules 2007 were amended in 2013 to clarify that the aggregate value of investments of an insurer in one or more of its related companies shall not exceed 10% of the assets of the insurer.

3.39. The Private Pension Schemes Act 2012 has been enacted in November 2012 to regulate private pension schemes, whether sponsored by an employer or not. All private pension schemes other than Personal Pension plan falling under the category of long term insurance pursuant to the Insurance Act needs to be licensed by the FSC.

3.40. The FSC has also issued FSC Rules under the new Act providing requirements and procedures for licensing, disclosure to beneficiaries, governance of private pension schemes. The new framework aims to protect beneficiaries as well as ensure the orderly development of private pension industry in Mauritius.

Capital Market Sector

3.41. The coming into force of the Securities Act 2005 (SA) has strengthened the regulatory framework for the investment business sector. This structure has subsequently been consolidated through the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008.

3.42. The Securities (Licensing) Rules 2007 was amended in October 2009, to include two new categories of Investment Dealers namely Investment Dealer (Commodity Derivatives Segment) and Investment Dealer (Currency Derivatives Segment).

3.43. Amendments to the Securities (Licensing) (Amendment) Rules 2012 were made to create a new category of Investment Dealer namely Investment Dealer (Equity Segment) as well as to clarify the categories of Investment Dealers allowed to trade on Bourse Africa.

3.44. The Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 was amended in 2013 in order to reduce the cost of reporting issuers when publishing their quarterly reports. Prior to this amendment, reporting issuers had to publish their quarterly reports in at least two local newspapers having a wide circulation. However, it was observed that the publication of these quarterly reports represented a large cost for reporting issuers, particularly where the latter is a small company and also that it was a cumbersome task for reporting issuers to publish the same information twice.

3.45. Hence, as from 31 March 2013, date of coming into operation of the Securities (Disclosure Obligations of Reporting Issuers) (Amendment) Rules 2013, reporting issuers have to publish their quarterly reports in only one local newspaper having a wide circulation.

B. Exchange of information

3.46. Cooperation and information exchange amongst regulatory bodies are of paramount importance in ensuring an effective oversight in an integrated financial system. The FSC is committed to adhering to international best practices on transparency and disclosure of information and exchanges information on a regular basis with both local and foreign regulators.

3.47. The FSC has signed 44 Memorandum of Understandings (MoUs), 1 Multilateral Memorandum of Understanding (MMoU) and 1 Regional MoU between 2008 and 2013. The FSC marked a milestone in the securities industry by signing the International Organisation of Securities Commission (IOSCO) MMOU in May 2012. The IOSCO MMoU provides securities regulators with the tools to fight against cross-border fraud that weaken global markets and undermine investor confidence.

3.48. In July 2013 the FSC has signed 23 MoUs with the European Union (EU)/European Economic Area (EEA) Securities Regulators for the supervision of hedge funds, private equity and real estate funds under the Alternative Investment Fund Management Directive (AIFMD).

C. New avenues

3.49. The FSA was amended in 2012 to include two new activities namely global headquarters administration and global treasury activities.

3.50. Global headquarters administration refers to the provision of at least three of the following services to at least three related corporations:

- Administration and general management
- Business planning and development and coordination
- Economic or investment research and analysis
- Services related to international corporate headquarters in Mauritius and
- Such other global headquarters administration services as may be specified in FSC Rules.

3.51. Global treasury activities relate to the provision of at least three of the following services to at least three related corporations:

- Arrangement for credit facilities, including credit facilities with funds obtained from financial institutions in Mauritius or from surpluses of network companies
- Arrangement for derivatives
- Corporate finance advisory
- Credit administration and control
- Factoring, forfeiting and re-invoicing activities
- Guarantees, performance bonds, standby letters of credit and services relating to remittances
- Management of funds for designated investments
- Such other global treasury activity as may be specified in FSC Rules.

3.52. Considering the evolving business environment, several laws have been adopted to cater for the development of new and innovative vehicles for investors such as the Limited Liability Partnership and Foundation, and also for the diversification of financial products like Islamic finance.

3.4.2 Tourism services

3.53. In Mauritius, tourism has been a buoyant growth sector of the economy and has contributed in a significant manner to job creation and the improvement of the quality of life of Mauritians.

3.54. The National Policy so far has been to promote Mauritius as a premium destination, maintaining a high-end positioning with focus on quality rather than quantity.

3.55. The tourism sector which in the 1990s accounted for some 4% of the country's GDP has over the last two decades grown to reach 6.9% in 2013. In 2013, tourist arrivals and tourist nights increased by 2.9% to reach 993,106 and 10.762 million respectively as compared to 965,441 tourist arrivals and 10.461 million in the preceding year. Gross Tourism earnings accounted for Rs 40,557 million.

3.56. Tourism remains an important source of employment. Presently, direct jobs in large tourism establishments amount to 28,400 whilst indirect jobs generated are estimated to be twice as much.

3.57. At December 2013, the hotel room stock stood at 12,376 rooms for a total of 107 registered operational hotels (excluding 7 hotels in renovation) whilst rooms in the non-hotel sector was estimated at around 5300. The room occupancy rates of hotels averaged 63% in 2013, representing a 1% increase over the year 2012.

3.58. Despite fierce competition, Mauritius has successfully positioned itself as a premium tourism destination and has obtained a number of awards namely "Destination de L'Année 2013" (International Travel Berlin) Award, Indian Ocean's Leading Dive Destination 2013 (World Travel Awards), Indian Ocean's Leading Honeymoon Destination 2013 – (World Travel Awards), The Next Travel Destination 2013 (China Travel Awards), Best Destination Country 2013 (International Tourism Conclave & Travel Awards, India).

Impact of economic slowdown

3.59. More than ever, Mauritius is experiencing the adverse effects of the world economic slowdown. A marginal growth rate of 0.1% in tourist arrivals was registered in 2012 over the previous year which could be explained by the loss of purchasing power of visitors in our main source markets i.e UK, France, Germany, Italy steering customers to cheaper or short-haul destinations.

3.60. In the face of the prolonged economic problems in Europe, the need to re-examine policies and strategies is increasingly being felt, whilst taking into consideration the fact that Government's objective is to maintain Mauritius as a high end destination rather than a mass tourism destination. In line with our policy objectives, more thrust is being given to tap the emerging BRIC economies especially Russia and China. In addition, other growing segments such as the Major International Conferences and Events (MICE) markets, wedding and cruise tourism could act as important economic drivers, thus propelling Mauritius onto a higher growth path.

3.61. The need to diversify and extend the range and quality of tourism product whilst preserving the scenic beauty is increasingly being felt. Much emphasis is now being laid on heritage and cultural tourism, which, according to the World Tourism Organisation is expected to account for over 20% of the travel industry in the next 20 years.

Air access policy

3.62. With approximately 97% of passengers travelling by air, accessibility is a key issue in the tourism sector.

3.63. It is to be highlighted that there has been a gradual liberalization of the air access policy since 2005. Continued efforts are being made to increase the traffic flow to Mauritius and improve connectivity notably through: development of regional hubs with Paris and London, operation of additional flights on emerging markets e.g. the operation of 5 flights per week to China by Air Mauritius, daily service by Emirates in Airbus A380.

3.64. However, two main challenges being encountered in the aviation industry are the lack of traffic and the issue of seasonality pattern of demand. Following the gradual liberalisation of air access by the Government, the provisions of existing Bilateral Air Service Agreements (BASAs) in terms of available frequencies and multiple designation of airlines are not being fully exploited by foreign carriers due to lack of traffic, partly explaining why carriers such as Virgin Atlantic, Aeroflot, Air India and Singapore Airlines have withdrawn their services from Mauritius. Moreover, it is difficult for tourists to find a seat on the planes during the peak periods of December and January whilst in the low season i.e. May and June, the load factor on airlines remains low. Thus, as announced in the 2014 Budget Speech, a Special Fund of Rs 25 million has been allocated to boost arrivals from regional destinations during the low season.

Green Tourism

3.65. As responsible/green tourism is gathering momentum, the aim of Government is to steer Mauritius onto a greener growth path. Already, initiatives are being taken by operators to mitigate the negative impacts on our natural resources e.g adoption of environmental friendly, energy and water-saving devices. However, Government and private operators need to go even further in their commitment towards the protection and preservation of the environment.

WTO Commitments in Tourism Services

3.66. With regard to commitments made in the tourism sector under the revised WTO offer of 2004, there has been an improvement over the initial WTO offer with the removal of limitations in the tour operator, travel agency and car rental services, previously reserved for Mauritian nationals.

3.4.3 ICT

3.67. In 2013, ICT contributed 6.3 % to the Gross Domestic Product (GDP) of Mauritius. The value added at current prices generated by the ICT sector amounted to Rs 20,487 million in 2013, which was 6.6% higher than in 2012 (Rs 19,226 million).

Table 3.3 Establishments[1], employment and value added in the ICT sector, 2008–2013

	2008	2009	2010	2011	2012	2013
Establishments in ICT Sector (Number)	129	134	139	137	136	138
Employment in the ICT Sector (number)	11,250	12,360	12,826	13,116	12,972	14,094
Male	5,970	6,610	6,787	7,000	7,068	7,600
Female	5,280	5,750	6,039	6,116	5,904	6,494
Employment in the ICT sector as a % of total employment	3.7	4.1	4.2	4.3	4.3	4.6
Value added in the ICT sector (Rs Million)	14,058	15,412	17,240	18,272	19,388	20,487
Value added in the ICT sector as a % of GDP	5.8	6.1	6.5	6.4	6.4	6.3
Growth rate in the ICT sector (%)	12.7	11.4	12.3	9.4	9.1	7.0
Imports of ICT goods and services (Rs Million)	8,511	7,687	8,737	8,899	9,642	11,150
goods (**c.i.f**)	7,504	6,253	6,808	6,385	7,418	8,621
services	1,007	1,434	1,929	2,514	2,224	2,529
Exports of ICT goods and services (Rs Million)	5,115	3,046	3,803	4,988	5,504	7,556
goods (**f.o.b**)	2,589	473	675	358	397	2,020
services	2,526	2,573	3,126	4,630	5,107	5,536
Imports of the ICT goods and services as a % of total imports	4.7	4.7	4.6	4.2	402	4.6
Exports of ICT goods and services as a % of total exports	3.5	2.2	2.4	2.9	2.9	3.8

Source: Statistics Mauritius & Bank of Mauritius.

3.68. Over the past years, the ICT Authority has issued a number of licences and details are as below in Table 3.4:

Table 3.4 Number of licence holders by category in Mauritius

Licences	Number of Licencees
Network Infrastructure Provider Licence	2
Network Services Provider Licence (National)	3
Network Services Provider Licence (International)	1
Public Switched Telephone Network (PSTN) Licence	2
Public Land Mobile Network (PLMN) Licence	3
International Long Distance (ILD) Network Licence	10
Public Mobile Radio Trunking System Licence	1
Audiotex Service Licence	1
Data Service Licence	1
Internet Service Provider Licence	16
Facsimile Services Licence	2
Payphone Service Licence	1
Alarm Monitoring Service Licence	7
Value Added Services Licence	11

Source: ICTA.

3.69. The grant of the above-mentioned licences by the Authority has helped to further promote the supply of information and communication services in the country. This has also facilitated market entry and the optimization of consumer and business benefits through converging technologies and innovations.

3.4.4 ICT/BPO sector

3.70. The ICT/BPO industry has started with traditional outsourced data entry work and has now diversified into high-end knowledge services to global clients. According to the Board of Investment, IT Outsourcing has now surpassed BPO reinforcing the fact that Mauritius is being increasingly viewed as a high value added destination. ITO offerings have evolved from application

[1] Refers to establishments employing 10 or more employees only.

development and maintenance, to emerge as full service players providing testing services, infrastructure services and system integra¬tion.

3.71. Despite prevailing economic uncertainty in the past few years, operational companies in the BPO sector have reached the 500 mark, generating some 16,800 jobs. The ICT/BPO industry is structured along specialized segments such as Customized application development, and informartion systems outsourcing; customer interaction, finance/accounting, and vertical specific services in BPO. IT outsourcing which includes software development, Website, Mobile applications development and Remote Infrastructure management activities among others has emerged as a major component accounting for 57% of the industry.

3.72. This indicates that Mauritius has been able to position itself as an "Up and Coming" IT destination. Moreover, the industry is also being characterised by increasing depth and breadth of service offerings and been able to build domain expertise in specific verticals such as Finance and Accounting. Going ahead, it is expected that the increasing convergence of technologies and content will create tremendous opportunities for the country.

3.5 Intellectual Property Rights

3.73. Legislations currently in force in Mauritius with respect to protection of Intellectual Property Rights, include:

(i) Copyrights Act 1997
(ii) Patents, Industrial Designs and Trademarks Act 2002
(iii) Protection Against Unfair Practices, Industrial Property Rights Act 2002.

3.74. Relevant Acts pertaining to protection of layout designs (topographies) of integrated circuits and geographic indicator have been passed by Parliament but were not proclaimed due to capacity constraints.

3.75. Given the prominent role that Intellectual Property (IP) plays on the economic and cultural development, the Intellectual Property policy is being reinforced so as to mainstream IP in Mauritius' economic and social development and to promote innovation and creativity.

3.76. In order to achieve this objective, an Intellectual Property Development Plan (IPDP) has been developed with the assistance of WIPO in 2009. The IPDP seeks to ensure, amongst others, that the organisations involved in IP enforcement, the potential users as well as generators of IP have the technical capacity and know-how to use IP as a tool to promote research, innovation, investment and economic growth.

3.77. The IPDP recommends, amongst other, that the following be implemented:

- Putting in place a national IP policy and establishing a national policy forum including stakeholders from both public and private sector;
- Establishment of a coordinating mechanism through an IP Council;
- Establishment of a single IP Office based on the international best practice; and
- Revise IP laws to meet the country's requirements and ensure compliance with latest development on IP at the International level.

3.78. With a view to implementing the IPDP, the Ministry of Foreign Affairs, Regional Integration and International Trade has, with the help of WIPO and Trade.Com, already drafted a legislation covering:

(i) Copyrights; and

(ii) A Comprehensive Legislation covering all aspects of Industrial Property, namely Trade Mark, Patent, Industrial Design, Plant Breeders' Rights, Geographical Indications and Layout Design of integrated circuit known as the Industrial Property Bill.

3.79. A new Copyrights Bill has been introduced in the National Assembly the objectives of which are to:

a. be compliant with the WIPO Copyright Treaty and the WIPO Performances and Phonogram Treaty;

b. address the issues related to the internet and piracy;

c. provide for the protection of performers, producers of phonograms and broadcasting organisations;

d. provide for limitations and exceptions in specific circumstances in relation to work;

e. review the role and functions of the Mauritius Society of Authors (MASA);

f. provide for quick remedies to authors, composers and other copyright holders in cases of infringement of rights.

3.80. It is expected that the enactment of this legislation will allow for better protection of copyright and at the same time allow authors, creators, publishers, performers and other copyright owners to invest more in their creations. This will eventually give rise to the creation of a new creative industry.

3.81. The draft Industrial Property Bill aims at addressing the lack of a holistic legislation dealing with all industrial property matters and will provide enhanced protection to all forms of IP. The new law will provide the full disclosure of valuable information that would inspire future generations of researchers and inventors to undertake inventive and innovative endeavours.

3.82. Regarding the institutional framework to administer the Industrial Property laws, it is proposed to establish an empowered Mauritius IP Office through an Act of Parliament with a broad mandate. The proposed Mauritius Intellectual Property Office (MIPO) will be the lead Government agency to advise on and administer Intellectual Property laws, promote Intellectual Property awareness, provide the infrastructure to facilitate the development of Intellectual Property in Mauritius and provide a better coordination to enhance enforcement. It will also coordinate with economic agencies and the business community to formulate and review Intellectual Property policies and practices to be up to date with changes taking place at the international and regional levels. The functions of the MIPO will span well beyond the function of the actual Industrial Property Office which is presently focused on registration of trademarks, Patents etc.

3.83. To coordinate IP matters, an IP Council will be established. The Mauritius Intellectual Property Council, through the involvement of all key stakeholders will coordinate Intellectual Property Policy across Government, between Government as well as the private sector to ensure coherence and consistency.

Initiatives by the Mauritius Research Council

3.84. The Mauritius Research Council has also taken a number of initiatives in relation to promotion of Intellectual Property Rights in Mauritius:

Technology Transfer Office (TTO)

3.85. The setting up of a Technology Transfer Office (TTO) at the MRC is the result of interactions with the World Intellectual Property Organization (WIPO), focused on outlining a structured program of action addressing a range of training, human resource development and institutional support activities targeted at enhancing technology transfer and knowledge exchange in Mauritius. This undertaking is also aligned with proposals formulated within the framework of the Government's Intellectual Property Development Plan (IPDP), which constitutes the subject of a Memorandum of Understanding between WIPO and Mauritius.

Advisory services of the TTO

3.86. One of the key objectives of the TTO is to implement the effective transfer and use of intellectual property (IP) and knowledge between research/training/teaching institutions and industry, thereby enhancing university-business cooperation for public benefit and socio-economic development. Advisory services on Intellectual Property (IP) have been provided through the Council's TTO designed to support the promotion of knowledge and use of IP, and have been delivered to a number of stakeholders including SMEs, entrepreneurs and researchers. A total of 45 persons have benefitted from these advisory services, leading directly in some cases to the formal registration of IP – for Industrial Designs, patent, and trademarks.

Inventors' Open Day and IP Clinic Series

3.87. This initiative which was piloted by the TTO in mid-2012 is now being scheduled to operate in quarterly sessions.

3.88. The Inventors' Open Day is designed to be of value to innovators, researchers, entrepreneurs and users of IP assets in different sectors, and serves as a forum for practical explanations and guidance on IP issues relevant to their concepts or inventions. It allows participants to gain an appreciation of IP and its relevance in their daily work and life. Speakers comprising of lawyers, jurists and practitioners who are well versed and experienced in IP, are invited to contribute to the Open Day. Interventions are also made by entrepreneurs and SMEs, including those with recognised track records of innovative business development.

3.89. The IP Clinic Series, which complements the Inventors' Open Day, consists of short meetings held over a 45-minute period, during which individuals or a group of persons, are given the opportunity to interact in a confidential setting with a panel of two or three specialists to discuss IP issues relating to their unique circumstances, and to help them identify problems they might have encountered while dealing with IP matters.

3.90. The TTO is planning to establish support for these services through an informal mentoring program with IP experts in different countries, including key trading partners, who would be willing to share know-how and give advice on practical matters. The TTO will act as the connector to the IP experts, and will be linked to the IP Clinic.

4 MULTILATERAL TRADE AND REGIONAL TRADE AGREEMENTS

4.1 WTO

4.1. Upon its accession to the WTO, Mauritius took commitments in the agricultural, industrial and services sectors. The simple average of bound duties in agriculture is 119.7% and 22.1% in industrial goods. In the services sector, Mauritius has scheduled commitments in telecommunications, financial services and tourism. Mauritius has also submitted its initial offer in accountancy services and computer and computer-related services in the context of the Doha Round.

4.2. Despite its smallness and resource constraints, Mauritius has made tremendous efforts in implementing the Uruguay Round Agreements. With a view to increasing transparency in its trade regime, Mauritius has to a very large extent responded to its notification obligations. Trade Policy Formulation is undertaken in consultation with various stakeholders both from the public and private sector. Moreover, the enquiry points for sanitary and phytosanitary measures (SPS), Technical Barriers to Trade (TBT) and Trade in Services have been operational since 1995.

Participation in the WTO Discussions

4.3. Mauritius believes in a fair and rules-based multilateral trading system which aims at results which are balanced, all inclusive and equitable. Mauritius has actively participated in all the WTO Ministerial Conferences since the Uruguay Round and is currently actively participating in the Doha Development Round negotiations including the post- Bali issues.

4.4. As a small island developing state, Mauritius is vulnerable due to the exiguity of its market, geographical isolation, its proneness to natural disasters, among others and its exposure to trade shocks. In this regard, Mauritius has been at the fore regarding the elaboration of a Work

Programme for Small Economies in accordance with Paragraph 35 of the Doha Ministerial Declaration.. Mauritius strongly advocates for special and differential treatment including the extension of support facilities to enable the vulnerable and small economies to fully participate in international trade and to integrate the multilateral trading system. Mauritius played a major role in framing Aid for Trade as a major development component of the Doha Development Round and was actively involved in the WTO Aid for Trade Task Force as the coordinator of the Group of countries.

Trade Remedies legislation

4.5. The Trade (Anti-dumping and Countervailing Measures) Act was proclaimed in Mauritius in June 2010. A separate legislation for Safeguard measures is in preparation.

4.6. The Trade (Anti-dumping and Countervailing Measures) Act has not yet been notified to the WTO given that some implementing regulations, namely on Non-Market economies, Determination of Injury, Procedures for on-the spot investigations, reliance on information available and New Shipper Review are being finalized.

4.2 Plurilateral Agreements–ITA Agreement

4.7. Mauritius is party to the Information Technology Agreement (ITA) WTO agreement. It covers some 5% of tariff lines on which Mauritius has eliminated duty. In April 2013, Mauritius joined the ITA II negotiations aimed at extending the coverage of the Agreement. This would entail further tariff liberalization commitment on the part of Mauritius.

4.3 Regional Trade

4.8. Mauritius is an active Member of several regional blocs, the most prominent amongst which are SADC, COMESA and the Indian Ocean RIM Association.

4.3.1 SADC Free Trade Area

4.9. The SADC Trade Protocol was signed by the SADC Member States in 1996 but implementation of the Protocol started in 2000. SADC formally launched its Free Trade Area (FTA) at its Heads of States Summit held in South Africa, on 17 August 2008. Accordingly, 85% of all intra-SADC trade became duty-free and it was agreed that the remaining 15% would be liberalised by 2012. In January 2014, Mauritius completed liberalisation of its tariffs within SADC.

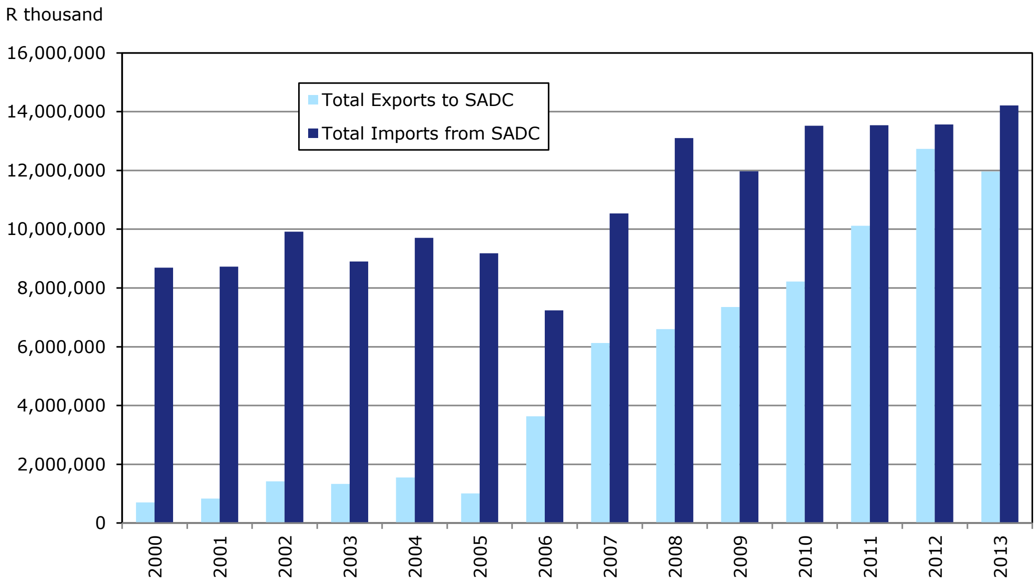
Table 4.1 Mauritius trade with SADC

(Rs Thousand)

Year	Total Exports to SADC	Total Imports from SADC
2000	700,856	8,690,141
2001	830,078	8,724,186
2002	1,422,410	9,912,919
2003	1,335,012	8,899,651
2004	1,551,417	9,706,237
2005	1,012,936	9,183,411
2006	3,632,082	7,235,994
2007	6,129,861	10,536,242
2008	6,597,114	13,101,445
2009	7,352,267	11,973,066
2010	8,217,470	13,517,218
2011	10,114,161	13,534,166
2012	12,734,619	13,561,478
2013	11,960,330	14,213,824

Source: Statistics Mauritius.

Chart 4.1 Mauritius trade with SADC



Source: Statistics Mauritius.

4.10. In the early years of implementation of the SADC Trade Protocol, total imports from SADC into Mauritius were well above total exports. Gradually exports started picking up and accelerated with the launching of the Free Trade Area. Between 2008 and 2013 total exports from Mauritius to SADC have doubled and imports have remained more or less stable. For the year 2013, exports to SADC countries were valued at Rs 11.96 billion and imports at Rs 14.213 billion, resulting in a deficit of Rs 2.25 billion. Our main buyers were Republic of South Africa (50.5%) and Madagascar (37.7%). Our main SADC supplier is the Republic of South Africa (72%).

4.3.2 COMESA FTA

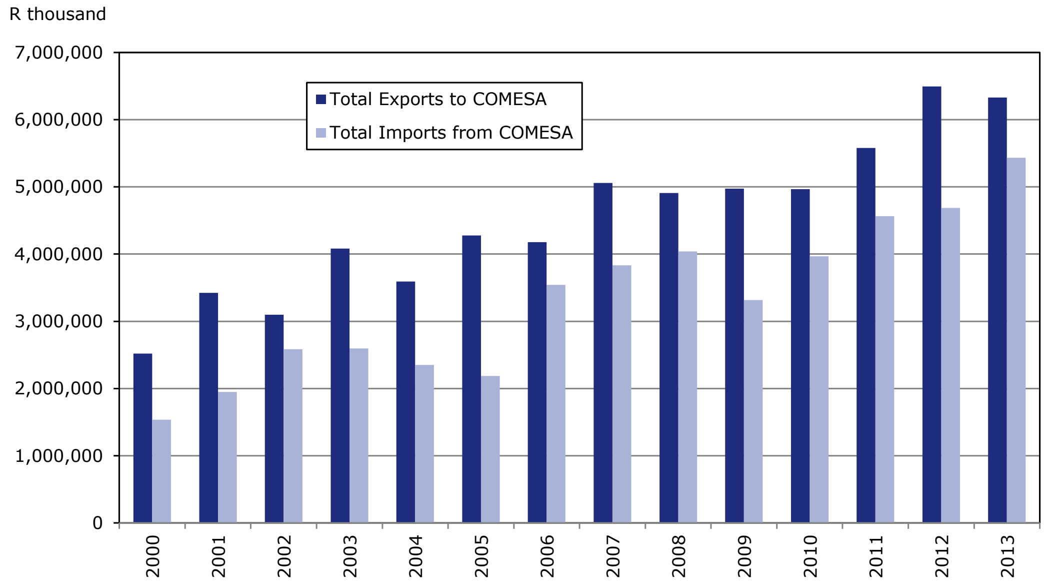
4.11. The COMESA FTA was launched on 31st October, 2000 when nine of the member States namely Djibouti, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe eliminated their tariffs on COMESA originating products, in accordance with the tariff reduction schedule adopted in 1992.This followed a trade liberalization programme that commenced in 1984 on reduction and eventual elimination of tariff and non-tariff barriers to intra- regional trade. At present there are 14 Member States participating in the COMESA FTA. Mauritius extends 90% tariff reduction on MFN rates to COMESA member states not in the FTA.

Table 4.2 Mauritius Trade with COMESA

Year	Total Exports to COMESA	Total Imports from COMESA
2000	2,520,559	1,534,966
2001	3,422,659	1,950,510
2002	3,096,910	2,585,165
2003	4,081,890	2,598,162
2004	3,590,581	2,350,121
2005	4,275,431	2,187,827
2006	4,179,106	3,542,510
2007	5,058,503	3,833,105
2008	4,909,833	4,038,174
2009	4,972,151	3,317,143
2010	4,966,637	3,965,812
2011	5,579,292	4,565,391
2012	6,491,865	4,687,118
2013	6,326,774	5,430,953

Source: Statistics Mauritius.

Chart 4.2 Mauritius trade with COMESA



Source: Statistics Mauritius.

4.12. For the year 2013, total exports to COMESA countries amounted to Rs 6.33 billion against Rs 5.43 billion worth of imports, resulting in a favorable balance of Rs0.9 billion for Mauritius. Madagascar was the main buyer (71.3%) while our main suppliers were Seychelles(27.1%), Kenya (25.3%) and Egypt (20%).

4.13. Between 2000 and 2013, total exports from Mauritius to COMESA countries increased by 151% and total imports increased by some 253%.

4.14. The Regional Payment and Settlement System (REPSS), a secure and reliable payment infrastructure, was introduced by the COMESA Clearing House in a quest to promote further trade development in the COMESA region. The REPSS allows for an easy transfer of funds among member countries by allowing importers to pay for goods and services in their local currencies, whilst enabling exporters to invoice their products in their domestic currencies. In short the REPSS is expected to stimulate regional trade.

4.15. The Bank of Mauritius has been appointed by the COMESA Clearing house to act as the settlement bank of the REPSS. The system went live on 3 October 2012 and settlements are being made through central banks of COMESA member countries in US dollar and Euro. Malawi, Rwanda, Swaziland and Mauritius are currently participants in the system.

4.3.3 COMESA-EAC-SADC Tripartite FTA

4.16. Mauritius is currently actively involved in the COMESA-EAC-SADC Tripartite FTA Negotiations.

4.17. The COMESA-EAC-SADC Tripartite initiative aims at harmonizing the trade regimes of the 3 Regional Economic Communities (RECs) through the establishment of an enlarged Free Trade Area as mandated by the Tripartite Heads of State Summit in 2008. The Tripartite region comprises 26 Member States with a combined population of 600 million people and a total GDP approaching US $1.0 trillion.

4.18. The objective for embarking on the Tripartite FTA has been primarily motivated by the desire of member states of the three RECs to resolve the challenges posed by multiple memberships. Trade policies agreed at the level of the individual RECs do not necessarily converge so that implementation at national level becomes difficult when a country is a member of more than one bloc.

4.19. The 2nd Tripartite Summit held in June 2011 adopted a developmental approach to the Tripartite Integration process that will be anchored on 3 pillars: Market Integration based on the Tripartite FTA, Infrastructure Development to enhance connectivity and reduce the costs of doing business as well as Industrial Development to address productive capacity constraints.

Structure of Negotiations

4.20. In the case of Mauritius, it will have to negotiate tariff liberalization with only 4 member states namely Angola, DRC, Ethiopia and Eritrea which are not yet party to any REC's FTA given that it already trade on a duty free basis with the rest of the membership.

4.3.4 Accelerated Programme for Economic Integration (APEI)

4.21. Mauritius together with four like-minded and reform-oriented countries namely Malawi, Mozambique, Seychelles and Zambia have agreed to accelerate their economic integration process by harnessing foreign investment, creating enhanced employment opportunities and fostering higher economic growth including through enhanced competitiveness. In this respect, the Accelerated Program for Economic Integration (APEI) was launched in line with the spirit of rapid integration based on the principles of variable geometry and variable speed adopted by the joint Council of Ministers of Finance and Governors of Central Banks of COMESA and SADC.

4.22. An Action Matrix covering five pillars has been adopted. The Action Matrix identifies the priority constraints and a set of specific actions to be implemented over a 3-year time frame, starting in May 2013. Specific key performance indicators have been set to ensure that the objectives of the integration process are met.

4.23. The 5 pillars requiring reform to remove impediments to trade and investment have been identified as:

1 Improvement of business regulatory environment;
2 Elimination of barriers to trade in goods;
3 Promotion of trade in services;
4 Improvement in trade facilitation; and
5 Peer to peer learning and capacity building.

4.24. The following measures have been taken by Mauritius under the main pillars of the APEI process:

Improving Trade Facilitation

4.25. Mauritius has put in place a Trade Portal with a view to increasing transparency by providing all relevant trade information.

Improving Business Environment

4.26. Mauritius has introduced guidelines to facilitate the development of lands and set a limit to respond to applications on an implied consent basis. Businesses can now be incorporated online and e-payment services are also available.

Elimination of barriers to Trade in Goods

4.27. Mauritius has reviewed the list of products under control of Agricultural Marketing Board and removed double approvals for 11 products. A modus operandi will be worked out to consider occasional import permits on fish-based products.

Promoting Trade in Services

4.28. Mauritius submitted an offer to COMESA Member States with regard to liberalizing sectors under Communication, Transport, Financial Services and Tourism.

4.29. The number of days for business visas has increased from 90 to 180 days in a year.

4.3.5 Interim EPA

4.30. Mauritius is implementing an interim Economic Partnership Agreement (IEPA) with the European Union as from 14 May 2012. The Agreement was signed in 2009. The IEPA is a WTO-compatible trading arrangement aimed at removing progressively barriers to trade with the EU and enhancing cooperation in all areas relevant to trade. The Interim EPA has three main components, namely, Trade in goods and Market access, Fisheries and Development.

Market Access

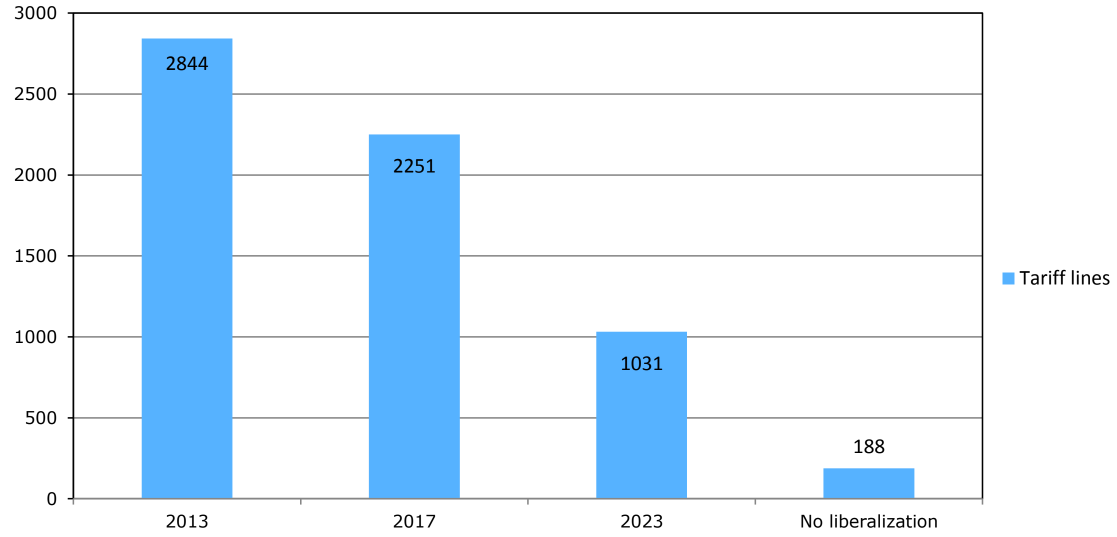
4.31. Under the Interim Economic Partnership Agreement, Mauritius is benefiting from duty free quota free access for all products with the exception of sugar and rice which has a transitional period until September 2015.

4.32. Mauritius will be liberalizing/binding 95.6% of its imports within the next 15 years. Liberalization commitments started in 2013. As per the EPA market access offer, tariff will be gradually phased down to zero as follows:

- Raw Material to be liberalized in 2013
- Intermediate goods to be liberalized in 2017
- Final goods to be liberalized in 2023

4.33. Chart 4.3: The numbers of tariff lines to be liberalized or bound to zero over the 15 years are as follows:

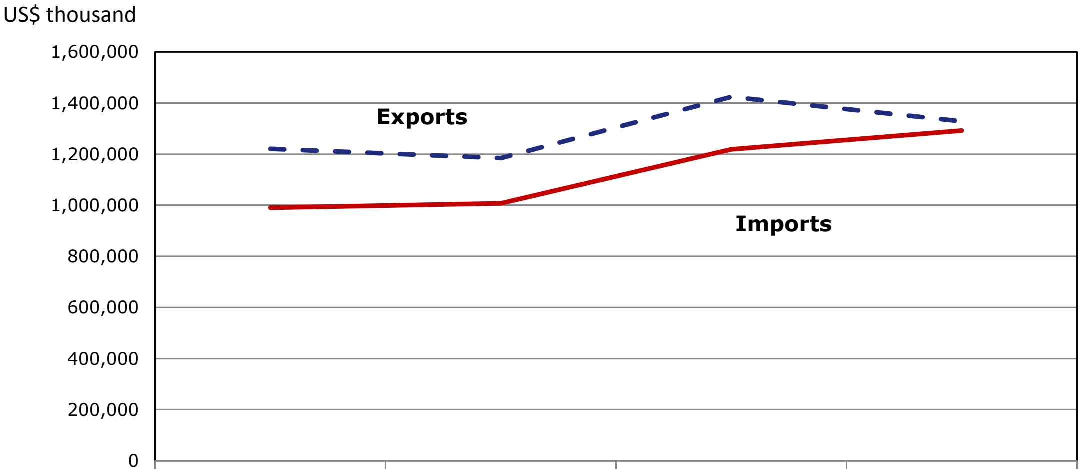
Chart 4.3 Tariff lines to be liberalised under the IEPA



Source: International Trade Division.

4.34. In 2012, Mauritius exports to the EU stood at US$1.3 billion and imports at US$1.2 billion. Since the signing of the agreement in 2009, exports to the EU increased by 8% and imports by 23%. The trend of Mauritius exports and imports since the signing of the IEPA is shown below:

Chart 4.4 Exports and imports trend with the EU

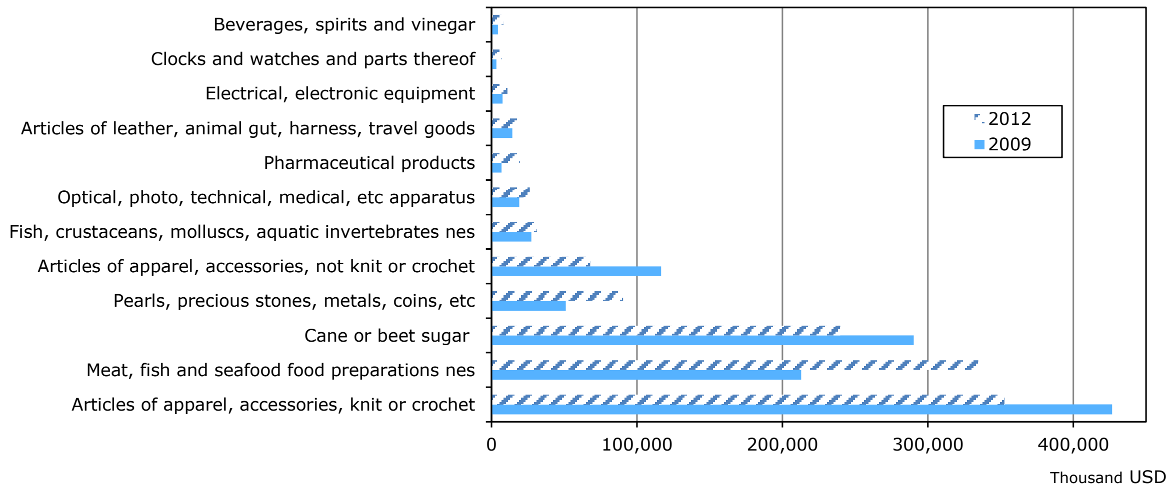


	2009	2010	2011	2012
Exports	1,220,974	1,184,393	1,424,687	1,328,515
Imports	990,145	1,007,843	1,219,041	1,292,148

Source: Trade Map.

4.35. Exports of Tuna to the EU has increased by 36%, pharmaceutical products by 60%, sugar has declined by 21%. Textiles and clothing also registered a decline of 17%. On the other hand, exports of products such as beverages, article of leather, optical and medical apparatus, articles of plastics have increased. The chart below provides a comparison of exports of key products to the EU in 2009 and 2012.

Chart 4.5 Comparison of key exports to the EU in 2009 and 2012



Source: Trade Map.

4.36. The diversification of the export to the EU market is also attributed to the flexible rules of origin in key sectors such as Tuna, and industrial products.

Fisheries

4.37. The Interim Agreement contains a detailed and elaborate chapter on fisheries which aims at optimizing the benefits from fisheries through investment, capacity building and improved market access as well as conservation and management of fisheries resources.

4.38. The Interim Agreement provides for an automatic derogation of 8,000 tons for canned tuna and 2,000 tonnes for tuna loins for the Eastern and Southern Africa (ESA) signatory states. This quota is shared among the tuna exporting countries of those ESA countries that have initialed the Agreement, namely Mauritius, Seychelles and Madagascar. Mauritius has obtained 3000 tonnes of preserved tuna and 750 tonnes of tuna loins under the automatic derogation. Mauritius can also make requests to the EC under the normal derogation clause. It obtained a derogation of 2000 tonnes for preserved tuna in 2013.

Development

4.39. The Interim Agreement contains a development chapter which covers various areas of cooperation in sectors including :

(i) Infrastructure development
(ii) Productive sectors
(iii) Regional Integration
(iv) Trade Policy and Regulation
(v) Trade development
(vi) Adjustment Costs and

Full EPA Negotiations

4.40. Mauritius and other Eastern and Southern Africans are pursuing negotiations of a full EPA which will include Trade in goods, Services, Competition Policy, Intellectual Property rights amongst others. One of the areas of key interest to Mauritius is the Services sector. Mauritius has prepared an offer to be submitted to the EU in forthcoming discussions.

4.3.6 AGOA

4.41. Mauritius is a beneficiary of AGOA preferences which was proclaimed by the US in 2000. AGOA eligible countries are able to export some 6500 product lines duty free and quota free to the US.

4.42. Two way trade between Mauritius and the US is indicated in table below.

Table 4.3 U.S. imports from and exports to Mauritius (2002-2013)

(US$ million)

	U.S. Exports To Mauritius	% Change	U.S. Imports from Mauritius	% Change	Two-Way Trade	% Change
2000	24.346		286.008		310.354	
2001	29.033	+19.3	275.127	-3.8	304.160	-2.0
2002	27.457	-5.7	280.433	+1.9	307.890	+1.2
2003	32.010	+16.6	298.096	+6.3	330.106	+7.2
2004	28.416	-11.2	270.397	-9.3	298.813	-9.5
2005	30.849	+8.6	221.997	-17.9	252.846	-15.4
2006	35.608	+15.4	218.649	-1.5	254.257	+0.6
2007	49.794	+39.8	187.020	-14.5	263.814	+3.8
2008	51.293	+3.0	176.189	-5.8	227.482	-13.8
2009	70.031	+36.5	168.863	-4.2	238.894	+6.3
2010	40.028	-42.8	196.055	+16.2	236.083	-1.2
2011	45.951	+14.8	250.483	+27.8	296.434	+24.3
2012	95.976	+108.9	261.412	+4.4	357.388	+20.6
2013	42.036	-56.2	338.024	+29.3	380.060	+6.3

Source: U.S. International Trade Commission.

4.43. In the early years of the AGOA, Mauritius did very well in terms of exports to the US. However, difficulties started with the phasing out of the Multi Fibre Agreement (MFA). The decline of apparel exports from Mauritius was been more pronounced closer to the year 2005 when quotas on the most sensitive apparel items-which included those produced by Mauritius–were eliminated.

4.44. However, there was a turnaround when the benefits of the third country fabric provision were extended to Mauritius in 2008. Between the 2008-2013 period, exports from Mauritius to the US increased by around 67%.

4.45. AGOA is set to expire in 2015 and may expose Mauritius exports to intense competitive pressure if it is not renewed on time.

4.4 Bilateral Initiatives

4.46. Mauritius attaches a lot of importance to bilateral relations both with its traditional and new strategic partners. India and China are among its key trading partners with whom a number of instruments have been developed to consolidate existing relations. Co-operation with China include a Double Taxation Agreement, Investment Protection Promotion Agreement and a Sino-Mauritius Joint Economic, Technical and Trade Cooperation Commission which meets regularly to discuss issues of mutual interests and further promote economic and trade relations. With India, Mauritius has a Double Taxation Agreement as well as an Investment Protection Promotion Agreement. A Preferential Trade Agreement has been concluded but has not yet been signed and implemented.

4.4.1 Mauritius–Pakistan PTA

4.47. A Preferential Trade Area (PTA) was signed between Mauritius and Pakistan on 30 July 2007 in Mauritius. Under the PTA, tariff concessions have been granted on a list of products of export interest to both countries, which allow operators to trade with Pakistan on preferential terms. Both countries have also initiated FTA discussions.

4.4.2 Trade and investment framework agreement (TIFA) between Mauritius and the U.S.

4.48. The TIFA between Mauritius and the U.S. was signed on 18 September 2006 and aims at strengthening and expanding trade ties between the U.S. and Mauritius. It also provides an opportunity to work more closely on a broad range of trade-related issues, including moving the WTO Doha Development Round forward and implementing the African Growth and Opportunity Act (AGOA). It thus provides a formal mechanism to address bilateral issues of interest to both countries.

4.4.3 Turkey

4.49. A Free Trade Agreement (FTA) between Mauritius and Turkey was signed on 9 September 2011 in Istanbul. The agreement entered into force on 1 June 2013. It provides duty-free and quota-free access on all industrial products except for a list of 70 clothing items on which duties will be phased down over a period of 4 years.

4.50. With respect to agricultural products, the FTA provides preferential access on a list of some 40 products on a tariff quota basis.

5 CONCLUSION

5.1. The Report highlights the commitment of Mauritius to a continuous economic reform process aimed at further improving its economic and doing business climate; increasing economic resilience and more efficient use of its limited resources through the implementation of new projects and initiatives. In order to ensure optimum success, Mauritius would need the cooperation of international institutions and economic partners in view of the substantive cost implications which typically come with economic reforms.

5.2. The 2006 economic reform program was estimated at some US$5 billion, and a large component of the reform was devoted to elimination of tariffs. Highest tariff of 65% was brought down to 30% so that at present, some 88.8% of tariff lines are duty free. The trade weighted average tariff stands at 1% which makes of Mauritius one of the less trade restrictive countries in the world. International support to sustain the reform momentum remains critical, especially as

Mauritius continues to be exposed to uncertainties prevailing in the world economy and the challenges it has to face as a Small Island Developing Country.

5.3. Mauritius remains committed to the Multilateral Trading System and will continue to play an active role as a Member of the WTO and in the Doha Round Negotiations in order to ensure a successful, balanced, fair and equitable outcome that fully addresses the concerns of Small Island Developing Countries.