

MAURITIUS

NATIONAL EXPORT STRATEGY

2017-2021



Republic of Mauritius



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This National Export Strategy (NES) is an official document of the Government of Mauritius. The NES was developed on the basis of the process, methodology and technical assistance of the International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

ITC is the joint agency of the World Trade Organization and the United Nations. As part of the ITC mandate of fostering sustainable development through increased trade opportunities, the Export Strategy section offers a suite of trade-related strategy solutions to maximize the development payoffs from trade. ITC-facilitated trade development strategies and road maps are oriented to the trade objectives of a country or region and can be tailored to high-level economic goals, specific development targets or particular sectors, allowing policymakers to choose their preferred level of engagement.

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ACRONYMS

AFMCE	Association des Femmes Mauriciennes Chefs d'Entreprises	MEXA	Mauritius Export Association
B2B	Business-to-Business	MFN	Most Favoured Nation
BIT	Bilateral Investment Treaty	MoFARIIT	Ministry of Foreign Affairs, Regional Integration and International Trade
BOI	Board of Investment	MoOE	Ministry of Ocean Economy, Marine Resources, Fisheries, Shipping and Outer Island
CIDP	Centre International de Développement Pharmaceutique	MSB	Mauritius Standards Bureau
CIRAD	Centre de Coopération Internationale en Recherche Agronomique pour le Développement	MSMEs	Micro, Small and Medium-sized Enterprises
CoA	Commission of Agriculture	NES	National Export Strategy
COMESA	Common Market for Eastern and Southern Africa	NWEC	National Women Entrepreneur Council
EEZ	Exclusive Economic Zone	ODA	Official Development Assistance
EM	Enterprise Mauritius	OECD	Organisation for Economic Co-operation and Development
EPZ	Export Processing Zone	PoA	Plan of Action
EU	European Union	QMS	Quality Management System
FAD	Fishing Aggregating Device	R&D	Research and Development
FDI	Foreign Direct Investment	ROFCF	Rodrigues Offshore Fishermen Cooperative Federation
FRTU	Fisheries Research and Training Unit	RPFO	Rodrigues Professional Fishermen Organization
FTA	Free Trade Agreement	RRA	Rodrigues Regional Assembly
GDP	Gross Domestic Product	SADC	Southern African Development Community
GFCF	Gross Fixed Capital Formation	SME	Small and Medium-sized Enterprise
HACCP	Hazard Analysis and Critical Control Point	SMEDA	Small and Medium Enterprises Development Authority
HS	Harmonized System	TPP	Trans-Pacific Partnership
ICT	Information and Communications Technology	TISI	Trade and Investment Support Institution
iEPA	interim Economic Partnership Agreement	TSN	Trade Support Network
IIA	International Investment Agreement	TVET	Technical and Vocational Education and Training
IMF	International Monetary Fund	UNCTAD	United Nations Conference on Trade and Development
IP	Intellectual Property	UNDP	United Nations Development Programme
ITC	International Trade Centre	WTO	World Trade Organization
MCCI	Mauritius Chamber of Commerce and Industry		

CONTENTS

ACKNOWLEDGEMENTS	III
ACRONYMS	IV
FOREWORD BY THE HON. MR. PRAVIND KUMAR JUGNAUTH , PRIME MINISTER..	XI
FOREWORD BY THE HON. MR. ASHIT KUMAR GUNGAH , MINISTER OF INDUSTRY, COMMERCE AND CONSUMER PROTECTION	XII
FOREWORD BY MS. ARANCHÁ GONZÁLEZ , EXECUTIVE DIRECTOR, ITC	XIII
EXECUTIVE SUMMARY	1
MACRO DIAGNOSTIC AND COMPETITIVENESS	7
MAURITIUS' EXTERNAL TRADE PERFORMANCE	19
TRADE POLICY	20
TRADE IN SERVICES	26
ROLE OF INVESTMENT IN THE NES	29
INVESTMENT POLICY ENVIRONMENT	29
INVESTMENT TRENDS	31
ROLE OF THE BOARD OF INVESTMENT	35
RECOMMENDATIONS	36
THE TRADE DEVELOPMENT AGENDA	37
MAURITIUS' TRADE POLICY FRAMEWORK	38
THRUST OF MAURITIUS' TRADE DEVELOPMENT AGENDA	39
TRADE DEVELOPMENT AGENDA	40
TRENDS IN OVERSEAS DEVELOPMENT ASSISTANCE TO MAURITIUS	41
KEY NATIONAL COMPETITIVENESS CONSTRAINTS	43
SUPPLY-SIDE ISSUES	45
QUALITY OF THE BUSINESS ENVIRONMENT	46
MARKET ENTRY ISSUES	49
DEVELOPMENT GEAR	51

SELECTED PRIORITY SECTORS	53
SELECTED PRIORITY CROSS-SECTOR FUNCTIONS	63
THE WAY FORWARD	67
VISION	67
STRATEGIC ORIENTATION.....	67
MARKET DEVELOPMENT.....	69
THE IMPLEMENTATION FRAMEWORK	73
PLAN OF ACTION	77
REFERENCES	85
APPENDIX: NES TEAM	89

FIGURES

Figure 1: Strategic orientation for the National Export Strategy.	3
Figure 2: Mauritius GDP and GDP growth, 2000–2020.	8
Figure 3: Mauritius GDP in comparison to peers, 2004–2014.	9
Figure 4: Human Development Index and its components.	9
Figure 5: Human Development Index comparison.	10
Figure 6: Mauritian activity rate, 2015 (left), and unemployment rate, 2006–2015 (right).	10
Figure 7: Mauritian employment by job strata, 2015.	12
Figure 8: Sources of economic growth.	12
Figure 9: Capital per worker.	12
Figure 11: Sector contribution to value addition, 2000–2004 to 2010–2014.	13
Figure 10: Trends in productivity indices, 2005–2015 (Index 2007=100).	13
Figure 12: Foreign direct investment, net inflows.	14
Figure 13: FDI and employment, 2014 (left) and FDI per sector (right).	14
Figure 14: Trade and business environment indicators for Mauritius.	15
Figure 15: Logistics Performance Index for Mauritius.	15
Figure 16: Trade facilitation indicators for Mauritius, 2015.	16
Figure 17: Competitiveness indicators for Mauritius, 2013–2016.	17
Figure 18: Mauritius current account balance, 2000–2020.	20
Figure 19: Decomposition of Mauritian imports – broad economic categories.	21
Figure 20: Mauritian trade in goods – flows and balance of trade.	21
Figure 21: Mauritius total exports, 2005–2014.	22
Figure 22: Share of exports by destination.	23
Figure 23: Export of goods to selected destinations.	23
Figure 24: Decomposition of export growth in Mauritius, 2005–2014.	23
Figure 25: Market reach of Mauritian exports.	24
Figure 26: Probability of survival of Mauritian export relationships.	25
Figure 27: Share of parts and components and technological classification of Mauritian exports, 2000–2015.	25
Figure 28: Value of Mauritian exports of services.	26
Figure 29: Decomposition of Mauritian services exports, 2014 (US\$ millions).	26
Figure 30: Commercial services exports: traditional and modern services.	27
Figure 31: Percentage of FDI inflows to Mauritius per sector, 2007–2010 and 2011–2014.	31
Figure 32: Origin of Mauritian FDI inflows, as percentage of total inflows, 2007–2010 and 2011–2014.	32
Figure 33: FDI trends Mauritius/Africa, 2008–2014.	32

Figure 34: Mauritian FDI inflow as a percentage of GDP, 1996–2014	33
Figure 35: Mauritian FDI inflow change between Q1-Q3, 2014-2015.....	33
Figure 36: Mauritian FDI inflow per sector, percentage of total inflow, Q1–Q3 2015 .	34
Figure 37: GFCF as percentage of GDP, 2005–2014 (left), and FDI as percentage of GFCF, 1970–2012 (right)	34
Figure 38: Official development assistance to Mauritius by donor (US\$ millions) ..	41
Figure 39: Official development assistance to Mauritius by sector (US\$ millions) ..	42
Figure 40: Domestic credit as a percentage of GDP, 1980–2014.....	47
Figure 41: Exports of priority and other sectors, 2006–2015 (US\$ millions)	54
Figure 42: Exports, imports and trade balance of priority sectors, 2006–2015 (US\$ millions).....	54
Figure 43: Exports of priority and other services sectors, 2006–2014 (US\$ millions)	54
Figure 44: Exports, imports and trade balance of priority services sectors, 2006–2014 (US\$ millions)	54
Figure 45: Mauritian trade in vegetables, fruit, nut, etc. food preparations, 2006–2015 (US\$ millions)	55
Figure 46: Mauritian trade in edible preparations, 2006–2015 (US\$ millions)	55
Figure 47: Mauritian exports and imports of financial services, 2006–2014 (US\$ millions).....	56
Figure 48: Mauritius trade in insurance and pension services, 2005–2014 (US\$ millions).....	56
Figure 49: Mauritius trade in seafood, 2006–2015 (US\$ millions)	57
Figure 50: Mauritius trade in fish and seafood preparations, 2006–2015 (US\$ millions).....	58
Figure 51: Mauritius trade in fish origin products (non-food), 2006–2015 (US\$ millions).....	58
Figure 52: Mauritian trade in electro-medical apparatus, 2006–2015 (US\$ millions) .	59
Figure 53: Mauritian exports and imports of tourism, 2006–2014 (US\$ millions)	60
Figure 54: Mauritius exports and imports of ICT, 2006–2014 (US\$ millions)	61
Figure 55: Mauritian trade in jewellery, 2006–2015 (US\$ millions)	62
Figure 56: Strategic orientation for the National Export Strategy	68
Figure 57: Actual versus predicted exports for Mauritius, 2010	69
Figure 58: Share of total exports to the United Kingdom, 2011–2015 (%)	71
Figure 59: Value of Mauritian exports to the United Kingdom, 2006–2015 (US\$ thousands).....	72

TABLES

Table 1: Mauritian employment by industry, 2015	11
Table 2: Cost of trading across borders in Mauritius, 2016	16
Table 3: Foreign investment restrictions in Mauritius, 2014	30
Table 4: Unemployment in Mauritius by category, 2012–2015	45
Table 5: NES priority sectors' estimated potential	53
Table 6: Market diversification options per NES priority sector	70

BOXES

Box 1: Bilateral Investment Treaties to which Mauritius is party	31
Box 2: Functions of the Mauritius Board of Investment	35
Box 3: Mauritius faces uncertainty under Brexit	38
Box 4: Four gears framework for analysing competitiveness constraints	44
Box 5: Brexit and its implications for Mauritius	71



Photo: General Design

FOREWORD BY THE HON. MR. PRAVIND KUMAR JUGNAUTH, PRIME MINISTER



I am pleased to launch the National Exports Strategy (NES) document which is the product of joint efforts of the public and private sectors, with the support of the International Trade Centre.

Mauritius being an export driven economy, is increasingly under the pressure of fierce global competition.

The world around us is changing at a fast pace – thrusting upon us new challenges as well as opportunities.

Developments such as Brexit, uncertainties about elections in Europe, and the possible resurgence of protectionism constitute a serious challenge to our export sector.

Domestically, rising per unit cost of production, and shortage of appropriate skills on the labour market have become serious constraints to investment, especially in the export sector.

As a result, manufacturing which is at the very core of our industrialization and crucial to our export sector is facing tough challenges.

The situation calls for adaptive export policies and strategies.

One of the key decisions I have taken in my first few weeks as Prime Minister is to set up a Ministerial Committee which is tasked with formulating appropriate solutions to the problems affecting our export sector.

The NES comes at an opportune time to revamp the manufacturing base and to drive exports through seven priority sectors. It gives a special attention to Rodrigues in terms of better understanding the island's trade opportunities and challenges and to formulate a specific strategic vision and roadmap for key sectors with export potential.

The NES also provides a roadmap to improve export competitiveness, increase institutional support from both private and public institutions and stimulate trade through the provision of relevant and accessible trade support services.

Government will, in formulating its policies for the export sector, take into consideration the recommendations embodied in the strategy document with a view to boosting that sector, in its role as one of the main drivers of economic growth.

FOREWORD BY THE HON. MR. **ASHIT KUMAR GUNGAH**, MINISTER OF INDUSTRY, COMMERCE AND CONSUMER PROTECTION



The Mauritius National Export Strategy (NES) comes at an opportune time when Government has set the foundation for Mauritius to become a high income economy by 2030. Indeed, the economic development of Mauritius has to be given a new thrust in the context of global challenges characterized mainly by competition from low-cost countries, elimination of trade preferences and post BREXIT threats. I am confident that the Mauritius National Export Strategy will not only provide the necessary catalyst but will also be the harbinger of a new vision for our export strategy.

The NES is a coherent, comprehensive and prioritized Export Strategy document that includes a Plan of Action and an Implementation Management Framework. It aims to address trade opportunities and challenges, increase policy coherence and convergence, favour institutional coordination and formulate a strategic vision and roadmap for key sectors which have been identified as having export development potential. We need to create an enabling business environment for businesses to thrive. In the last decades, a number of economic pillars have been developed to contribute to economic and social development and provide employment. Today, Mauritius has a superimposed set of export strategies for each sector. We needed to create an overarching strategy which goes in line with government's vision and helps graduate Mauritius to the league of high income economies. With the emergence of new competitors and shifts in demand trends, there is a case to develop a national export-led strategic framework for Mauritius.

Following extensive consultations with both the public and private sector stakeholders, priority has been given to the export development of established and emerging sectors such as Food Processing, Jewellery, Financial Services, Scientific & Medical Devices, Software Development and Cultural Tourism. Special attention has also been given to Rodrigues Island which has the potential to venture on the export markets through transformation and value addition to local produce.

I am immensely grateful to the International Trade Centre for its technical assistance, financial contribution and expert guidance which have contributed in the successful elaboration of the Mauritius National Export Strategy. I am equally thankful to all public and private sector organizations for their valuable inputs and continuous support for successful preparation of the NES document. I look forward to the timely and successful implementation of the recommendations of the NES document by relevant stakeholders to achieve export-led inclusive economic growth which will help to propel Mauritius as a world class sourcing destination.

FOREWORD BY MS. ARANCHA GONZÁLEZ, EXECUTIVE DIRECTOR, ITC



In most rankings of 'best in class' in Africa ranging from good governance to the quality of the business and investment environment, Mauritius figures at or near the top. Mauritius has successfully made strides to transform itself from the agricultural, textile and tourism-based economy of the 1980s and 1990s to become more open and services-oriented. It has positioned itself as a strategic trade hub and a major financial centre between Europe, Africa and Asia. Mauritius' journey of economic transformation has been nothing short of remarkable.

Bold economic reforms, strict adherence to democratic principles, openness to international trade and investment and a strategic utilization of trade preferences in major markets which include the European Union, Africa and North America have been instrumental in the Mauritian economic miracle since independence. As a result, the island has emerged as a symbol of inclusive economic growth, which has further enhanced its influence in multi-lateral and regional fora, especially in Africa and the Indian Ocean region.

Despite its economic success and social progress, growth rates are below potential and the Mauritian economy is facing several headwinds including rising unemployment, especially amongst women and the youth. In order to embrace a sustainable and truly inclusive high-growth trajectory, Mauritius will need to channel additional resources into more productive sectors, invest heavily in education and capacity building, develop its human capital and foster smart specialization and innovation among its SMEs to generate higher value jobs. Enhanced trade and investment expansion overseas will continue to play an instrumental role in reshaping Mauritius's economy. With its recent government programme "Vision 2030", Mauritius has set out a plan for a "second economic miracle": the transition towards a knowledge-based and high-income economy.

Mauritian SMEs have learned to compete on their domestic market to win the hearts of consumers over foreign products. Today to win overseas, more Mauritian SMEs need to enter export value chains; they need be more innovative and more visible. This National Export Strategy provides the vision and direction needed for Mauritian export-oriented SMEs to boost their competitiveness and succeed in going international. Developed in partnership between the Government and the private sector through a participative consultative process, the National Export Strategy seeks to achieve three strategic objectives: i) to translate export-led success into sustainable and inclusive growth, ii) to move Mauritius to a knowledge-based economy thriving on innovation and value addition, and iii) to make Mauritius the reference country and trade partner of choice.

By capitalizing on regional economic integration and preferential market access, Mauritian SMEs can seize opportunities and build competitiveness both in its traditional markets in the West and still untapped high-growth emerging regional markets. In so doing, Mauritius will fully realize its potential as a strategic hub for international trade and investment. The NES highlights strategic options for Mauritius and a clear roadmap to get there. As an end-to-end diagnostic of the export value chain, the NES provides practical solutions for Mauritian SMEs to overcome competitiveness barriers, boost and maintain exports, capture more value and raise their international profile. Several projects identified in the NES plan of action have already been taken on board by the 2016-2017 state budget, demonstrating the firm commitment of both the Government and the business community.

ITC is committed to accompany Mauritius on its ambitious journey towards further economic transformation as it shift gears to further sustainable and inclusive growth over the next decade.

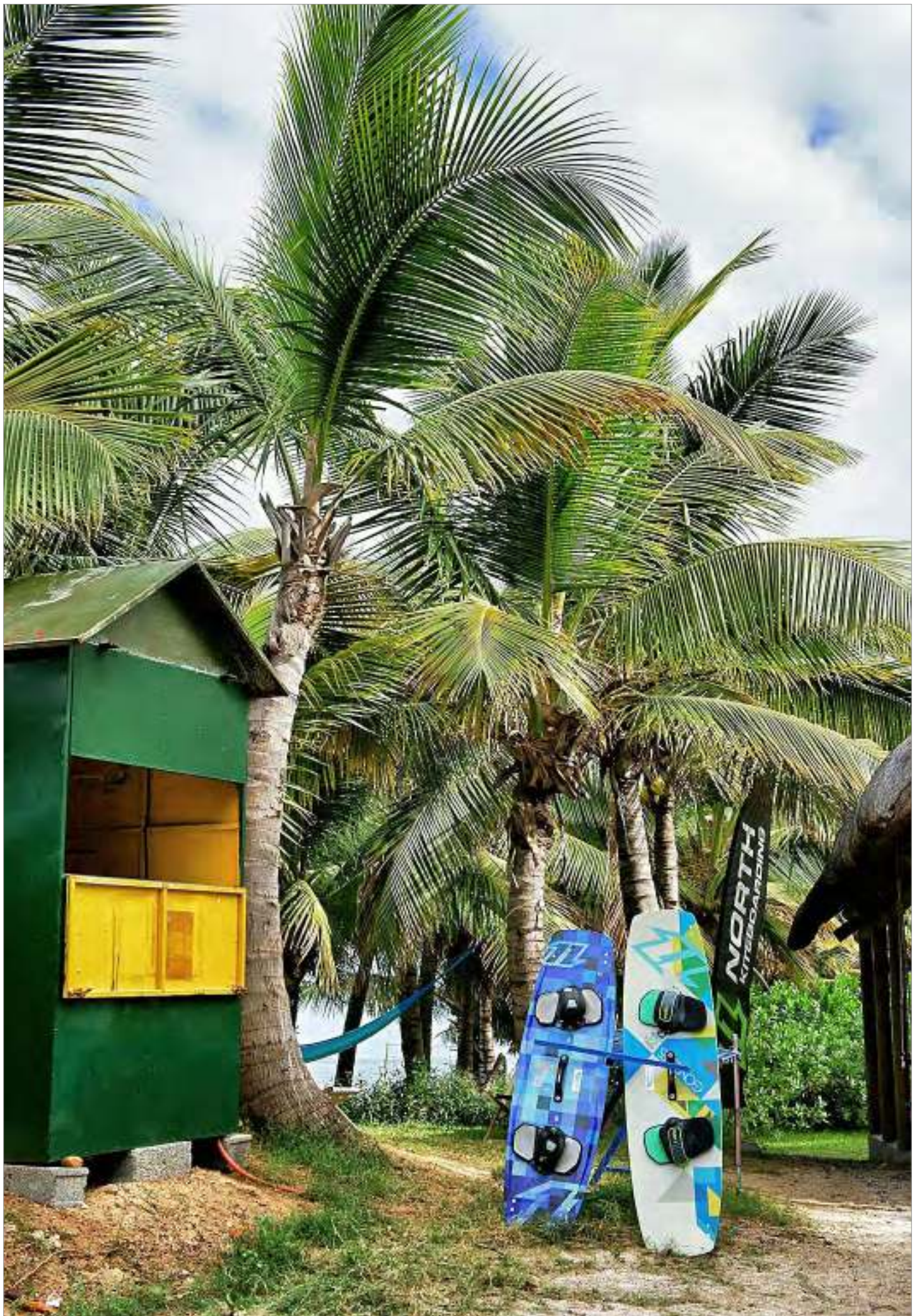


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EXECUTIVE SUMMARY

Mauritius' recent journey of economic transformation has been remarkable. The business environment of the country is one of the best ranked in Africa. Sophisticated services occupy an increasingly large share of total exports and are rapidly moving away from traditional services to modern, higher added value services. The economy has continued to diversify with high value added sectors progressively contributing more to gross domestic product. The significant improvements in reducing poverty and sharing prosperity achieved over the past decades have led to low inequality in comparison to regional standards and peer upper middle-income countries, such as South Africa or Seychelles.

Against this background, there are some clouds and challenges ahead. As many other countries, Mauritius is facing the challenge of a slowdown in growth combined with increased inequality that is in particular affecting the young. In Mauritius, this situation is compounded by relatively low levels of investment in productive sectors, the erosion of trade preferences and a tightening of regulations affecting

offshore financial activities. Moreover, Brexit is casting a shadow of uncertainty over market access to the UK and the EU – the biggest export market for Mauritian manufacturing and agro-processed products.

The national export strategy of Mauritius provides a blueprint that aims at reinvigorating growth, and trade in a socially inclusive manner. New sources of growth are needed at this juncture. Innovative and ambitious initiatives are required to consolidate the progress made and to prepare the country to seize the opportunities in the future. In order to achieve this, the National Export Strategy provides a vision for the country underpinned by concrete actions both at the national and the sector level encapsulated in a series of specific sector and cross-sector strategies that have been elaborated through a highly inclusive and participatory process involving a broad range of public, private and civil society stakeholders from across the entire export value chain. Main NES document lays down the overarching rationale and strategic framework for the complete national export strategy.

“ Mauritius – strategic hub for international trade ”

The vision of the strategy is to turn Mauritius into a strategic hub for international trade, an open, dynamic and sustainable economy driven by knowledge and innovation. This vision has provided the necessary inspiration and guidance to the stakeholders throughout the strategy's design process and will continue to provide a sense of direction during its implementation. Achieving the following three overarching strategic objectives at the national level is to materialize the vision.



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1. Transition to a knowledge-based economy thriving on innovation and value addition.

This strategic objective strengthens the foundations of the economic transformation process that is to allow Mauritius to achieve the status of high-income country. This is to be accomplished by fostering innovation, improving institutional coordination and strengthening the skills of workers across the economy. The development of several clusters and incubators focusing on high-growth and research-intensive sectors is at the centre stage of this strategic objective. These clusters are expected to generate economy-wide productivity gains through knowledge and technology spill overs. Ensuring that this takes place requires strengthening the trade support network by addressing coordination and capacity challenges, particularly in the provision of support to the services sectors. The three crosscutting functional strategies of “Innovation”, “Institutional Alignment” and “Skills Development” specifically contribute to this strategic objective.

There is a need to increase market access and attract more foreign direct investment. The first can be done through better identification of potential preferential trading partners and negotiating new free trade agreements, as necessary. Attracting inward investment requires a tactical approach to identify countries with which to negotiate International Investment Agreements, as well as making the necessary regulatory adjustments to promote productive investment that would contribute significantly to employment, enhance growth and productivity, and eventually lead to greater economic benefits.

2. Make Mauritius the reference country and trade partner of choice

This strategic objective aims to position Mauritius as the preferred business location for international traders and investors. Positioning the country as an attractive investment destination intends to further strengthen the supply capacity and innovation potential of the economy. This objective is to be achieved by streamlining customs and export procedures, by improving the dissemination of sector-specific information on market access opportunities offered by existing trade agreements, and by addressing trade finance bottlenecks. Enterprise Mauritius is going to play an active role in the implementation of the activities of this strategic objective. The crosscutting functional strategy in “Branding” is directly aligned and supports this strategic objective.

3. Translate export-led success into sustainable and inclusive growth

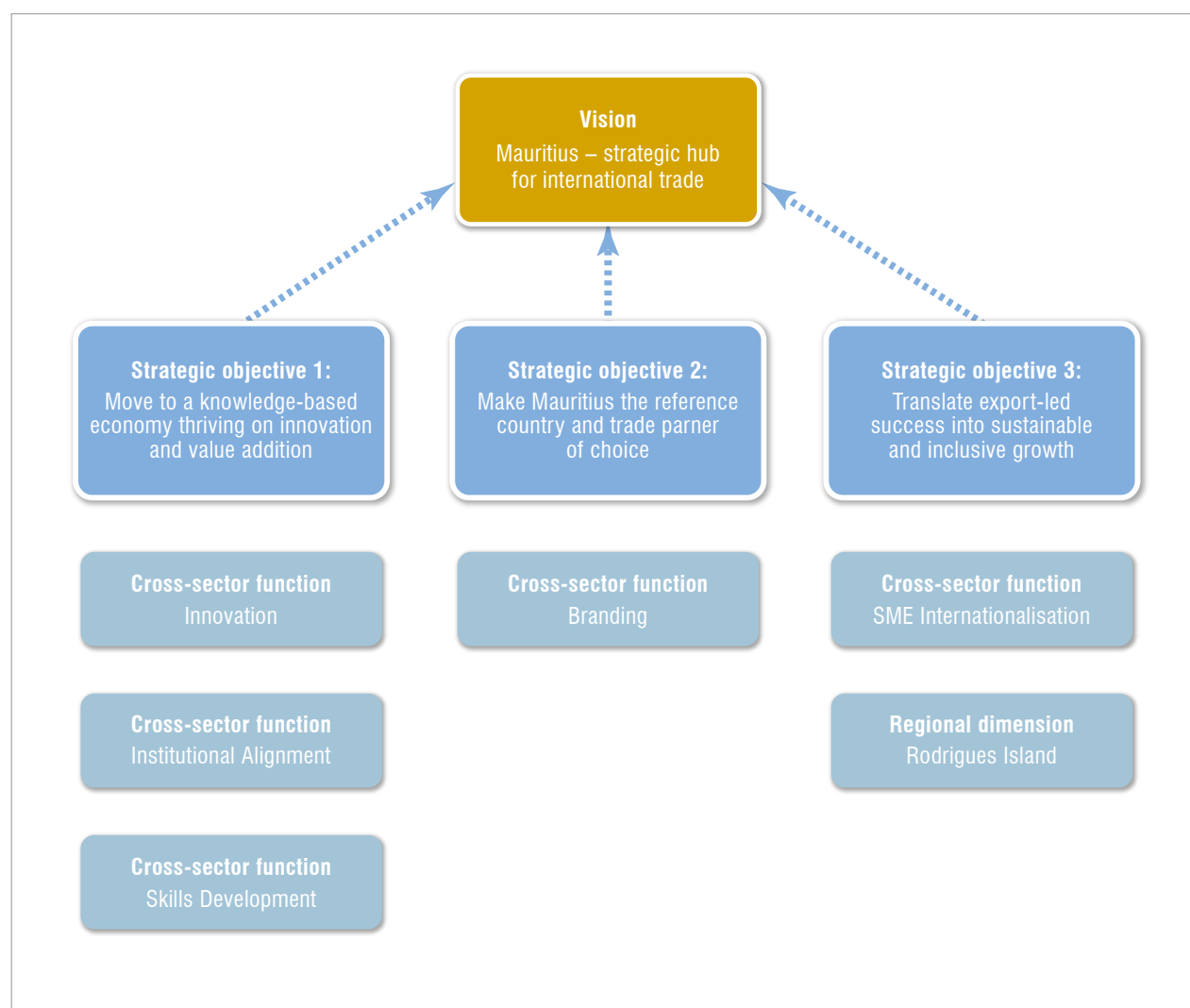
This strategic objective aims to generate economic opportunities for vulnerable and disadvantaged segments of the population such as women and young people. Incorporating currently idle resources into the productive and export sectors is intended to achieve a more balanced distribution of wealth while generating new growth opportunities for everyone. This is to be achieved through a combination of specific support for business associations and trade support institutions that have a bearing on gender issues. The crosscutting functional strategies on the “Internationalization of SMEs”, and the “Rodrigues Island” aim to contribute to this strategic objective.

In addition to the above strategic objectives, the strategy identifies a number of priority sectors and crosscutting support functions that further contribute to materialize the vision. Specific/detailed strategies have been developed for each of these. Figure 1 illustrates how the strategies for the cross-cutting functions are intended to feed into the three strategic objectives.



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Figure 1: Strategic orientation for the National Export Strategy



PRIORITY SECTORS AND CROSS-CUTTING FUNCTIONS

The following priority sectors were selected based on their capacity to contribute to export growth, socioeconomic development and the support that they provide to the three overarching strategic objectives of the national export strategy described above. Trade potential and employment generation have been the two main criteria that have guided the selection of these sectors.

Fisheries and Aquaculture

This sector export strategy aims to anchor the existing high competitiveness of the sector while strengthening its sustainability. The strategy consists on reinforcing some of the already existing strengths of the sector such as the high level of quality and environmental compliance attained by the produce; while ensuring a transfer of knowledge and best-practices from international investments to local SMEs. The strategy provides alternative diversification options based on the utilization of existing raw materials and others that have traditionally been discarded. These include the use of by-catch and cartilages and the development of new tuna-based products. The strategy aims to consolidate the current market share of the country in the traditional EU market, while gaining market share in new emerging markets.

Processed Food

This sector strategy aims to transform the incipient processed food industry into an integrated national value chain. This is to be achieved by reinforcing the domestic supply of raw materials that are suitable for the industry, and improving the organization and coordination among the various operators of the value chain. The strategy places a strong focus on improving the business environment, and raises awareness among enterprises on the export potential of the industry. In the long term, increasing the competitiveness of the farming sector is intended to further develop value-added processing activities in Mauritius and diversify the offering of processed food products.

Cultural Tourism

The goal of this sector strategy is to position Mauritius as a sustainable and vibrant cultural destination. This is to be achieved by revamping the cultural tourism offering, and developing a robust and diversified offer of cultural packages. Rehabilitating cultural and heritage assets, making them more accessible and visible to the wider public, and the improved promotional effort presented in the strategy is intended to channel existing tourists to cultural attractions and events.

Financial Services

The goal of this sector strategy is to diversify the sector away from its traditionally local jurisdiction. The strategy proposes to do this by improving the offering of the sector with higher value added services. The strategy advocates setting up of a coordination framework among the sector TSIs that currently operate in silos and provide a narrow set of services. The next step towards sustainable competitiveness is to ensure that the legislative and regulatory framework is able to support a modern and dynamic financial sector. These enhanced coordination, legislative and regulatory frameworks set the stage for the development of new product offerings and the provision of substantial services to operators. The strategy proposes effective promotional campaigns that attract demand for Mauritian financial services and multinational financial companies that bring additional skills to the country.

Software Development

This sector strategy aims to position the country as a reliable software development platform for the African market. This is to be achieved by bringing the developmental focus of the sector directly to the software enterprises, and away from the policy and regulatory levels. The multidisciplinary consortium Mauritian Cooperative Enterprise is projected to channel the offering of the sector to international clients in more than twenty African markets during the coming three years in an effort to penetrate new markets. This would be supported by improvements in the business environment, a strengthening of relevant institutional support structures, and enhanced support for enterprises in international markets.

Medical Devices

The goal of the strategy is to transform an infant industry into a recognized, integrated and high-tech sector. The strategy aims to achieve this by reinforcing the domestic supply of medical devices components, improving the knowledge-base of the industry and creating a more conducive business environment, namely by improving the quality of the institutional support and developing an adapted and targeted regulatory framework. A cluster initiative is targeting greater business linkages among companies, joint research and development activities the development of innovative products with higher local value addition.

Jewellery

The goal of this sector strategy is to set the sector on an innovation and technology-driven growth path. This is to be achieved by capitalising on the geographical location of Mauritius as a gateway to regional markets with which it enjoys preferential market access conditions, and on the long-standing tradition and know-how in jewellery

making. The strategy is to move the jewellery sector from its current labour-intensive state to capital and technology-intensive industry in the next five years. The jewellery strategy seeks in the short term to improve access to modern technology and developing design and technical skills in line with demand by major international jewellery markets. In the medium-to-long term, the strategy seeks to expand the proportion of export-oriented enterprises able to offer a highly diversified export basket of high value added world-class jewellery products.

In addition to the elaboration of the above strategies for selected priority sectors, the strategy aims to support the wider economy and the three overarching strategic objectives of the national export strategy by developing a limited number of functional strategies of crosscutting nature. These are primarily aimed at strengthening the business environment for enterprises and exporters in any sector.

Skills development

This strategy aims to realign the current educational offer to the current and future needs to support the trade competitiveness of the private sector. This is to be achieved by bridging the educational gap in the skills that are necessary to support the primary and secondary sectors upon which the economy currently relies. This is intended to provide a stronger basis for the economy to build upon. The strategy proposes to reorganize the skills development ecosystem through a comprehensive set of policy and regulatory reforms, and by revamping the quality of the current educational offer at all specification levels (concentrating on the above described priority sectors). In parallel, it sets up a governance structure to ensure constant feedback loop between the private sector and the educational system.

Innovation

This strategy aims to streamline innovative approaches across all sectors. The strategy concentrates on generating widespread consciousness and appetite for innovation among economic actors and policy makers through awareness raising activities and through the provision of incentives for enterprises. Another key area of intervention is to ensure that an enabling environment is setup, in which innovation activities can easily flourish. The stimulation of public and private investment in R&D relevant for Mauritius economy is the last key area of intervention under this strategy.

Branding

This strategy aims to develop a uniform branding for the priority sectors of the national export strategy. The strategy presents a coherent branding outline for each priority

sector that links it to well-identified offerings, value propositions, slogans, logos and clear messages. These sector branding outlines are supported by well-identified and adapted promotion and marketing tools and resources (such as promotion campaigns, trade fairs, exhibitions) to be deployed by the trade support institutions in the sector.

Institutional Alignment

This strategy aims to ensure that institutions are adequately equipped to materialize the vision that the strategy lays out for Mauritius. This is to be achieved by realigning the trade support network to support the growing services sectors and, more generally, a knowledge-based economy. This requires improving policies, regulations and institutional coordination. A dedicated institutional framework is required for the services sectors. The strategy also establishes an implementation framework for the Mauritius national export strategy through better coordination of initiatives, monitoring, resource mobilization and advocacy of the strategy.

SME integration

This strategy aims to develop a vibrant export-oriented SME sector that can become the backbone of Mauritius' sustainable export growth. This is to be achieved by creating an environment that is highly conducive to entrepreneurship. In the short run, a combination of mentoring programmes, matchmaking between SMEs and foreign investors, and facilitating access to finance mechanisms to SMEs are presented in the strategy. In the medium term, the sustainability and survival of SMEs is to be ensured through a national skills gap identification programme that bridges the gaps in the areas of quality management, logistics and production standards. In the long term, integrating successful SMEs into Global Value Chains provides a horizon to the strategy.

Island of Rodrigues

In addition to the above cross-sector strategies, a separate strategy has been defined for the **Island of Rodrigues** owing to its specific development challenges.

This strategy focuses on the development and modernization of the key productive sectors of the Island of Rodrigues, namely the agro-processed foods, handicrafts and fisheries. This is to be achieved by strengthening and modernizing the agricultural and agro-processing sectors, focusing quality management improvements and SPS conformity, and fostering shared production facilities that will minimize transaction costs for producers. The key objective for the fisheries sector is to support the transition to off-lagoon operations by transferring the required knowledge to small fishers. This aims to enable them to fish in open sea, increasing their catch levels while preserving



Photo: General Design, Photo 1.jpg

endangered lagoon species. Another key area of intervention is the preservation and modernisation of artisanal production, which entails important potential for backward linkages with the tourism sector.

The market dimension of the strategy

There are several relatively important markets that offer untapped export potential opportunities. Estimation results presented in this strategy suggest that Mauritius is currently trading below potential with large countries such as China, Indonesia, Japan, Brazil and the Philippines, and trading above what is expected from the model with European and African countries. In addition, there are a number of countries with a highly complementary trade profile to Mauritius that currently do not represent significant amounts of trade. These countries include Turkey, Hong Kong (China) and Japan. Japan offers high potential and complementarity.

The implementation of the strategy

The strategy caters for the necessary governance structures to ensure the correct implementation of the plan of action over the next five years. The governance of the national export strategy is entrusted to a central public-private governance body, which coordinates activities with

leading trade support agencies from across the entire trade support network of Mauritius. Moreover, wherever necessary, the national export strategy provides for the establishment or operationalisation of sector specific implementation and coordination arrangements among actors. By aligning national, sector and cross-sector level coordination and implementation structures, the national export strategy provides for a comprehensive set up to ensure that all implementing partners and stakeholders gear jointly towards an effective and coherent implementation of the Mauritius national export strategy.

To achieve the vision laid out by the national export strategy, a concerted effort needs to be undertaken on a variety of fronts by all stakeholders. The effective contribution of the national export strategy to export development will largely depend on the ability of Mauritius to plan, mobilize resources, coordinate activities and monitor its implementation. Special attention needs to be given to building and reinforcing national export strategy implementation management capacities. The broad range of activities, together with the complex nature of integrated interventions, requires careful implementation that efficiently directs resources and monitors results at both the micro and macro levels. In particular, the national export strategy will ensure that existing development efforts, both national and donor-driven, do not occur in isolation and instead are aligned with Mauritius' broader context of export growth for socio-economic development.

MACRO DIAGNOSTIC AND COMPETITIVENESS

Macroeconomic overview

Despite a series of external shocks in the last decade, the Mauritian economy has demonstrated great responsiveness by managing to retain sustained levels of economic growth. This growth has been translated into improved welfare and increased standards of living, as well as significant improvements in income per capita.

However, economic growth appears to be plateauing and the Mauritian economy is facing several challenges, including the recent rise of inequalities and the persistence of a relatively high unemployment rate affecting women and youth in particular. The ageing Mauritian population and the progressive contraction of its active population is also a major concern, highlighting the crucial need to maintain inclusive growth. Low levels of investment in productive sectors, the recent revision of the Double Taxation Avoidance Agreement with India in May 2016 and the reforms of the EU Sugar Protocol are just some of the factors that will have significant repercussions on growth unless new avenues of growth are explored.

Mauritius has progressively shifted from a goods-dominated economy towards a higher value addition service-oriented economy, bringing profound changes in the composition of employment. However, based on capital accumulation, the Mauritian economic growth model is beginning to show signs of diminishing returns with declining capital productivity. It has also been observed that while labour productivity has improved, labour costs have significantly increased, affecting the country's competitiveness.

While the drive towards services by the Mauritians has been a success story, with the development of several sectors based on higher, added value services, the goods sector is lagging, still heavily relying on preferences and lacking innovation. This service-oriented economy has been supported by increased FDI inflows, mainly targeting the unproductive, capital-intensive and low employment sector. Coupled with a high dependence on the import of goods, this has contributed to the deficit of the trade balance.

Over the last decade, the Mauritian economy demonstrated great responsiveness to changing market dynamics and evolving strategic contexts, thereby managing to sustain a high level of economic growth despite a series of external shocks in the early 2000s caused by volatility in oil prices, the end of the Multi-Fibre Agreement and reforms in the price guarantee system for sugar exports. This economic resilience was achieved through the implementation of measures aimed at improving the business environment, such as tariff streamlining, simplification of business regulations, reform of the tax system and fiscal stimulus packages. The favourable environment that had previously been provided exclusively to Export Processing Zones (EPZs)¹ was expanded to the entire economy.

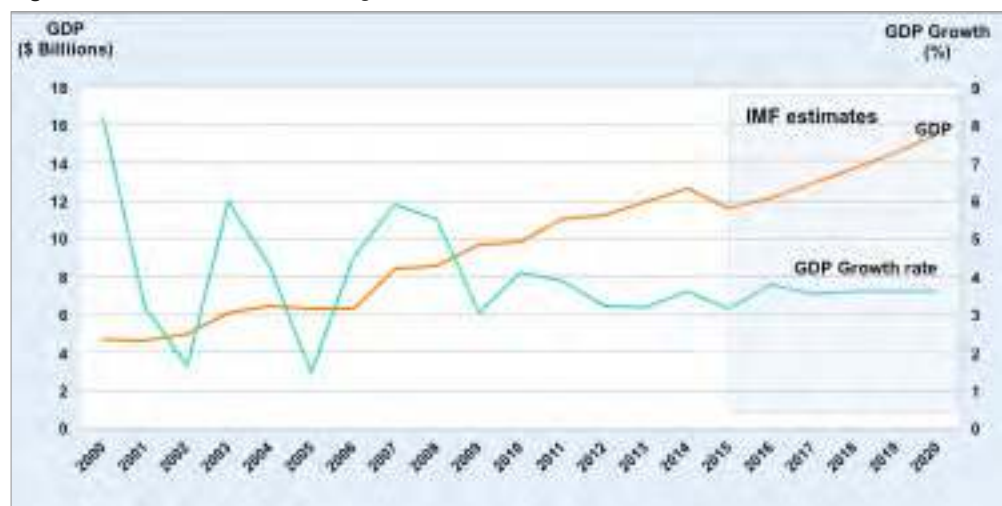
1. The EPZ sector is involved in a variety of manufacturing activities in sectors as diverse as textile and clothing, jewellery, printing and publishing, information technology, agro-industry, electronics, precision engineering and plastics.

Since 2009, Mauritius has experienced growth of around 3–4% per year, mainly as a result of the slowdown in economic growth in its key partners' economies, considerably affecting tourism receipts, exports and, to a lesser extent, FDI inflows. Based on the expectation of economic growth picking up in Europe and the Eurozone, the International Monetary Fund (IMF) anticipates GDP to increase by an average of 3.6% for the period 2015–2020, which is lower than the ambitious 6% target anticipated by the local authorities for the next six years and which is necessary if Mauritius is to reach high-income country status by 2020.² According to an analysis published by the World Bank,³ a protracted period of slower growth in Europe could even result in growth rates of just 2–3%. This analysis further reinforces the point that the strategy should include seeking alternative sources of demand for the goods and services produced in Mauritius, to reach new markets with higher growth perspectives.

2. In 2012, the authorities announced an ambitious vision of GDP of MUR 1 trillion and an income per capita of US\$ 20,000 by the 2020s, which would require real growth of over 6% per year according to the World Bank.

3. World Bank (2015). *Mauritius: Systematic Country Diagnostic*. Report No. 92703-MU.

Figure 2: Mauritius GDP and GDP growth, 2000–2020

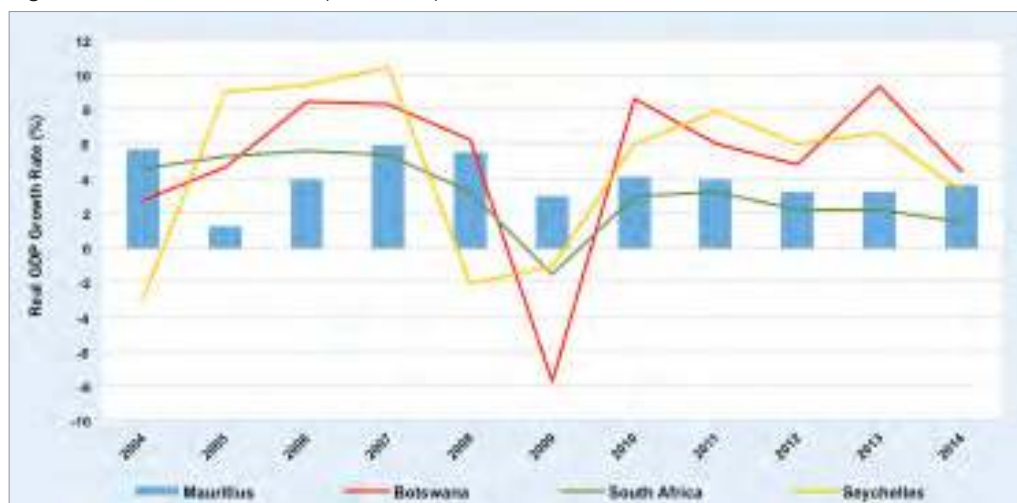


Source: International Monetary Fund (2016) and World Bank (2016) (a). Forecast data from 2015 onwards.

Mauritius' growth rate can be viewed favourably compared to other peer countries over the last decade. While Botswana's growth rate was quite erratic over this period, Mauritius' growth rate has been much smoother, with damped business cycles. Other economies such as South Africa and Seychelles were also majorly affected by the turmoil in international markets during the global financial crisis.

Similarly, significant improvements in income per capita have been observed in Mauritius over the past few decades. With gross national income per capita reaching US\$ 9,680 in 2014 (US\$ 18,150 in purchasing power parity terms), Mauritius is slowly edging towards the threshold to become a high-income country. However, the distance to high-income countries is lengthening, highlighting the progress still to be made in order to achieve the country's objective of becoming a high-income country itself by 2020.

Figure 3: Mauritius GDP in comparison to peers, 2004–2014



Source: International Monetary Fund (2016) and World Bank (2016) (a). Forecast data from 2015 onwards.

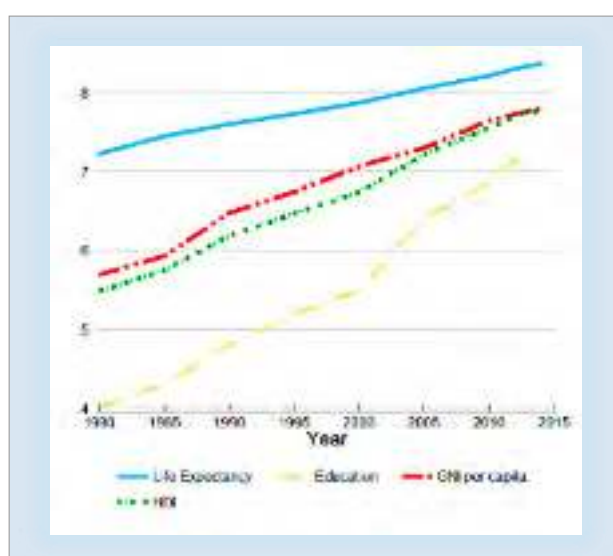
In terms of human development, growth has translated into improved welfare and standards of living for individuals and the Mauritian community as a whole. Mauritius has made significant steps towards extreme poverty eradication and improving the well-being of the population. To date, based on the US\$ 1.25 a day and US\$ 2 a day thresholds, there is no poverty in the country, and the absolute poverty line,⁴ based on consumption, declined from 8.5%

in 2007 to 6.9% in 2012.⁵ Nevertheless, it is worth noting that poverty is higher in female-headed households and among those without secondary education. Most notably, poverty is concentrated among children and youth, with important implications for inclusion and intergenerational transmissions of poverty.

4. Poverty lines are cut-off points separating the poor from the non-poor. The absolute poverty line is anchored in some absolute standard of what households should be able to count on in order to meet their basic needs. For monetary measures, these absolute poverty lines are often based on estimates of the cost of basic food needs (i.e. the cost of a nutritional basket considered minimal for the healthy survival of a typical family), to which a provision is added for non-food needs. (World Bank).

5. World Bank (2015). *Mauritius: Systematic Country Diagnostic*. Report No. 92703-MU.

Figure 4: Human Development Index and its components



Source: UNDP Human Development Reports.



Photo: Miwok (CC0 1.0)

The breakdown of the Human Development Index confirms the upward trends in terms of human development across all components, in line with Mauritius' income level and aspirations. A comparison with select regional peers also demonstrates the improving trends of the Human Development Index in Mauritius since 1980 (see Figure 5)

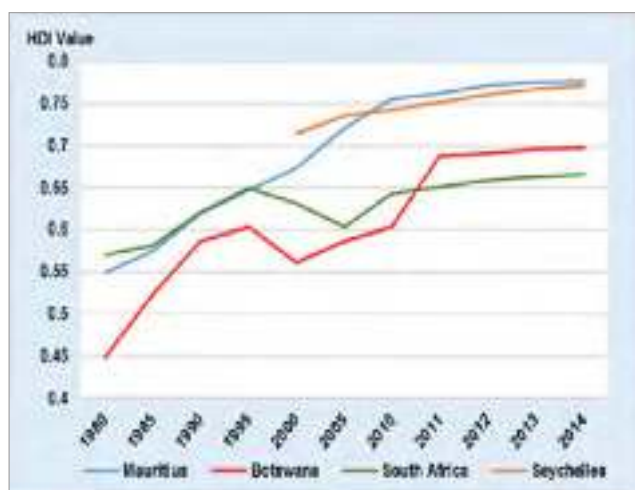
Despite the significant improvements in reducing poverty and sharing prosperity achieved in Mauritius, a slight rise in inequalities has recently been observed, as measured by an increase of the Gini coefficient, from 35.7 in 2007 to 35.8 in 2014. A trend towards growing inequality associated with broadening skill distribution is emerging, particularly between the bottom and top of the distribution. Consumption growth was also robust among those better off, while the pace of growth slowed for the lower

deciles.⁶ Nevertheless, Mauritius has lower inequalities in comparison to peer upper middle-income countries, such as South Africa or Seychelles.

This analysis suggests that continuous efforts must be made to monitor and combat rising inequalities, and to further improve the welfare and standards of living of the Mauritian community as a whole. In line with this statement, it will be of utmost importance for the NES to ensure the inclusive nature of its initiatives, particularly in supporting young people and women, the most affected categories facing unemployment and encountering the most difficulties in entering the labour market.

6. World Bank (2015). *Mauritius: Systematic Country Diagnostic*. Report No. 92703-MU.

Figure 5: Human Development Index comparison

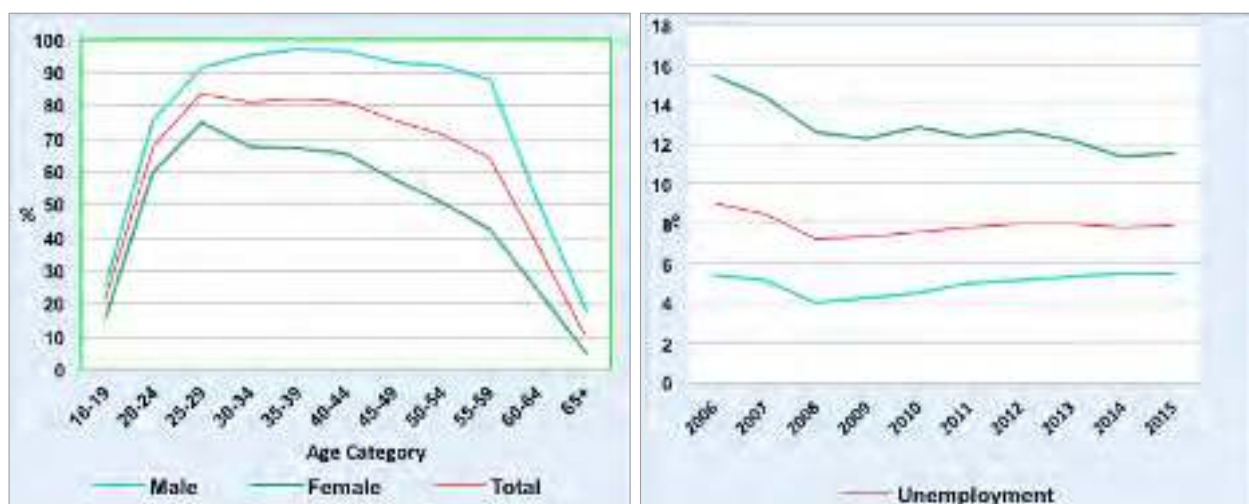


Source: UNDP Human Development Reports.



Photo: Miwok (CC0 1.0)

Figure 6: Mauritian activity rate, 2015 (left), and unemployment rate, 2006–2015 (right)



Source: UNDP Human Development Reports.

The unemployment rate in 2015 reached 7.9%, compared to 7.8% in 2014. The number of unemployed people was estimated at 46,300, comprising 19,500 males (42%) and 26,800 females (58%). Nearly one-third of the unemployed were under 25. Gender disparities also remain significant, with a reported female unemployment rate of 11.6% in 2015 compared with only 5.5% for males. Overall, women's activity rate remains significantly lower, only reaching 46.6%, compared with 74.8% for men. However, it is worthwhile noting that the gap has reduced over time as women's participation in the labour force has increased.

Looking at the distribution of the labour force by industry, it appears that the manufacturing sector and the wholesale and retail trade industry, taken together, account for 28.8% of total employment, or more than 155,400 people. There is also a significant share of small production units in total employment, engaging 175,326 people. Strong demand for skilled workers in the financial services, information and communications technology (ICT), health care and tourism sectors has offset some employment losses from the lower-skilled textile and sugar sectors but the demand is partially unmet, which signals a skills mismatch, underpinned by low education attainment. **There is a need for the strategy to focus on initiatives that could have a significant impact on reducing unemployment, paying particular attention to women and young people.**

In 2015, employment by job strata revealed that the largest proportion of workers are employed as agriculture and machine operators, which is higher than would be expected considering the lower contribution of the agricultural

and manufacturing sectors to GDP. Managers and other professionals accounted for 24.6% of total employment, while service and sales forces account for a further 20.8%.

Mauritius will have to cope with an ageing population and a progressive contraction of the active part of the population, in addition to the above labour policy considerations. Mauritius' ageing population and forecast decline in the 15–64 years age group has natural implications for the economy. It is expected that, by 2040, the overall population will start declining and will be marked by a decrease in the active workforce population (expected to peak in 2020) and a reduction in population numbers falling in the 0–14 age range. At the same time, the population of the 65+ age group is expected to grow. A number of implications arise from these trends, such as whether pension payments will rise, requiring public expenditure which may constrain the Government's ability to spend on trade support infrastructures, and if skilled worker migration mechanisms and regulations may offset workforce shortages.

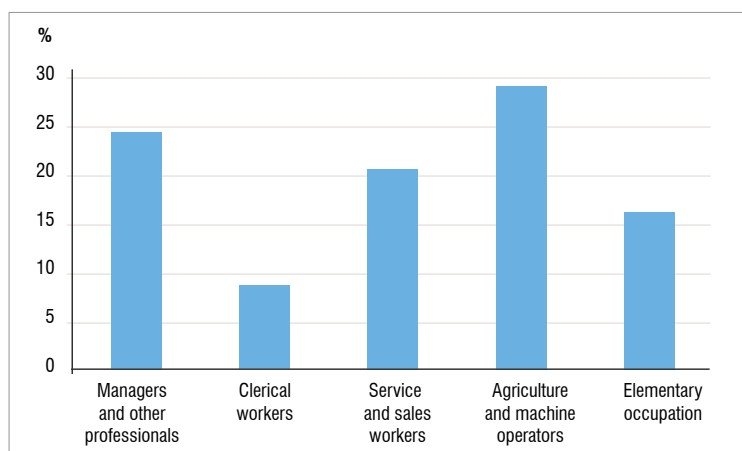
It will be important for the authorities to consider the implications of an ageing population on public finance and the pressures that might be faced regarding investment in trade infrastructure. While these concerns lie outside a national export strategy and should be addressed through fiscal policies, the authorities must be mindful of the long-term effects of declining net tax revenues. In this light, the Government's 2016/17 budget planned the ratio of public debt to GDP to reach 55.6% and proposed public–private partnerships to leverage investments from the private sector as well as major economic reforms to rein in public spending.

Table 1: Mauritian employment by industry, 2015

	Male (thousands)	Female (thousands)	Total (thousands)	% of total employment
Primary (agriculture, forestry and fishing)	30.1	12.0	42.1	7.8
Secondary	100.5	34.5	135	25.1
Of which: Manufacturing	44.5	32.2	76.7	14.2
Construction	49.2	1.6	50.8	9.4
Tertiary	203.2	158.0	361.2	67.1
Of which: Wholesale & retail trade	44.8	33.9	78.7	14.6
Accommodation and food service activities	23.4	16.6	40.0	7.4
Transportation and storage	29.8	3.3	33.1	6.1
Public administration & defence	29.2	10.1	39.3	7.3
Education, health & social work activities	24.3	39.5	63.8	11.9

Source: Statistics Mauritius.

Figure 7: Mauritian employment by job strata, 2015



Source: Statistics Mauritius.

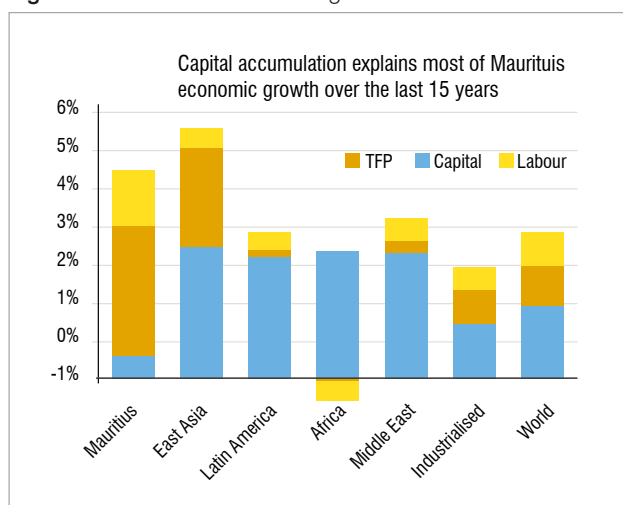
Maintaining inclusiveness will be crucial to containing the impact of gradually rising inequality and the ageing population, and must be carefully monitored. This can be done by ensuring productivity gains, boosting skilled employment and creating the required preconditions and backward linkages, including:

- Establishing additional linkages to global value chains and developing long-term trade and industrial policies, coupled with pro-poor export-led growth.
- Developing higher value services to develop the country's competitiveness and to generate additional public revenues, namely by investing more significantly in research and development (R&D) and innovation.
- Improving the quality of investment in the education system.

In the 1980s, GDP growth was mainly achieved through sustained growth of the employed labour force (labour accumulation). The labour force increased, on average, by 5% per year, with jobs created in sugar, textile EPZs and the burgeoning tourism sector. In the 1990s, growth of labour slowed sharply, while physical capital and total factor productivity rose significantly (see figure 8).⁷

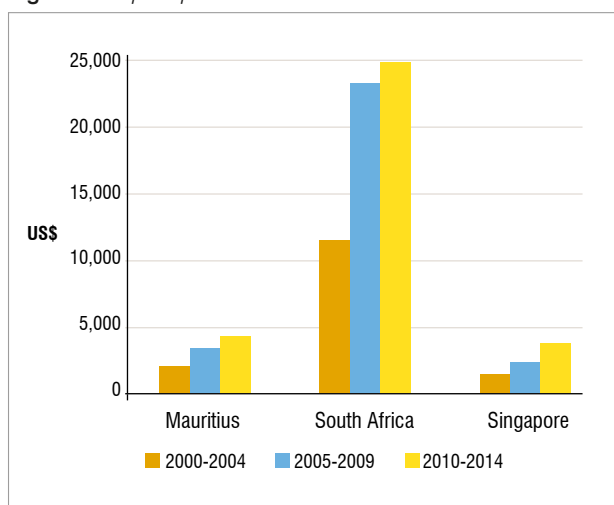
7. Overseas Development Institute (2011). *Progress in Economic Conditions: Sustained Success Against the Odds in Mauritius*.

Figure 8: Sources of economic growth



Source: Sulla, V. and others (2015).

Figure 9: Capital per worker



Between 1995 and 2010, economic growth in Mauritius was finally driven by capital rather than labour growth.⁸ There has been a successful reallocation of resources towards growth-enhancing sectors, switching from an economy based on agriculture and traditional manufacturing industries, which accounted for around 45% of total employment in 1990, to a services-oriented economy and higher value added sectors such as financial intermediation and ICT, among others. Reallocating resources to growth-enhancing sectors also translated into an increase of capital per worker over the past decade, at a level significantly higher than other upper middle income countries but still far from that of developed countries.

From a mainly goods-based economy driven by the sugar and garment sectors, Mauritius has progressively shifted towards a service-oriented economy with higher value addition. The loss of preferential access for textiles and sugar in 2004, along with worsening external economic conditions and increasing oil prices, accelerated the diversification process, a vital move for the long-term sustainability of the Mauritian economy. The country has had remarkable success in developing the 'servicification' of its economy, boosting economic growth and reducing its reliance on sugar and garments. Tourism, financial and insurance activities are now the major contributors to GDP, and the share of services in value addition has increased steadily, reaching 71% for the period 2010–2014 (see figure 10).

This shift towards services translates to profound changes in the composition of employment in Mauritius, with the participation of the labour force in services increasing

8. Sviryzdenka, K. and Petri, M. (2014). Mauritius: The drivers of growth – can the past be extended? IMF Working Paper, WP/14/134, July. Washington, D.C.: IMF.

steadily over the past two decades from 46.7% in 1994 to 63.5% in 2014. In contrast, jobs in the industry and agriculture sectors have fallen over the same period, with shares in total employment falling from 38.9% to 29.8% and from 13.7% to 8% respectively over the same period.⁹

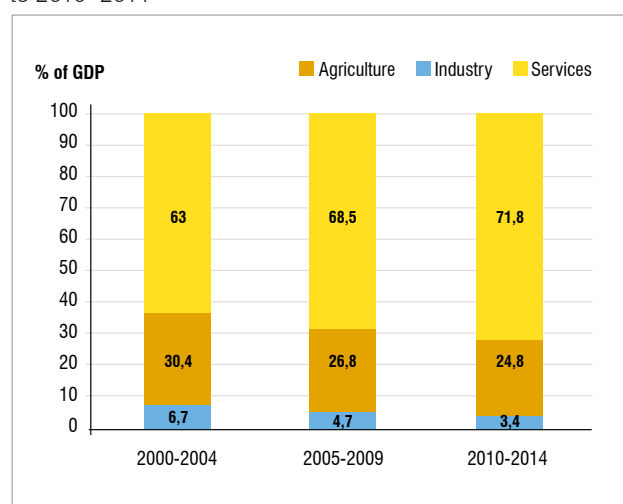
While the Mauritian economic growth model is based on capital accumulation, it is interesting to observe that the index of capital productivity declined at an average annual rate of 0.4% between 2005 and 2015. Over the same period, the index of labour productivity improved from 91.3% to 119% in 2015, at an average annual growth of 2.7%¹⁰ (see figure 11). Although labour productivity has progressed, labour costs in Mauritius have increased significantly over the past decade, with average compensation of employees growing at an annual rate of 6.6% over the period 2005–2015. The overall effect is to erode any positive effects from productivity increases. **The NES must consider the implications of low productivity growth in the face of rising factor costs.**

The Mauritian service-oriented economy, based on capital accumulation, has been supported by increased FDI that was a result of reforms implemented since 2004. These reforms aimed at improving the business environment in order to boost economic activity. These successful reforms have resulted in a gradual increase of net FDI inflows, from 1.5% of GDP in 1990 to 3.3% of GDP in 2014, with inflows remaining stable even during the global financial crisis (see figure 12). The dominant services sector accounts largely for this surge in FDI.

9. World Bank (2016) (a). World Development Indicators. Available from <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed 22 October 2016.

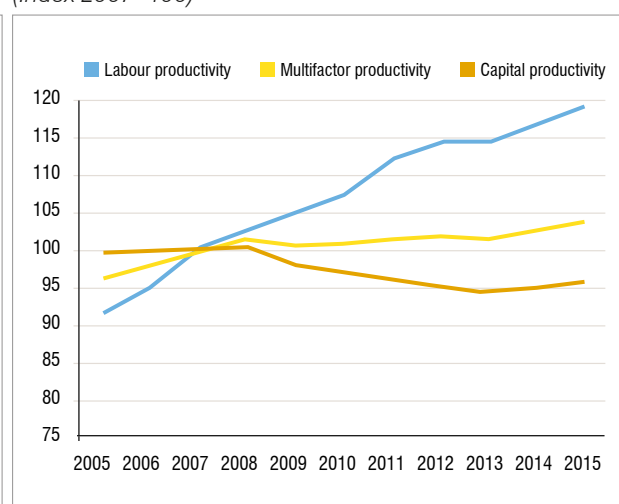
10. Statistics Mauritius (2015) *Economic and Social Indicators: Productivity and Competitiveness Indicators (2004–2014)*.

Figure 11: Sector contribution to value addition, 2000–2004 to 2010–2014



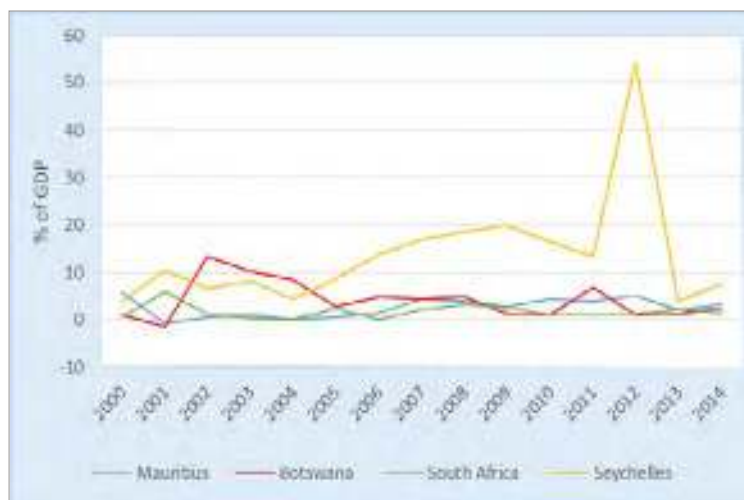
Source: World Bank (2016) (a).

Figure 10: Trends in productivity indices, 2005–2015 (Index 2007=100)



Source: Statistics Mauritius.

Figure 12: Foreign direct investment, net inflows



Source: World Bank (2016) (a).

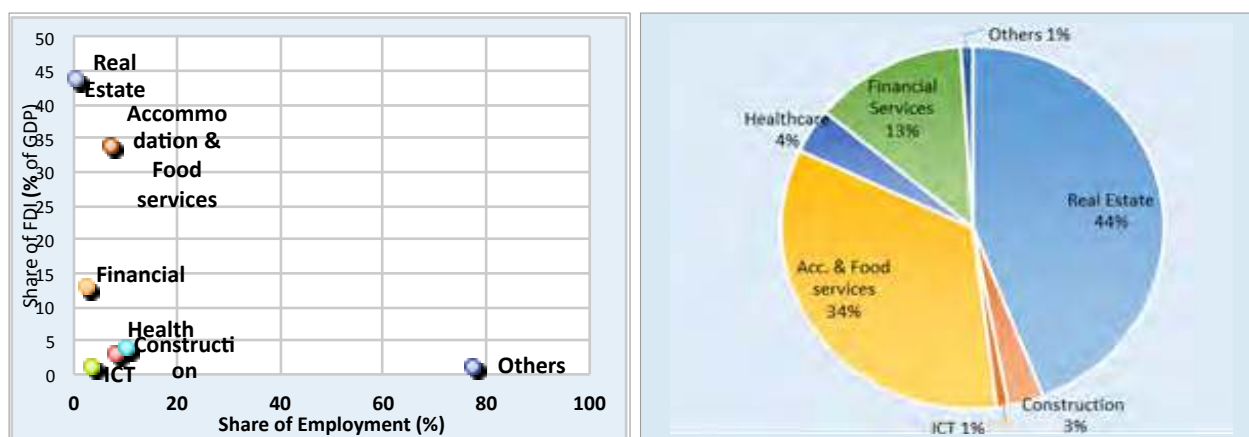
By sector, real estate attracted the largest share of investment (44%), followed by accommodation and food services activities (34%), and financial services (13%). Thus FDI inflows are heavily concentrated on these three traditional sectors, attracting 91% of total FDI, while their contribution to employment represents only 10%, with a mere 0.3% share of employment for the real estate sector (see Figure 13).

By region, Europe remains the main source of investment flows, contributing to 58% of total FDI. The significant increase in FDI influx from Asia positions this region as the second biggest contributor (17%), followed by North America (15%). By country, France is the leading investor in Mauritius (25%), followed by the United States (11.6%) and South Africa (10%). In comparison to 2013, a decline in investment has been noted from South Africa (-41%) and China (-78%).

FDI flows at the second quarter of 2015 amounted to MUR 4,760 million, implying a decline of 40% from 2014. Mauritius has been experiencing outflows in FDI in 2015 though in 2016 FDI in productive sectors have increased namely, manufacturing, ICT and health.

One of the lessons that can be drawn from this analysis is that new developments in the field of FDI policy should be considered when designing the NES, with a view to **targeting more labour- and knowledge-intensive sectors with higher potential to translate into long-term productive capacity, as well as to adopt tight 'coupling' between the FDI promotion strategy and skills development policies.** The role of investment in the NES is addressed in chapter III of this report.

Figure 13: FDI and employment, 2014 (left) and FDI per sector (right)



Source: Central Statistics Office (employment) and BOI (FDI).

The business environment in Mauritius is one of the best-ranked in Africa. Mauritius is ranked 49th in the world according to the 2016 International Finance Corporation Doing Business Survey. Nevertheless, a number of obstacles hinder the development of the private sector in Mauritius. In particular, trade costs in ad valorem equivalent are extremely high due to the shipping lines as well as inland costs for exporting. The export costs towards Africa are particularly significant. Mauritius ranks favourably in terms of trade facilitation procedures, although recourse to appeals is slow. Mauritius outranks other upper middle-income countries in terms of infrastructure.

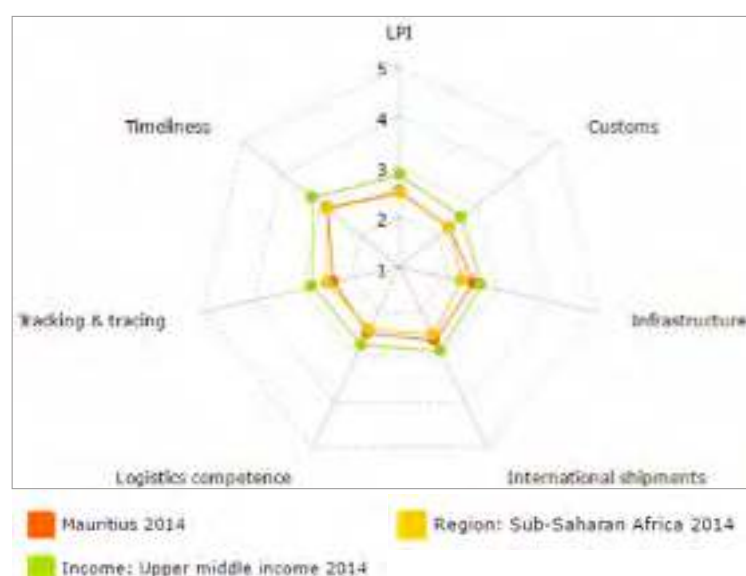
The Logistics Performance Index 2014 confirms the relatively poor performance of logistics in Mauritius, where the country was ranked 115th out of 156 countries, with an overall score of 2.25). As illustrated in Figure 14, for each of the six dimensions measured in the Index, Mauritius has similar scores to the ones for the sub-Saharan Africa average, while these averages are systematically below the average for the upper middle-income group of countries. This overall logistics performance is likely to translate into relatively high trade costs and delays, thereby creating a significant obstacle to Mauritius in terms of benefiting from its trade potential.

Figure 14: Trade and business environment indicators for Mauritius



Source: Organisation for Economic Co-operation and Development and World Trade Organization (2016).

Figure 15: Logistics Performance Index for Mauritius



Source: World Bank (2014).

Nevertheless, Mauritius' overall performance on the Organisation for Economic Co-operation and Development (OECD) Trade Facilitation Indicators shows much better performance, where it matches the best performance with respect to the involvement of the trade community, simplification and harmonization of documents, streamlining of procedures, internal border agency cooperation, and governance and impartiality.

Additionally, Mauritius exceeds by far the average performance of upper middle-income countries in the areas of information availability, appeal procedures, fees and charges, formalities (documents, automation and procedures), internal border agency cooperation, and governance and impartiality. Mauritius scores below its

peers only in the areas of advance ruling and appeal procedures. The country's performance in most areas has been stable, with the exception of information availability, advance rulings, appeal procedures and automation, where some ground has been lost.

According to data collected by the International Finance Corporation, sending a container abroad from Mauritius requires 57 hours, with an average cost of US\$ 397, which is significantly less than the average in sub-Saharan Africa. A similar situation is seen with respect to cost to import, which takes an average of 57 hours and costs US\$ 460 (see Table 2), in comparison to the 283 hours and US\$ 994 that is the average in sub-Saharan Africa.

Figure 16: Trade facilitation indicators for Mauritius, 2015



Source: Organisation for Economic Co-operation and Development (2015).

Table 2: Cost of trading across borders in Mauritius, 2016

	Mauritius	Sub-Saharan Africa
Time to export: Border compliance (hours)	48	108
Cost to export: Border compliance (US\$)	269	542
Time to export: Documentary compliance (hours)	9	97
Cost to export: Documentary compliance (US\$)	128	246
Time to import: Border compliance (hours)	48	160
Cost to import: Border compliance (US\$)	294	643
Time to import: Documentary compliance (hours)	9	123
Cost to import: Documentary compliance (US\$)	166	351

Source: World Bank (2015) (a).

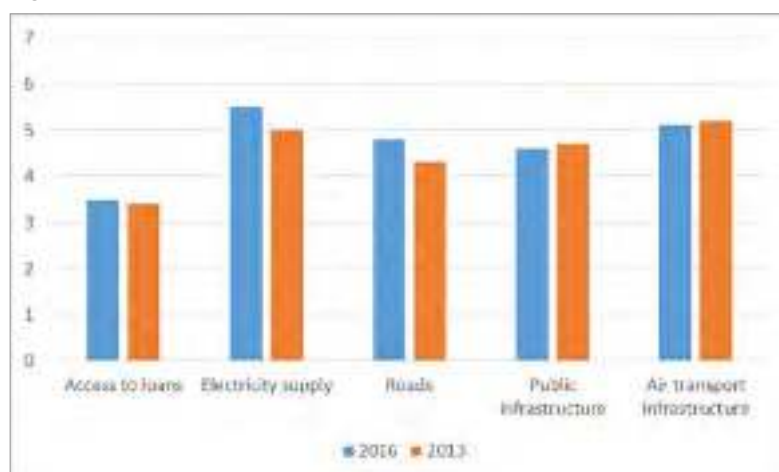


Photo: Giorgio Minguzzi (CC BY-SA 2.0), *Séga mauricien - La pirogue - Mauritius isl.jpg*

Mauritius performs reasonably well in competitiveness indicators, including on transport infrastructure, where it is ranked as having the best infrastructure in the whole of sub-Saharan Africa, with some improvements experienced in the period 2013–2016 in the electricity supply and quality of roads, although it has been offset by a slight

decrease in air transportation. These factors have a clear impact on the costs and time required to trade. Another crucial factor is access to finance and access to loans. In this sense, Mauritius ranks 46th in the world, which makes it as the best-performing country in Africa.

Figure 17: Competitiveness indicators for Mauritius, 2013–2016



Source: World Economic Forum Global Competitiveness Index.

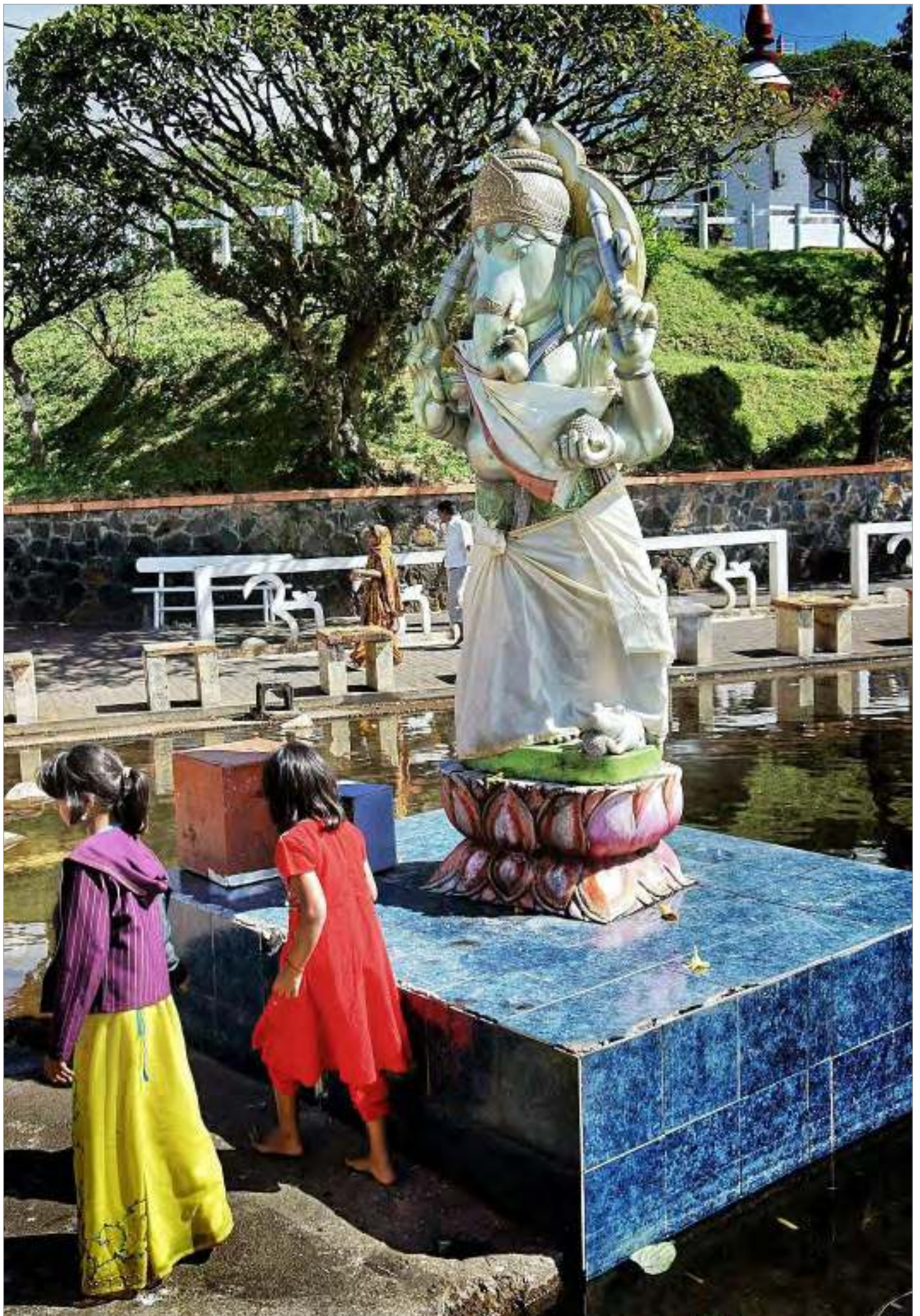


Photo: Miwok (CC0 1.0)

MAURITIUS' EXTERNAL TRADE PERFORMANCE

Overview the trade diagnostic chapter

The Mauritian manufacturing sector, characterized by strong market and product concentration as well as by a relatively low level of sophistication, has certainly demonstrated resilience and responsiveness over the last decade. It is still an important source of growth, although its contribution is comparatively less than its peak in the 1990s.

Export growth is expected to pick up on the back of growing demand in European and United States markets over the medium term, in particular as a result of Mauritius signing the iEPA with the EU and the extension of its preferential market access to the United States market under the African Growth and Opportunities Act, which was extended on 30 September 2015.

Moreover, the United Kingdom of Great Britain and Northern Ireland being the biggest export market of Mauritius, the decision of the United Kingdom to leave the EU will affect market access for Mauritian goods and services. Although not yet effective, Brexit represents both a major risk for Mauritian traditional exports based on preferences and high market concentration, and an opportunity to diversify away from that business model and strengthen the global competitiveness of Mauritian exports.

Therefore the future of the manufacturing sector lies in its ability to develop a decisive competitive edge while moving up the value added ladder. For this, it needs to continue investing in more advanced technologies and enhancing efficiency through training and development of its human resources.

On the other hand, services occupy an increasingly large share of Mauritius' total exports and are rapidly moving away from traditional services to modern, higher added value services. Therefore, the Mauritian economy continues to diversify with high value added services sectors increasingly contributing to GDP. Recent changes made in the Double Tax Avoidance Agreement with India have put pressure on the financial sector to reinvent itself. Innovative and ambitious strategies are now needed to maintain this diversification and drive increasing global market shares.

TRADE POLICY

The substantial income generated from FDI plays a crucial role in financing Mauritius' current account deficit. Deeply impacted by the trade balance deficit, the current account balance presents a large deficit in Mauritius, especially compared with its peers (Figure 18).

The sharp increase in the country's total imports coupled with the relatively low progression of its exports partly explains this situation. Taking a closer look at the decomposition of trade, it appears that **consumption goods are the most traded items** (exports plus imports), with import values doubling in 2012–2014 compared with 2005–2007. With the rise in tensions in the external sector, trade policy will need to be carefully calibrated to ensure that consumer goods are not growing in higher disproportion to other types of goods, namely raw materials, capital goods and intermediate goods, which will play a major role in the industrial transformation of the country and further enhance long-term export competitiveness, thereby relieving any future balance of payment constraints. The NES, while not a trade policy document, will be a critical vehicle in promoting a more balanced trade sector over the longer-term.

International trade has acted as a driver of the Mauritian economy. Openness to trade has remained high and further increased between 2004 and 2014, along with an increase in the GDP per capita. After reaching a peak in 2006 when trade represented 131.4% of GDP, trade openness has stabilized at around 111% since 2011 (114.5%

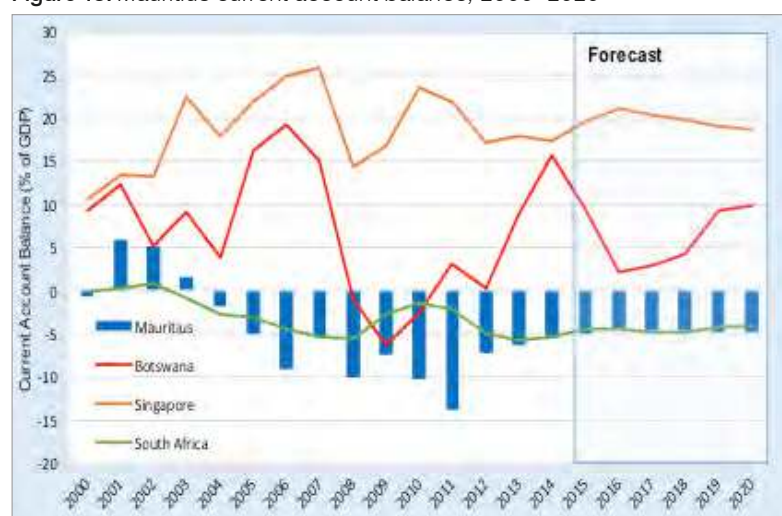
in 2014¹¹). It compares favourably with Botswana but is less open than Seychelles, as well as other countries that Mauritius aspires to compete with. The level of openness in Mauritius appears to be plateauing and has even experienced a decline in recent years. While this is usual as GDP rises beyond a critical mass, the marginal decline is early for Mauritius considering its aspiration for export-led growth, which raises the question of trade competitiveness in Mauritius.

Mauritius' trade balance has deteriorated in the last decade, with a reported deficit of US\$ 1.9 billion in 2015. As with most small island developing states, Mauritius is highly dependent on imports for the majority of consumption goods, energy, automobiles and food products. While exports have increased significantly since 2004 (with a substantial decline reported in 2009 due to the slowdown of developed economies after the financial crisis), imports have increased at a higher pace, leading to a deterioration in the trade balance.

This significant increase is mainly due to a sharp rise in oil prices in the world market. Increasing from US\$ 319 million imported in 2004, Mauritius imported US\$ 553 million worth of petroleum oils in 2015, after a sharp decrease compared with 2014, when petroleum oil imports accounted for US\$ 890 million. This decrease was due to the development of alternative sources of energy as well as reduced oil prices in international markets. In order to keep up with the increase in imported goods, an export strategy is urgently needed to boost Mauritius' exports and contribute to the reduction of the trade deficit in the country.

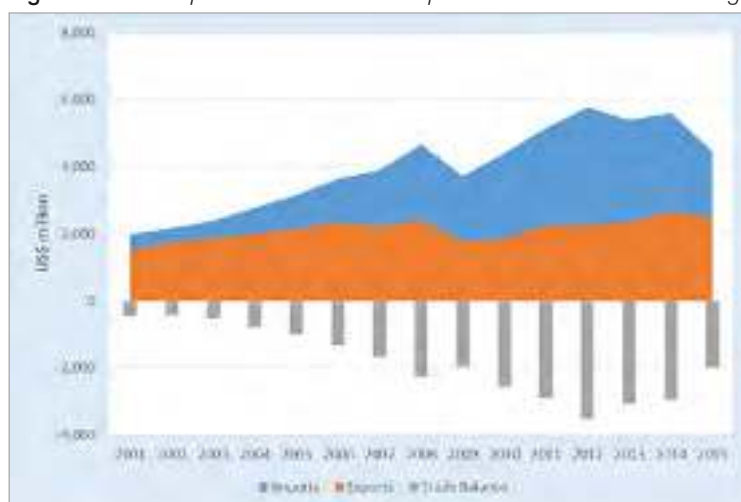
11. World Bank (2016) (a). World Development Indicators. Available from <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed 22 October 2016.

Figure 18: Mauritius current account balance, 2000–2020



Source: IMF (2016). World Economic Outlook Database, April.

Figure 19: Decomposition of Mauritian imports – broad economic categories



Source: World Integrated Trade Solution (2015), Comtrade.

Figure 20: Mauritian trade in goods – flows and balance of trade



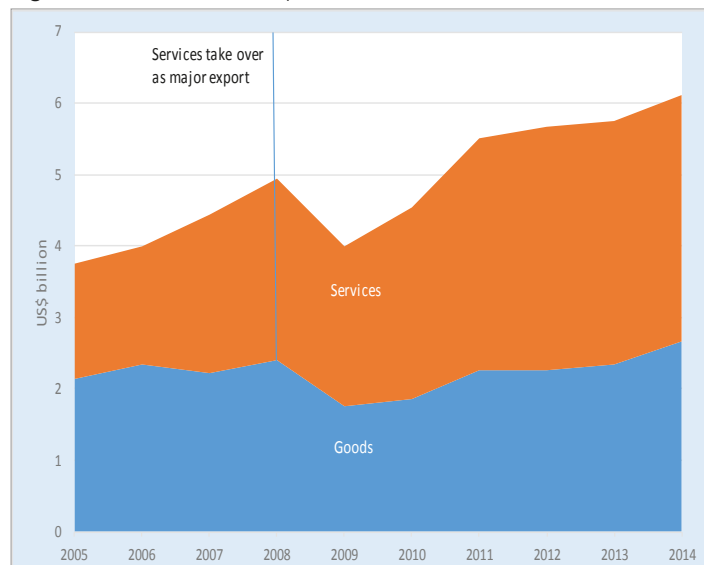
Source: ITC.

The country has gradually moved away from a productive model based on light manufacturing and agro-based production to an economy centred on services. Mauritius' exports of services overtook those of goods in 2008 and the service sector has been moving into higher value added and sophisticated services by intensifying growth into sectors such as professional, financial and information technology services. To continue in this direction, greater skills development in Mauritius will be required, as well as an open policy towards absorbing FDI and qualified labour from abroad.

Over the last decade, exports of goods in Mauritius have been largely dominated by the garment and textile sector. Together, garments, fish and sugar account for more than

60% of the country's total exports of goods. The share of garments and textiles, Mauritius' top export, has remained relatively stable over the past 10 years, representing approximately 40% of Mauritius' total exports of goods. Looking more particularly at the manufacturing sector, export growth is expected to pick up on the back of growing demand in European and United States markets in the medium term, due, among other reasons, to the renewal of the country's preferential access to the United States market under the African Growth and Opportunities Act, which was renewed until 2025. The booming fishing sector output will continue to benefit from investment in processing plants, and aquaculture is expected to lead to sustainable levels of growth in the sector.

Figure 21: Mauritius total exports, 2005–2014



Source: ITC.

Mauritius' exports are heavily dependent on the European market. Out of the 10 top export markets of Mauritius in the last five years, six are EU Member States (i.e. France, United Kingdom, Italy, Spain, Belgium and the Netherlands). Together, the EU28 captured 43.3% of Mauritius' exports in 2015, well ahead of the United States market (10.6%). While the share of France and the United States remained stable between 2004–2006 and 2013–2015, the United Kingdom – Mauritius' main export destination – declined its demand for Mauritian exports after 2009, from US\$ 660.7 million on average for the period 2004–2006, to US\$ 341.6 million in 2013–2015. This rapid decline highlights the relative vulnerability of the Mauritian economy to shifts in key European partners' market conditions. It is also to be noted that the depreciation of the South African rand played a major role in the 4% drop in Mauritian exports to South Africa in 2014, followed by a 14% increase in exports in 2015. Mauritius is currently the second-largest supplier to South Africa of articles of knitted clothing (Harmonized System (HS) 61), after China.

Finally, from a regional perspective, the share of Africa in Mauritius' exports was US\$ 462.6 million, or 18.6% of its total exports, in 2015, with South Africa and Madagascar capturing 8.6% and 6.5%, respectively. Increased trade with the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) have also been reported. Exports to SADC amounted to US\$ 420 million in 2015, an 18% increase compared with 2011, while exports to COMESA increased by 19% over the same period, reaching US\$ 233 million in 2015.

There are several relatively untapped markets that could offer opportunities for Mauritian exports. A number of indicators and models exist to indicate potential markets

to which Mauritius could export. One such indicator is the trade complementarity index, which compares the goods that one country exports with the goods that another country imports. It matches supply and demand for the same products to see where there is complementarity for trade between two countries. The outcome of the calculations for Mauritius reveals a number of countries which account for a low share of Mauritian exports but which have a revealed trade complementarity.

There are a number of countries which have a high complementarity for trade with Mauritius and yet which do not have any significant actual trade, such as Turkey, Hong Kong (China) and Japan. Results from a gravity model for Mauritius, which assesses whether the country trades as much as would be predicted with potentially important partners, show that Mauritius trades less than would be expected with large countries like China, Indonesia, Japan, Brazil and the Philippines, and has a stronger export relationship with European and African countries than models would predict.

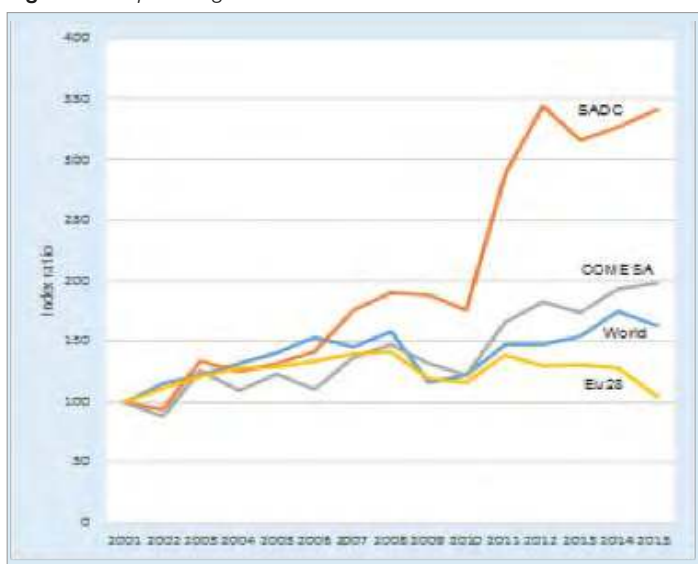
The decomposition of export growth in Mauritius confirms that export growth in the last decade has been driven by a greater volume of trade in traditional products (such as garments and fish) to traditional, or established, markets (notably the United Kingdom, France and the United States). Some new products to the same traditional markets have also been exported, indicating that there has been some limited innovation. Overall, there was a strong reliance on trade preferences and limited market diversification between 2005 and 2015. Almost no new products exported to new markets were reported during the period, with the great majority of growth due to old products in traditional markets.

Figure 22: Share of exports by destination



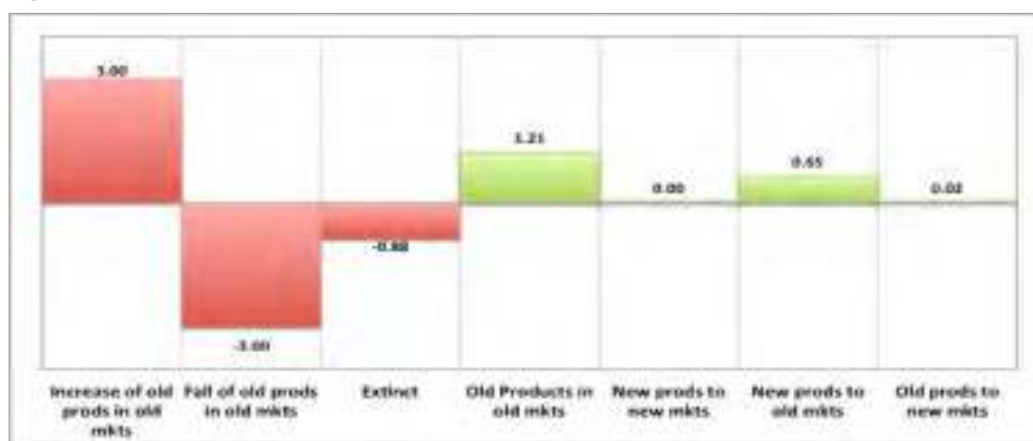
Source: ITC.

Figure 23: Export of goods to selected destinations



Source: ITC.

Figure 24: Decomposition of export growth in Mauritius, 2005–2014

Source: World Integrated Trade Solution (2015). **Note:** Red: intensive margin; green: extensive margin.

One of the lessons learned from the decomposition of export growth is that there is an urgent need for Mauritius to diversify its export markets with a view to move from a model of preferential treatments to global competitiveness. The fierce competition emerging from other developing countries and the various trade agreements that have been signed or that are currently being negotiated by these countries with Mauritius' major trading partners represent a serious threat to the future of Mauritian exports. Market and product diversification are therefore needed to regenerate growth and gain competitiveness. While preferential treatments have contributed to the emergence of a few key sectors in Mauritius such as sugar, textiles and clothing, and fish, these have been intensively utilized and have led to high levels of export concentration. Market destinations increased slightly between 2005 and 2015, although not significantly, with a few products generating wide reach in terms of markets, resulting in the increase of destinations.

Closely linked to the market reach of exports and the extinction of products is the survivability of exports relationships. The analysis reveals that **Mauritian exporters are having difficulties sustaining export relationships over a prolonged period**. Mauritius' performance is below expectations, with the probability of an export relationship surviving until the second year only 33% and maintaining a relationship for more than three years, 28%. Nevertheless, its performance has improved over time.

Identifying patterns in the death of exports is important, because attempts by developing countries to introduce new exports in new or incumbent markets are fraught with challenges. Exploring why countries succeed in

penetrating foreign markets but fail to sustain those flows can help explain the varying export performance across countries. Empirical exercises with firm-level data could shed light on whether firm characteristics – such as age, size and type of ownership – can influence export longevity. At a more aggregate level, evidence shows that the size of the initial export flow explains subsequent duration of flows, as do prospecting and information costs and exchange rate volatility.¹²

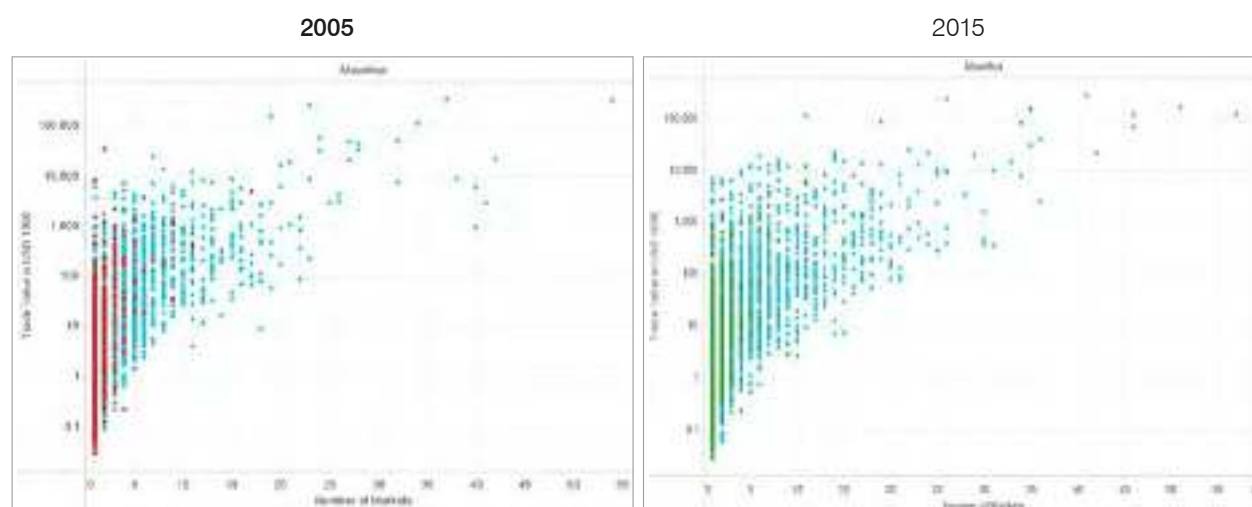
Mauritius' role in global production networks is limited and has not evolved. After peaking in 2005, the share of imports of parts and components in Mauritius has dramatically declined and Mauritius' share of parts and components in global or regional supply chains has stagnated at a low level of integration.¹³ To explore the extent of Mauritius' participation in global production networks, it is useful to classify trade data into parts/components and final goods. Figure 26 shows the evolution of exports and imports of parts over time. As indicated, the share of parts and components in total manufactured exports for Mauritius has stagnated since 2007.¹⁴

12. Brenton, P., Pierola, M. and von Uexkull, E. (2009). The Life and Death of Trade Flows: Understanding the Survival Rates of Developing-Country Exporters. In *Breaking into New Markets: Emerging Lessons for Export Diversification*, Richard Newfarmer, William Shaw and Peter Walkenhorst, eds. Washington, DC: World Bank.

13. Analysing the share of parts and components in trade can be very informative when it is difficult to trace and assign value added to different phases of production. Rising imports of parts and components normally indicate a country's increased assembly activity, whereas a rise in their export suggests its growing importance in the global supply chain.

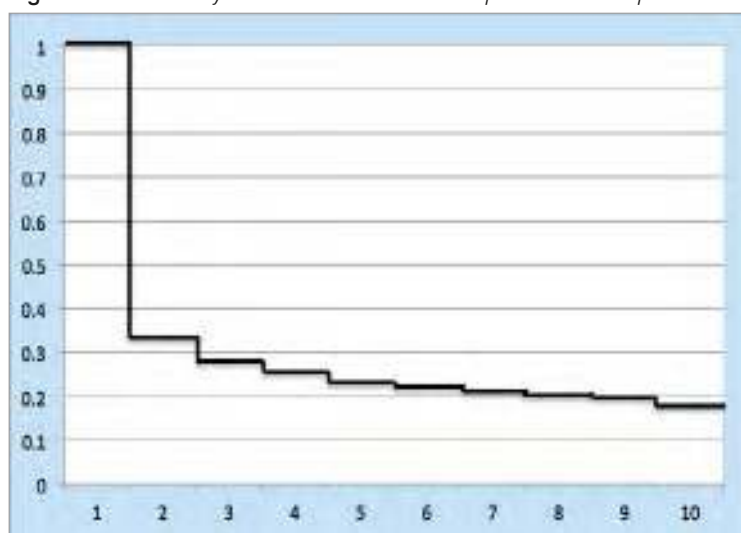
14. The share of trade in parts and components is calculated by classifying the different Comtrade categories as either 'final goods' or 'parts/components'.

Figure 25: Market reach of Mauritian exports



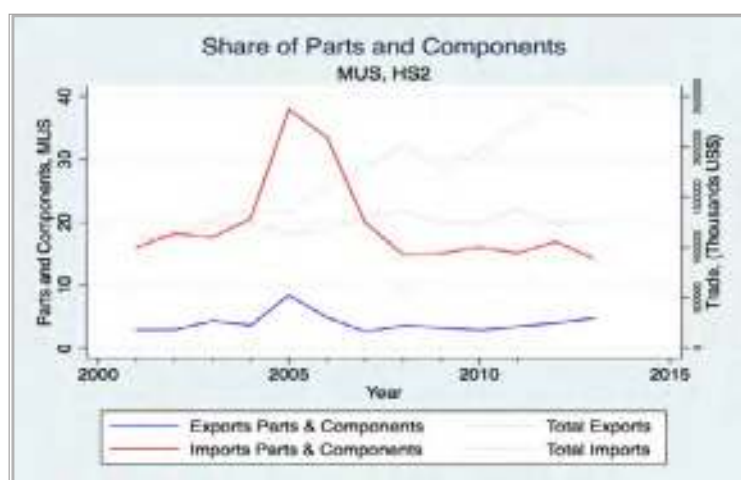
Source: World Integrated Trade Solution (2015). Note: Red dots represent extinct products, while green dots represent product births over the decade. Each dot represents one product at the HS6 digit level.

Figure 26: Probability of survival of Mauritian export relationships



Source: World Integrated Trade Solution (2015).

Figure 27: Share of parts and components and technological classification of Mauritian exports, 2000–2015



Source: ITC calculations based on six-digit Comtrade, HS2002 trade data.

There is a need to move to medium- and high-technology manufactured products, given the country's aspirations to move up the global value chain and become a high-income country. To date, however, Mauritian exports are concentrated in natural resource-based and low technology manufacturing. These product groups do not generally generate high knowledge spill overs or linkages to other productive sectors. The low levels of technological embodiment in exports are a cause for concern because exports of sophisticated products have been shown to be important to broad-based economic development. Encouraging signs have nevertheless been reported with the emergence of medium-technology manufacturers.

The time has come for Mauritius to move up the value added ladder, which requires, among other things:

- Implementation of ambitious innovation policies and investment in R&D to generate higher added value activities and improve the level of sophistication of the products exported;
- The operationalization of skills development programmes in line with the needs of the economy, with a view to addressing skills gaps and mismatches;
- Encouragement and facilitation of labour mobility;
- Further development of national trade intelligence to help Mauritian exporters and potential exporters decide which markets to target.

TRADE IN SERVICES

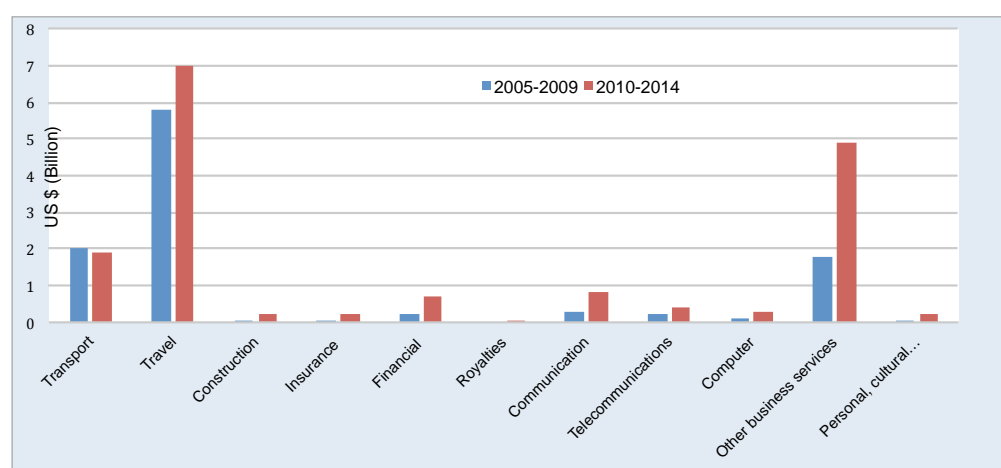
Services occupy an increasingly large and important share of Mauritius' total exports. From 2009 to 2014, exports of services (excluding Government services) massively increased by 48% (from almost US\$ 2.2 billion to US\$ 3.3 billion). The greatest increase in services exports originated from non-traditional exports, such as professional services, financial services and ICT (see Figure 28).

In 2014, the most exported services were by far travel (tourism) and business services (merchanting and other

trade-related services), accounting for 43.4% and 32.9% of total exports of services, respectively (see Figure 29). Spectacular developments have also been observed in several services sectors in Mauritius, particularly in the financial and ICT sectors. These trends indicate that the economy continues to diversify. High value added services sectors increasingly contribute to GDP, as in the case of financial services, which rose to 10.3% of GDP in 2014 from 9.7% in 2000.¹⁵

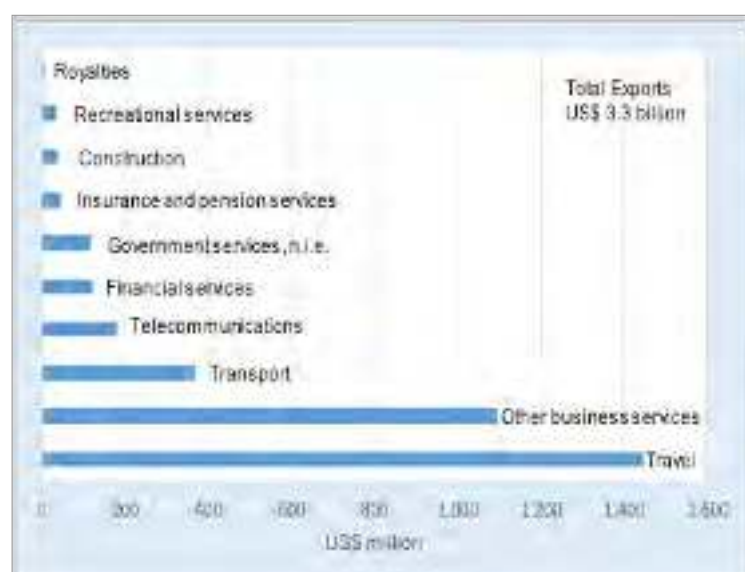
15. Board of Investment (2015). *Annual Report 2014 – Partnering for Progress & Prosperity*. Available from <http://www.investmauritius.com/media/320520/BOI-Annual-Report-2014.pdf>.

Figure 28: Value of Mauritian exports of services



Source: WTO.

Figure 29: Decomposition of Mauritian services exports, 2014 (US\$ millions)



Source: ITC, UNCTAD, WTO joint dataset.

Figure 30: Commercial services exports: traditional and modern services

Source: ITC, UNCTAD, WTO joint data set. **Note:** Government services are not included.

In analysing exports of services, a distinction between modern and traditional services is useful. Modern services include communications; insurance; finance; computer and information services; and royalties, licence fees and other business services. Traditional services include transport; travel; construction; and personal, cultural and recreational services. Modern services generate higher value added and present a higher degree of sophistication. It is clear that Mauritius is moving away from traditional services, reporting a significant increase in the export of modern services, which accounted for 43.5% of all exports of services in 2014, compared with only 36% in 2010. The increasing role of technological endowments in services development has been accompanied by a high increase in high-value services compared with traditional services such as tourism and transport (see Figure 30).

According to a recent study,¹⁶ in order to take advantage of the rising influence of both major industrialized and emerging economies in services, Mauritius needs to:

1. Diversify its services from traditional services towards higher value services, focus on the green economy, increase its human resource skills to the tertiary level and take advantage of digital trade.
2. Develop appropriate strategies for repositioning itself in global services supply chains and further diversify its services trade. Such strategies may include:



Photo: Miwok (CC0 1.0)

ensuring better room for manoeuvre in services through securing the right regulatory environment and standards; creating effective institutions; and creating appropriate national, regional and multilateral policy frameworks to strengthen and promote the development of key services sectors.

16. African, Caribbean, and Pacific Group of States – Multilateral Trading System Programme (2014). *Developing a Master Plan for the Mauritian Services Sector*.



Photo: Miwok (CC0 1.0)

ROLE OF INVESTMENT IN THE NES

Investment overview

Overall, Mauritius is seen as a stable economy with the capacity to absorb FDI and the potential to become the investment hub for inward African FDI due to its simplified and low-tax regime, regardless of existing restrictions.

Real estate, tourism and financial sectors absorb the majority of FDI received by Mauritius. Recent projections show real estate to be the main driver of FDI, reducing the share of tourism and finance to marginal levels. The EU (through France and the United Kingdom), South Africa and China are Mauritius' biggest FDI investors. Mauritius' involvement in Africa is significant, being the destination for half of Mauritius' FDI outflows.

Despite a good FDI inflow track during the previous 5–7 years, preliminary data for 2015 shows a significant decrease in FDI inflows. In this sense, the gross fixed capital formation (GFCF) to GDP ratio is low, an indication that might limit the space for progress in terms of competitiveness.

Recommendations for improvement include the design of an investment code; creation of an IP rights enforcement authority; renewal of the content of the existing Bilateral Investment Treaties (BITs), and expansion of the existing web of BITs; redirection of FDI inflows into productive sectors of the economy; and an update to the country's investment strategy.

Improving the value chains of the NES priority sectors in line with the visions of their strategies and plans of action (PoAs), will require considerable investment. Both domestic and foreign investment can have a transformative effect on a developing country's industry, helping it achieve significant export growth. International investors, through FDI, can introduce a wide range of assets that are otherwise unavailable to local enterprises, such as large amounts of capital, better inputs, advanced technologies, skills, management practices, operational experience and economies of scale, among others.

INVESTMENT POLICY ENVIRONMENT

During the last decade, Mauritius' investment policy has been firmly focused on promoting the attraction and establishment of foreign and domestic investment. The Government recognizes investment as a generator of employment and income, a tool for technology transfer and a creator of economic growth.

Mauritius has traditionally performed well as in attracting FDI due to its 'stable economic and political environments, modern infrastructure, a solid judicial system, a highly skilled and dynamic workforce, and various incentive schemes such as duty and tax concessions'.¹⁷

The Government closely cooperates with the private sector, which according to the OECD (2014), is proven by:

- Strengthened provisions for investor protection – World Economic Forum *Global Competitiveness Report*, strength of investor protection;
- Opening most economic sectors to foreign ownership, with exceptions (see table 3),
- Enactment of the Investment Promotion Act 2000, creating the Board of Investment (BOI); and,
- Enactment of the Business Facilitation Act 2006, which established a new approach to investment attraction through the simplification of business procedures and the fiscal system.¹⁸

17. World Trade Organization (2014). *Trade Policy Review: Mauritius*. Available from https://www.wto.org/english/tratop_e/tpr_e/s304_e.pdf.

18. Organisation for Economic Co-operation and Development (2014). *OECD Investment Policy Reviews: Mauritius*. Available from <http://www.oecd.org/countries/mauritius/mauritius-investment-policy.htm>.

Through the 2006 Business Facilitation Act, Mauritius completed the transition from an investment regime characterized by numerous and frequently overlapping incentives towards a more simple and low-tax regime, creating a single taxation rate of 15% for corporate and personal tax. This simplification was followed by the abolition of the capital gains tax and the reduction of the registration duty from 13.2% to 5%.

The regime for business licensing and acquisition of property by foreign nationals was simplified accordingly, merging the different permits in the Occupation Permit and the Building and Use Permit, as well as replacing the trade licence with a single trade fee.

The existing web of 44 BITs,¹⁹ of which 16 have yet to be ratified, provides Mauritius with a competitive advantage to position itself as a hub for investment in Africa. Nevertheless, recent developments, such as the renegotiation of the India–Mauritius BIT, through which India 'will start imposing capital gains tax on investments coming from Mauritius',²⁰ might affect Mauritius' FDI inflows.

19. <http://investmentpolicyhub.unctad.org/IIA/CountryBits/134> Board of investment: <http://www.investmauritius.com/downloads/ippa.aspx>

20. See Manoj Kumar and Himank Sharma (2016). India to tax Mauritius investments for first time since 1983. *Reuters*, 11 May. Available from <http://in.reuters.com/article/india-mauritius-taxavoidance-copy-idINKCN0Y20KZ>.

Table 3: Foreign investment restrictions in Mauritius, 2014

Sector / activity	Restrictions
Television broadcasting	Foreign capital in a company must be less than 20%.
Sugar companies	In sugar companies, non-citizens may not hold more than 15% of shares in listed sugar companies without prior written consent of the Financial Services Commission.
Real estate property	A certificate of authorization from the Prime Minister's Office is required by non-citizens to acquire real estate property in Mauritius, or to acquire shares in a company that owns immovable property in Mauritius. Purchases must be financed with funds transferred from abroad through the banking system.
Bank holding immovable property in Mauritius	Approvals are required from the Prime Minister's Office in banks that hold immovable property in Mauritius.
Diving centres	Maximum foreign equity participation of 30%.
Legal services	Foreign law firms can provide legal services only in relation to non-judicial proceedings (arbitration, mediation, conciliation and other forms of consensual dispute resolution) or in relation to foreign law or international law.
Fisheries	Licences to operate a Mauritian fishing vessel may only be granted to Mauritian nationals or to bodies incorporated in Mauritius and having a place of business in Mauritius.

Source: WTO.

Box 1: Bilateral Investment Treaties to which Mauritius is party

In force (date of entry into force): Barbados (2005), Belgium/Luxembourg Economic Union (2010), Burundi (2009), China (1997), Republic of Congo (2013), Czech Republic (2000), Egypt (2014), Finland (2008), France (1974), Germany (1973), India (2000), Indonesia (2000), Republic of Korea (2008), Kuwait (2014), Madagascar (2005), Mozambique (2003), Pakistan (1997), Portugal (1999), Romania (2000), Senegal (2009), Singapore (2000), South Africa (1998), Sweden (2005), Switzerland (2000), Republic of Tanzania (2013), United Kingdom (1986), Turkey (2016), Zambia (2016)

Signed but not yet in force (date of signature): Benin (2001), Cameroon (2001), Chad (2001), Comoros (2001), Gabon (2013), Ghana (2001), Guinea (2001), Kenya (2012), Mauritania (2001), Nepal (1999), Rwanda (2001), Swaziland (2000), United Arab Emirates (2015), Zimbabwe (2000), Côte d'Ivoire (2016), Sao Tomé and Príncipe (2016)

Source: Board of Investment

Nevertheless, despite the above-mentioned reforms, in recent years Mauritius has witnessed a slight deterioration in its business environment. The World Bank *Doing Business Report* positioned Mauritius thirty-second out of 189 countries in 2016, losing one place from their 2015 ranking. However, this change in position is significant in comparison to 2014, when Mauritius was ranked twentieth.

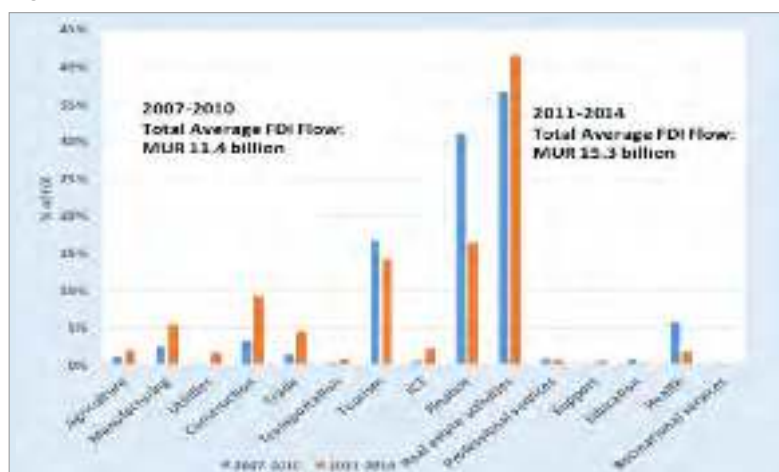
INVESTMENT TRENDS

Net FDI inflows into Mauritius reached a high of MUR 20.3 billion in 2012 (US\$ 576 million), followed by MUR 13.8 billion in 2014 (US\$ 392 million). Mauritius received

an average FDI inflow of MUR 11.4 billion in the period 2007–2010, followed by MUR 15.1 billion in 2011–2014, i.e. a 32% increase. In 2014, FDI was mainly targeted towards the real estate sector (MUR 6.1 billion), tourism (MUR 5.9 billion) and finance (MUR 1.9 billion). These three sectors absorbed more than 90% of all the FDI received by Mauritius in 2014. Specifically, it has been highlighted that nearly half of all FDI inflows were concentrated in real estate activities, while the development of other major sectors which have been earmarked as the potential new pillars of the Mauritian economy still require substantial FDI inflows.²¹

21. See KPMG (2015). *Budget Highlights 2015/16, Mauritius*.

Figure 31: Percentage of FDI inflows to Mauritius per sector, 2007–2010 and 2011–2014



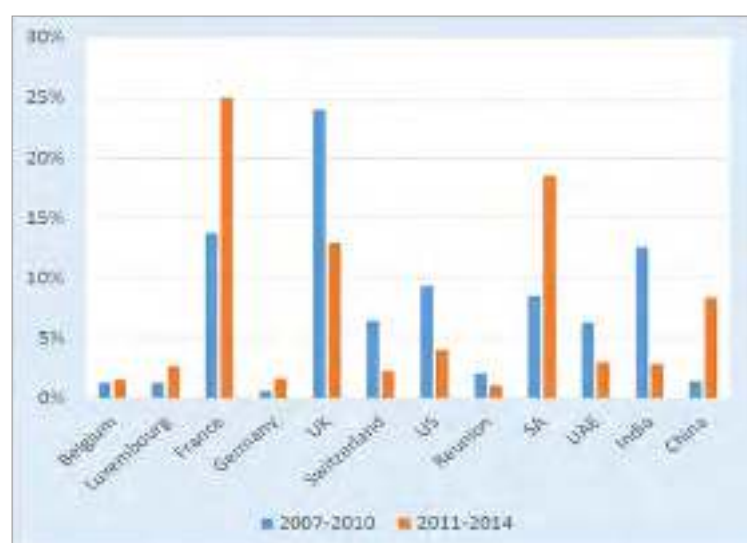
Source: Bank of Mauritius.

Regarding the origin of investment, Figure 32 shows that the EU is Mauritius' main investor, with a total of MUR 7.5 billion invested in 2014 (mainly from France, United Kingdom and Germany), followed by South Africa (MUR 1.5 billion), and China (MUR 618 million). While the United Kingdom was, on average, the biggest investor in Mauritius in the period 2007–2010, providing 24% of the total FDI in Mauritius on a yearly basis, in the period 2011–2014 the United Kingdom was replaced by France. It is significant to note the increase in shares of South Africa and China during these analysed periods. South

Africa moved from a 9% share of Mauritius' FDI inflows to 18%, while in that very same period, China moved from a marginal 1% of the inflows to a more significant 8% between 2011 and 2014.

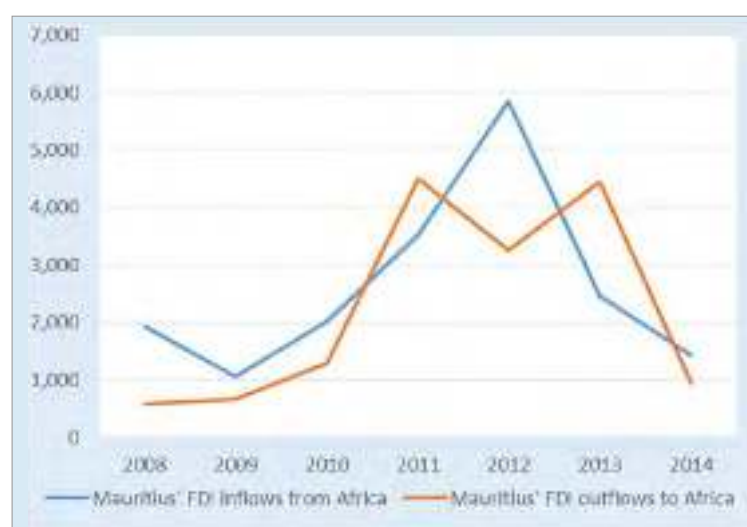
As mentioned above, Mauritius has the potential to become an investment hub and a gateway to investment in Africa. Mauritius' FDI outflow to Africa in the period 2006–2014 was equivalent to MUR 19.5 billion, or 58% of Mauritius' FDI outflow in that period.

Figure 32: Origin of Mauritian FDI inflows, as percentage of total inflows, 2007–2010 and 2011–2014



Source: Bank of Mauritius.

Figure 33: FDI trends Mauritius/Africa, 2008–2014



Source: Bank of Mauritius.

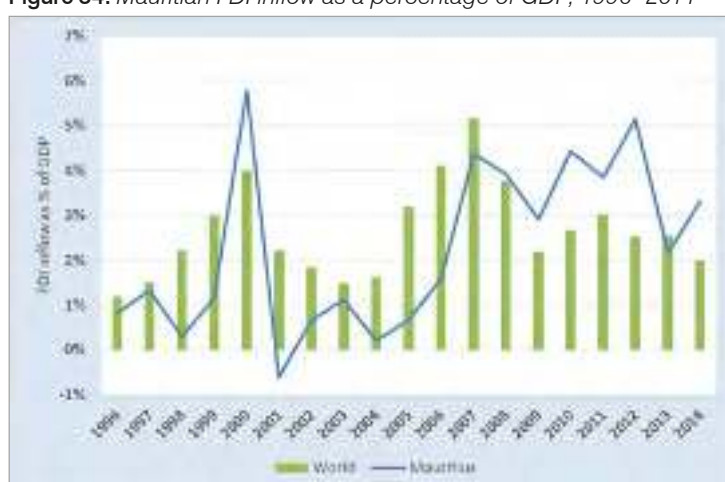
However, Africa also represents an important source of FDI for Mauritius. During the period 2006 – 2014, Africa invested a total of MUR 20.5 billion, 17% of the total FDI inflows for Mauritius in that period. South Africa accounted for 76% of that total and thus is Mauritius' main African source of FDI. In 2014, FDI outflows to Africa reduced drastically, a reduction that has been largely attributed to the Ebola outbreak.

FDI inflows as a share of GDP have followed an irregular track, reaching 3.3% of GDP in 2014 after a spike of 5.8% in 2000, a negative figure in 2001 and another spike in 2012, reaching 5.1%. Nevertheless, this irregular track does not undermine the fact that between 2009 and 2014 Mauritius' average FDI inflow as percentage of GDP was 3.6%, significantly higher than the average for sub-Saharan Africa and the world, which was 2.6% and 2.5%, respectively (see Figure 34).

Nevertheless, preliminary data shows that a large decrease in FDI inflows is expected in 2015 compared with 2014. In the first three quarters of 2015, Mauritius received MUR 7.2 billion, 28% less than compared with the same period of 2014. An analysis of the inflows shows that, with the exception of real estate, all sectors of the economy faced large reductions in FDI inflows.

Although the FDI inflows received by some sectors were already minimal in 2014 (for example, professional services and administrative services each received MUR 2 million, or US\$ 50,000 equivalent, in FDI inflows), important sectors such as tourism, finance and health have also suffered significant reductions. FDI in tourism decreased by MUR 2.5 billion, equivalent to 76% of the FDI received for that sector in 2014. A critical situation was faced in the health sector, where FDI was reduced by 99%, from MUR 532 million to MUR 4 million (see Figure 35).

Figure 34: Mauritian FDI inflow as a percentage of GDP, 1996–2014



Source: World Bank (2016) (a)

Figure 35: Mauritian FDI inflow change between Q1-Q3, 2014-2015



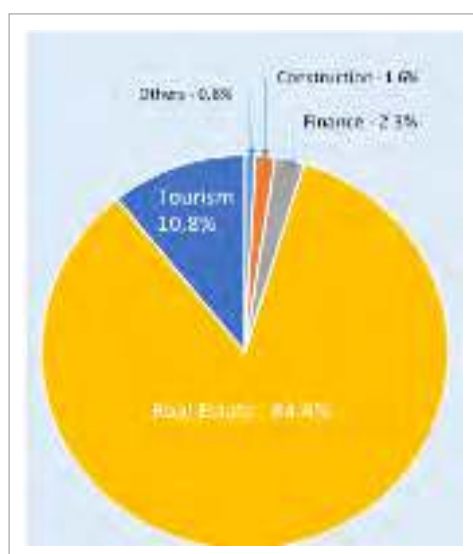
Source: Bank of Mauritius.

It is also important to note that 84.4% of the total FDI received by Mauritius during the first three months of 2015, i.e. the equivalent of MUR 6 billion out of a total of MUR 7.2 billion, has been focused on real estate activities. As shown in Figure 36, tourism, finance and construction, which were previously important recipients of FDI, now receive marginal quantities of investment.

Mauritius' GFCF as a percentage of GDP has been consistent with the evolution of the GFCF/GDP ratio in the world. Nevertheless, since 2009, when it reached a peak,

it has been following a decreasing trend, achieving in 2014 an all-time low of 19%. These rates of investment are extremely low in comparison to fast-growth Asian economies. The GFCF to GDP ratio shows how much value added in total domestic production has been invested and not consumed. This trend might seriously limit the room for progress in terms of competitiveness. FDI's share in GFCF has evolved over the years, reaching 22% in 2012. Nevertheless, that peak was followed by a substantial decrease in 2013, when FDI as a share of GFCF accounted for 10%.

Figure 36: Mauritian FDI inflow per sector, percentage of total inflow, Q1–Q3 2015

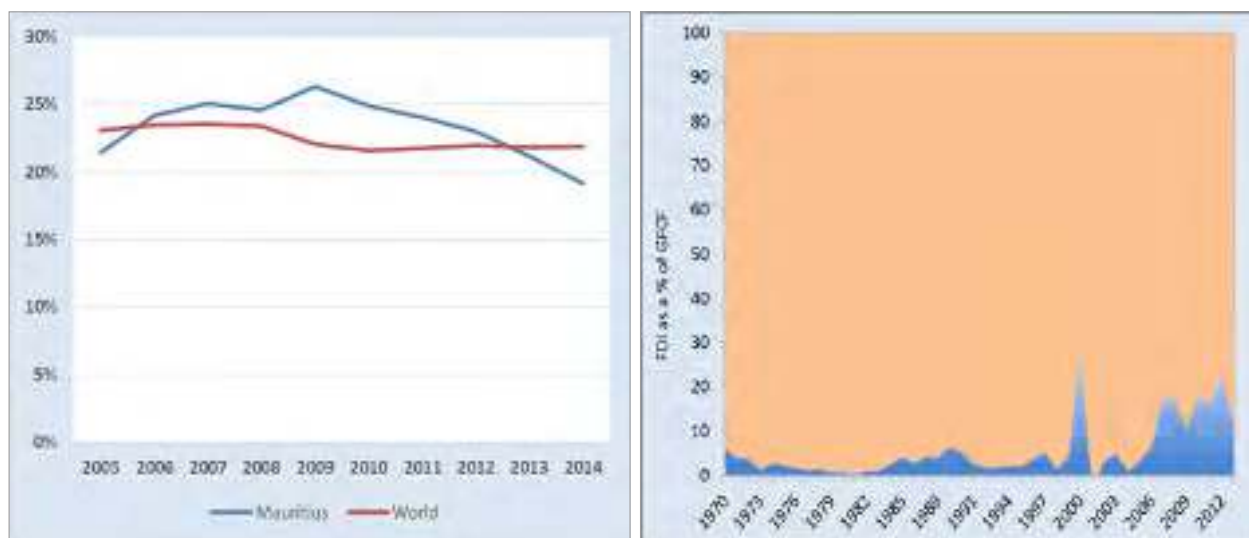


Source: Bank of Mauritius.



Photo: Mohammed Alnaser (CC BY 2.0), Mauritius Island - 2003.jpg

Figure 37: GFCF as percentage of GDP, 2005–2014 (left), and FDI as percentage of GFCF, 1970–2012 (right)



Source: World Bank (2016) (a).

In the long term, the stimulation of domestic (private) investment will require the development and adoption of clear supply-side policies for competitiveness and value addition in strategic economic sectors.

ROLE OF THE BOARD OF INVESTMENT

Created in 2001 under the wing of the Ministry of Finance and Economic Development, the Board of Investment (BOI) facilitates and promotes investment in Mauritius, directing the legislative reforms in Mauritius necessary to achieve it. According to the 2000 Investment Promotion Act, BOI shall be administered and managed by a Board, which shall consist of a Chair appointed by the Prime Minister following a consultative process with the opposition leader and various stakeholders. The Members of the Board hold office for a three-year period and can be reappointed.

The objectives of BOI are to stimulate the development, expansion and growth of the economy by promoting Mauritius as an international investment, business and service centre; to promote and facilitate the development of all forms of investment and business activities; to formulate investment promotion policies and plans and marketing strategies, and undertake promotion to attract foreign and local investments; and to advise the Government on strategies for investment policies, national investment marketing and investment. According to the World Bank (2011), Mauritius' BOI is one of just two promoter-regulators, together with Fiji, among the top 30 national investment promotion institutions for promotion worldwide. 'In addition to clearly separating promotion and regulation efforts internally, BOI has worked with the Government to streamline the regulatory procedures it oversees, creating an easier investment climate to promote.'²²

22. World Bank (2011). Investment Regulation and Promotion: Can They Coexist in One Body? *Investment Climate in Practice*, no. 16, March.

Box 2: Functions of the Mauritius Board of Investment

BOI's main functions are:

- i. To improve the investment and business environment and undertake other activities as may be necessary, to promote Mauritius as an attractive base for investments and as an international financial centre;
- ii. To prepare, fund, implement and monitor programmes relating to strategies for promoting investments in Mauritius;
- iii. To conduct research and studies in identifying investment opportunities;
- iv. To maximize opportunities and arrangements for the development of all forms of investments and business activities in Mauritius;
- v. To act as a think tank in highlighting policy issues and making policy recommendations to the Government to boost investment and attain the Government's economic objectives;
- vi. To coordinate multisectoral promotional activities and be the focal point for all investment-related promotional and marketing activities for Mauritius;
- vii. To consider and register investment proposals from investors and self-employed persons, and provide necessary assistance for the implementation of projects;
- viii. To provide support services to investors and self-employed persons, including assistance to procure authorizations and permits required for the establishment and operation of enterprises, and to lease or purchase real estate, for activities promoted by BOI;
- ix. To ensure coordination and cooperation between the public sector and the private sector on matters of investments and for policy decisions impacting on investment;
- x. To act as the single interface for all investors and liaise with relevant authorities for the granting of occupation permits, residence permits and other relevant permits required by the investor to operate in Mauritius; and
- xi. To provide all relevant information to potential investors on any matter relating to investments; among others.

Source: Investment Promotion Act, 2000.

RECOMMENDATIONS

In recent years, Mauritius has carried out a series of exercises, in the framework of its commitments with the WTO, analysing its trade and investment policies. The OECD also carried out an assessment of Mauritius' investment policy. From those exercises, a number of recommendations can be extracted:

Design an investment code: In addition to the simplification carried out by the Government, Mauritius would benefit from a code articulating all investment-related laws and regulations, providing clarity and coherence. This would provide greater predictability and transparency to investors.

Create an IP rights enforcement authority: This would lead to better efficiency and coherence. As highlighted by the OECD, institutional arrangements need to be realigned to meet the operational functions required. Currently, the Industrial Property Office 'administers the industrial property legislations locally; registers and protects industrial property rights, namely, patents, industrial designs and trademarks; and helps in the dissemination of information on the importance of IP rights'.²³

Government is currently finalising a new Intellectual Property (IP) Bill which is expected to be introduced in the National Assembly in the first quarter of 2017. The new IP Bill provides for the establishment of an empowered IP Office, namely the Mauritius Intellectual Property Office (MIPO) and an IP Council. The functions of the MIPO will span well beyond the functions of the current Intellectual Property Office and will be the lead Government agency to advise on and administer IP laws. The MIPO will also be expected to promote IP awareness, provide the infrastructure to facilitate the development of IP in Mauritius and provide a better enforcement system. The IP Council will ensure coordination among various economic agencies and the business community to formulate and review IP policies and practices as per global standards and is expected to meet at least once a month. Government has also elaborated an IP Development Plan with the assistance of WIPO which contains a series of recommendations with a view to contributing to the economic development of Mauritius and increase production of goods with high IP content (under protection of trade marks, industrial designs, patents among others).

Expand the web of BITs and liberalize: In this sense, Mauritius should study the possibility of definitively ratifying or renegotiating those BITs that have not been ratified in the five years following signature of the BIT. Additionally,

Mauritius should first identify those countries with which it might be beneficial to sign a BIT. Mauritius might benefit substantially from an update of its existing BITs, specifically in the area of foreign investment admissions. Currently, Mauritius requires the entry of foreign investments to be made in accordance with its legislation. Consequently, Mauritius has undertaken almost no commitments under Mode 3, Commercial Presence, of the WTO General Agreement on Trade in Services. It would be beneficial for Mauritius to liberalize, dismantling the different barriers to access currently in place. Even so, a negative list of still restricted sectors might be drafted.

Mauritius has signed a number of Investment Promotion Protection Agreements (IPPAs) most of which are already operational. While Mauritius has already completed the ratification process for all IPPAs that it has signed, some IPPAs remain to be ratified by the other signatory country. Moreover, Mauritius has a liberal investment regime. There are only a few sectors of activities where some limitations are imposed on foreign investment. Mauritius has also filed commitments in three important sectors to our economy at the level of the WTO (telecommunications services, financial services and telecommunications services). Our commitments include mode 3 and in the case of the telecommunications sector Mauritius has ended monopoly and exclusive rights for domestic and international services prior to the date mentioned in our mode 3 commitments. Moreover, Mauritius is now going WTO-plus in the context the Trade in Services Agreement (TISA) plurilateral discussions in Geneva which we joined in July 2015.

Redirect FDI inflows into productive sectors of the economy: As shown above, almost 84% of all FDI received by Mauritius in the first three quarters of 2015 was absorbed by real estate activities. If this trend is confirmed by the final FDI results of 2015 and continues during 2016, the Government should study different ways in which FDI can be redirected into more productive sectors of the economy. Otherwise this trend could limit the development of other major sectors which have been earmarked as the potential new pillars of the Mauritian economy.

Update the country's investment strategy: Currently, incentives are available to all sectors of the economy though there are specific incentives for manufacturing and real estate. The Government should assess the possibility of extending the existing incentives to all sectors of the economy. In this sense, the Government should review the existing policies in order to support domestic investors and develop an incentive package which might include tax holidays for investors, tariff rebate schemes for importers of capital goods and infrastructural incentives, among others. The Government might also benefit from conducting a feasibility study for the setting up of sector-specific special economic zones.

23. See Mauritius, Ministry of Foreign Affairs, Regional Integration and International Trade (2016). International Trade Division (Trade Policy/Industrial Property Office). Available from <http://foreign.govmu.org/English/AboutUs/Pages/International-Trade-Division.aspx>.

THE TRADE DEVELOPMENT AGENDA

NES alignment with Mauritius' trade development agenda

Mauritius is an export-oriented, outward-looking economy and trade development components have featured prominently in its various development plans. At both the sector and national levels, there are a variety of development plans that have either been requested or are in place which have a direct or indirect bearing on the trade development agenda. However, despite these plans, a coherent and overarching national trade strategy with well-defined and realistic PoAs and an implementation management framework is still lacking. The NES will fill this gap.

The strategy aims to galvanize national action towards a unified vision of trade competitiveness. The NES will be the 'magnet' for securing alignment at two levels – from an organizational perspective to a national vision; **and** aligning the personal motivations of individual actors involved in the export value chain towards collective mobilization.

The NES builds and aligns itself with existing development efforts in order to capitalize on the momentum generated and to ensure that there is no duplication of efforts but instead that gaps in the overall development agenda are filled, as needed. In the context of limited resources for implementing development plans, this focus on alignment rather than duplication is especially important.

The design process itself will continue to identify incoherencies between existing national development plans and strategies, as well as provide feedback to the relevant authorities.

Finally, the development of sector and cross-functional strategies in tandem will ensure that cross-cutting issues – such as access to finance, trade information, skills development and innovation – will include not only the specific requirements of each priority sector but will also provide spill over benefits to other sectors.

MAURITIUS' TRADE POLICY FRAMEWORK

Mauritius is a founding Member of the WTO and extends most favoured nation (MFN) treatment to all of its trading

partners.²⁴ Mauritius has been an active Member of the WTO, both at the level of its participation and presenting positions in negotiation groups and also in implementing its commitments, such as notifying the Secretariat of its sanitary and phytosanitary and technical barriers to trade measures.

Mauritius has streamlined its tariffs and undertaken measures to simplify cross-border trading. These include reducing tariffs, which resulted in its simple average applied MFN rate dropping from 6.6% in 2007 to 2.3% in 2014. According to the WTO Trade Policy Review "the most significant tariff reductions, by HS section, have been on footwear and headgear; arms and ammunition; prepared food and textiles". The TPR further indicates that "while import and export permit requirements have been reduced over the review period, the import permit system is being used to protect domestic producers of a few agricultural products; tea, chicken and pork. Imports of onions and potatoes are controlled through an import quota system managed by the Agricultural Marketing Board."²⁵

24. Information for this chapter is taken from: World Trade Organization (2014). *Trade Policy Review: Mauritius*. Available from https://www.wto.org/english/tratop_e/tpr_e/s304_e.pdf.

25. Ibid, p. 7.



Photo: Miwok (CC0 1.0)

Mauritius' scope for granting preferences is limited. Given that nearly 90% of its MFN tariff lines are duty-free. Mauritius is a party to five regional trade agreements with a total of 24 partners. These include a Regional Trade Agreement between Mauritius and Turkey, and the iEPA between the EU and the Eastern and Southern African States, SADC and COMESA. Mauritius is also actively participating in the tripartite and African Union Free Trade Agreement negotiations. Mauritius is one of the first countries to sign up to the Trade in Services Agreement Framework at the level of the WTO. It has also committed to implement the WTO Agreement on Trade Facilitation through its ratification of the agreement.

Box 3: Mauritius faces uncertainty under Brexit

Mauritius' main trading partner is the EU and Mauritius currently exports under preferential market access through the iEPA. After a referendum result in June 2016 in favour of leaving the EU, the United Kingdom is expected to trigger the process to leave the EU in 2017. While the process to leave may take a few years, it also raises many concerns as to the trading relationship that Mauritius may have with the United Kingdom post-Brexit. In 2015, 13% of Mauritius' exports were to the United Kingdom, representing US\$2.5 billion. The main items that Mauritius exports are articles of apparel and accessories; meat, fish and seafood food preparations; and sugars and sugar confectionery.

In June 2016, a ministerial committee was set up following a Cabinet meeting to look into and make recommendations on the repercussions of the exit of the United Kingdom from the EU. It will be essential that Mauritius prepares well to mitigate any possible disruptions that it could face from changes in its trade regime with the United Kingdom, including currency exposures and changes in tariffs and non-tariff measures.

THRUST OF MAURITIUS' TRADE DEVELOPMENT AGENDA

In the context of a constantly evolving national development agenda, no development activity – including the NES – should proceed in isolation. Existing alignments and synergies must be leveraged to avoid any redundant or incoherent efforts. This is especially important given that resources – technical, financial and human capital – for implementing these strategic plans are often limited. With this in mind, a detailed review of existing development plans and strategies, which number more than 30, was conducted in the early stage of the design process to identify areas of alignment that the NES will build on as well as any gaps that the strategy will eventually bridge.

Nine broad themes – that the NES will also follow – have emerged from this review and are detailed below. These are recurring, cross-cutting areas that are addressed either through national or sector-specific development plans as part of Mauritius' trade development agenda.

- a. **Socioeconomic development:** The welfare of all strata of Mauritian society has been integral to all the major development plans implemented since independence. Inclusiveness – particularly gender inclusiveness – and employment have been key areas of focus and are addressed in specific sector development plans. The *Food Security National Plan* serves as a baseline for ensuring that NES interventions do not have an adverse impact on food security.
- b. **Research and innovation:** Reflecting the country's aspiration to become a knowledge hub and move up the global value chain ladder in terms of its exports, individual sector strategies stress the importance of research and innovation as future drivers of growth. For instance, various reports explore the emerging 'blue ocean economy' concept, and in particular seek to qualify nascent sectors such as biotechnology, seaweed and algal culture, and agrochemicals: sectors that may have the potential for development and export. These technology-intensive sectors will require significant research and innovation if they are to develop and gain competitiveness.
- c. **Environmental sustainability:** The environmental concerns that are intrinsic to a small island developing state such as Mauritius have been addressed by national plans, including *Maurice Ile Durable*²⁶ and the *National Environment Policy*. It is increasingly evident

that industrial growth cannot occur without due regard for aspects such as management and disposal of waste and chemicals, energy saving and efficiency, protection of ecosystems and climate change considerations..

- d. **Skills development:** The breadth and depth of human capital across a variety of technical disciplines is not well geared towards projected future needs. This is especially true in the context of several emerging and budding sectors which are expected to scale up in the medium-to-long term. However, the *Tertiary Education Strategy* and the *Education and Human Resource Development Plan* propose broad interventions and recommendations to close this gap. Individual sector strategies such as the *National ICT Strategic Plan* also identify the key current and future skills requirements from their sectoral perspectives.
- e. **Investment promotion and attraction:** Mauritius seeks to position itself as the preferred domicile ('Gateway to Africa') for inward African investments, and in this regard the *Africa Trade and Investment Strategy for Mauritius* provides the business case and concrete recommendations. Attraction of FDI destined for Mauritius is also a priority and the efforts of BOI in this regard were studied. Individual sector strategies also lay out investment-related requirements for their specific needs. Investment promotion aspects linked to expanding exports will be dealt with in specific sector strategies and at the cross-cutting level of the NES.
- f. **Trade information, promotion and market access:** A variety of trade information services²⁷ are provided by institutions such as EM, Business Mauritius (formerly JEC) and the Mauritius Export Association (MEXA). The strategic plans of such institutions were studied, where available. In terms of market access, the country is signatory to a number of bilateral trade agreements / free trade agreements and is also a member of trading blocs such as COMESA and SADC. In view of the importance of market access for the textiles and garments sector, the African Growth and Opportunities Act strategy for Mauritius has been developed with the United States. The trade policy review by the WTO also provides a detailed review of the market access framework that the country's exporters operate within.
- g. **Quality management:** For agro-processed products and fisheries, as well as related sectors, the quality management aspect is a critical buyers' requirement that can shut out a market altogether if it is not met. Therefore, maintaining quality levels that conform with international standards is extremely important. Sector-specific plans such as the *Mauritius National Strategy*

26. As part of the *Maurice Ile Durable* initiative, 130 broad and cross-cutting projects worth over MUR 6 billion have been identified as a measure to drive environmental sustainability into the country's development agenda.

27. Such information is mainly available only for goods sectors.

for *Regional Fish Trade* cover quality management considerations in the absence of an overall quality management strategy. Quality management aspects under the NES will be dealt with in specific sector strategies.

- h. Infrastructure and logistics: As a small island developing state with significant geographical distance to its main markets, Mauritius, by necessity, needs to build a sound trade facilitation and logistics infrastructure. Reforms in the trade facilitation sphere include the establishment in 2006 of the Mauritian Revenue Authority, as well as other reforms based on international conventions such as the HS Convention, the Arusha Declaration and the revised Kyoto Convention. Port infrastructure reforms have been driven by projects that include the Mauritius Container Terminal Extension Project and the latest Port Development Project.²⁸ For services, a strong communication backbone is essential, particularly in the ICT sector. The National Broadband Policy notes the current bandwidth challenges that multiple sectors face and lays out the Government's ICT infrastructure road map up to 2020. Where specific sector concerns arise, these will be dealt with in the individual sector strategies.
- i. Regional integration: By virtue of its location in the Indian Ocean, as well as strong trade and cultural links to major trading blocs in its maritime neighbourhood such as India and the EU, strong regional integration is a goal that policymakers in Mauritius have strived for since independence. This forms the basis of, and is reflected in, various policies and sectoral strategies that have a trade component. Examples include the *Africa Trade and Investment Strategy for Mauritius* and the formation of the Trilateral Maritime Cooperative Initiative.

TRADE DEVELOPMENT AGENDA

Increased but uneven levels of private sector involvement in development planning

Since 2005, line ministries have shouldered greater responsibility in strategy development for their particular areas of scope. To achieve this, ministries typically establish ad hoc committees and hold consultations to solicit input and feedback. These committees are expected to solicit the private sector constituents accordingly and this has materialized to some extent, with notably stronger involvement by multinational companies and larger firms in strategy and policy development.

28. JOC.com (2016). Mauritius' Port Louis expands to handle rising African trade. Available from http://www.joc.com/port-news/international-ports/mauritius%E2%80%99-port-louis-expands-handle-rising-african-trade_20150828.html.

A tradition exists for dialogue and consultation between the Ministry of Foreign Affairs, Regional Integration and International Trade (MoFARIIT) and the private sector regarding trade negotiations and related policy formulation, while the private sector is also given the opportunity to contribute to annual budgets and international policies. For the latter, this includes participation in regional-level workshops (COMESA, SADC, WTO) and meetings at ministry level to contribute to the development of projects. According to the Ministry of Industry, Commerce and Consumer Protection, 'in the region, Mauritius is a shining example of fruitful dialogue between public and private sector and it has become a model for African countries'.

Nevertheless, there is persistent need to improve synergy between public and private sector. For instance, improved coordination and consultation with the private sector is needed regarding standard setting and the drafting of technical regulations. There is also a need to assess support and gauge the work of a coordination instrument that was set up in 2014 – the Inter-Agency Strategic Coordination Committee – to improve this public–private dialogue. Therefore, a holistic approach is needed to better ensure formalized consultation mechanisms between various ministries/institutions and the private sector.

Hub-centred growth model – evidence of silo-based activity

There is evidence that the repeated efforts to develop hubs – select ones include knowledge, ICT, and tourism – in Mauritius have led to related development activity being conducted in relative isolation. Development plans aimed at establishing individual hubs largely do not take into account linkages with other development plans. As a result, opportunities for collaboration with related sectors are not explored. Evidence of this exists in the lack of development of clusters in the past 15 years, despite ambitious efforts that were launched, only to stagnate later. A feedback loop needs to be developed between existing strategies and others that are coming online.

Updating expired, as well as existing, plans is a priority

Several strategic plans, such as *The Industrial and SME Strategic Plan 2010–2013*, the *Blueprint for the Sustainable Diversified Agri-Food Strategy 2008–2015*, the *National ICT Strategic Plan 2011–2014*, and the *Tourism Master Plan* are either nearing expiry or have already expired. The new Government adopted the so-called *Vision 2030*, which sets out the road map for the future of Mauritius and encompasses all economic sectors in a bid to develop towards a high-income economy. Within this context, line ministries provided inputs as well as more detailed sectoral plans, which partly explains why ministries have not updated their respective plans.

However, it is not only important to renew the aforementioned plans but also to ensure that lessons learned from the previous iteration are fed back into the new iterations, and in this way contribute to policy convergence and resource optimization. It is also important to ensure that cross-sector plans are living documents and are constantly updated to reflect developments in sector development plans. For example, in order to stay current the tertiary education strategy must consistently be updated to reflect new sectoral plans and the skills requirements contained therein.

Actionable guidance is required, especially for emerging sectors and services

In the case of emerging and nascent sectors, guidance in terms of sector development exists primarily in the form of studies and recommendations. Detailed, actionable guidance through implementation matrices and log-frames is necessary. In most cases, this is because these sectors, such as the ocean economy, are still in the very early stages of development. This is especially true for services. For instance, the *Master Plan for Services* provides strong initial recommendations; however, it needs to be solidified through the development of robust PoAs so that the recommendations are translated to development activity on the ground.

TRENDS IN OVERSEAS DEVELOPMENT ASSISTANCE TO MAURITIUS

Mauritius has experienced a drastic reduction in net official development assistance (ODA), receiving in 2014 one-third the level that it received in 2013, falling from US\$ 148

million in 2013 to US\$ 49 million in 2014. Nevertheless, Mauritius still benefits from a substantial amount of gross ODA, accounting for US\$ 123 million in 2014.

France was the main contributor of ODA disbursed to Mauritius, allocating approximately US\$ 93 million, or 75% of the total. EU institutions were also significant contributors, contributing US\$ 10 million in 2014.

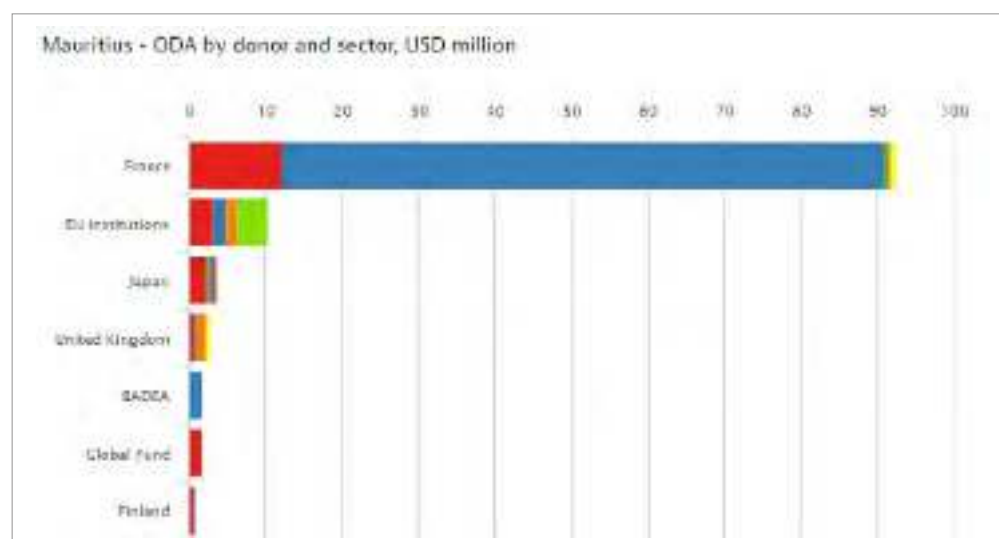
Economic infrastructure was the main sector to receive ODA, absorbing approximately US\$ 81 million, or 65% of the total. The other main sector was social infrastructure, with total contributions accounting for US\$ 20 million.

Specifically, the three main projects under economic infrastructure were financed by France as ODA loans, two of them related to energy generation through renewable sources and the other loan related to the improvement of water transport.

In 2014, Mauritius received a total of US\$ 94 million in ODA commitments, mainly targeting economic infrastructure (US\$ 60 million) and social infrastructure (US\$ 20 million). Multiple sectors received US\$ 9 million in commitments.

Aid for trade has grown in significance for Mauritius. In 2005, it amounted to only US\$ 6.6 million, while in 2013 it reached US\$ 93.5 million. This compares to US\$ 258.6 million of FDI and US\$ 0.6 million in remittance in that same year (2013).

Figure 38: Official development assistance to Mauritius by donor (US\$ millions)

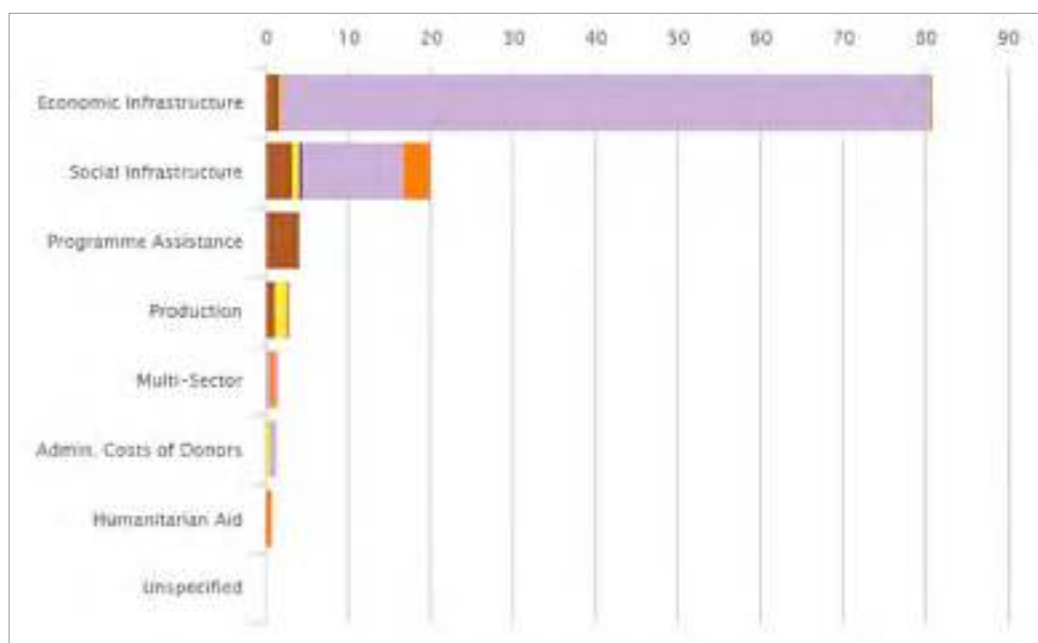


Source: Organisation for Economic Co-operation and Development (2015).



Photo: Miwok (CC0 1.0)

Figure 39: Official development assistance to Mauritius by sector (US\$ millions)



Source: Organisation for Economic Co-operation and Development (2015).

KEY NATIONAL COMPETITIVENESS CONSTRAINTS

Overview of competitiveness constraints

This chapter presents the main competitiveness constraints affecting the supply side, business environment, market entry and development side aspects of the export value chain. When considered in conjunction with the constraints presented in the Macro Diagnostic and Trade Performance chapters, these constraints provide a holistic overview of the key challenges facing Mauritius. Sectoral challenges are addressed in the individual sector strategies of the NES.

The four gears analysis delivers a compelling and well-rounded perspective of the constraints that affect the export value chain in Mauritius. The identified constraints support and reinforce the trade analysis presented in this paper by providing additional evidence of the causes of difficult export diversification, low survival rates of exports and their limited technology content. The identification and thorough analysis of the major export development constraints faced by Mauritian exporters establishes the basis that guided the overall NES design process.

Supply-side issues:

- Skills mismatch between industry and the education infrastructure
- Lack of entrepreneurship and incubator programmes for new entrants
- Insufficient clustering in the manufacturing sector

Business environment issues:

- Absence of a lead agency for the services sector
- Challenges in accessing trade finance
- Coordination and capacity gaps exist within the TSN which have affected service delivery to the trade sector
- Deficiencies and inefficiencies in the QMS infrastructure
- Low levels of FDI in productive sectors
- Continue Customs reforms and implement the WTO Trade Facilitation Agreement

Market entry issues:

- IP protection mechanisms are weak, exposing the private sector to brand dilution and theft
- Dealing with non-tariff measures
- Lack of actionable market intelligence
- Need to strengthen export promotion activities

Development issues:

- Gender disparity exists in the Mauritian labour market
 - Address inequality and adjustment concerns related to globalization and openness to trade
-

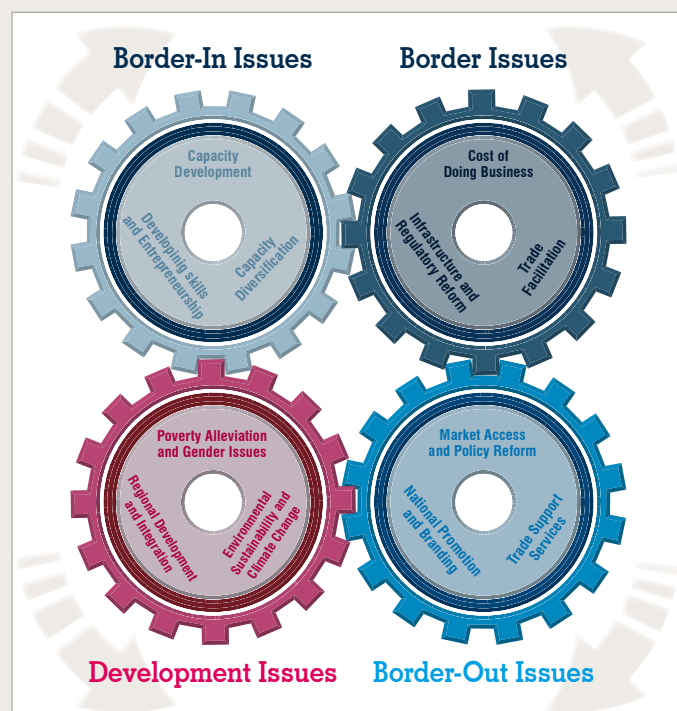
The key competitiveness constraints that are impeding export development, within Mauritius as well as beyond its borders, are presented within a four gears framework. Four dimensions of constraints are assessed as indicated in box 4.

Box 4: Four gears framework for analysing competitiveness constraints

- **Supply-side issues** impact production capacity and include challenges such as availability of appropriate skills and competencies, diversification capacity, technology and low value addition in the sector's products. This group of issues is also referred to as the **border-in gear**.
- **Quality of the business environment** refers to the constraints that influence transaction costs, such as the regulatory environment, export procedures and documentation, infrastructure bottlenecks, certification costs, Internet access and the cost of export credit insurance. These constraints are grouped together and classified as the **border gear**.
- **Market entry issues** include competitiveness issues that are essentially external to the country (but may also be manifested internally), such as market access, market development, market diversification and export promotion. These are referred to as the **border-out gear**.

Addressing these above categories would exhaustively resolve most major competitiveness bottlenecks. However, for the export strategy to be sustainable it should also have the greatest socioeconomic impact. Therefore, issues that have a profound impact on people's lives must also be addressed in the NES design initiative.

- **Social and economic concerns** include poverty reduction, gender equity, youth development, environmental sustainability and regional integration. Taken together, these issues comprise the **development gear**.



SUPPLY-SIDE ISSUES

Skills mismatch between industry and the education infrastructure

The education infrastructure (including both technical and vocational education and training (TVET) and tertiary education) is not well aligned with the requirements of the industry, both in terms of traditional sectors (as evidenced by the high unemployment rate) and emerging sectors. In recent years, the percentage of unemployed (as part of total unemployed) with a tertiary education has more than doubled, pointing to high unemployment in the specialized and knowledge-based sectors.

There is a lack of know-how and expertise in the production of new and differentiated products at the industry level. This is partially due to the poor supply of professionals who are specialized in specific technical areas, which ultimately stems from the absence of tailor-made, specialized technical university courses. A strong feedback loop – operating either as a stakeholders' forum or a standing committee – between the demand side (industry) and supply side (education providers) is lacking, which greatly contributes to the mismatch. A consultative committee has recently been set up at the university level to serve this purpose, and as Mauritius attempts to bridge the gap from a traditional to knowledge-based economy the deployment of such a feedback loop will be all the more pertinent.

The skills mismatch issues also extend to the TVET infrastructure. It has been reported that the professional

training provided to candidates passing out from TVET institutions is not geared towards the market demand for vocational jobs. In addition, TVET institutions also face some capacity challenges which affect their ability to dedicate resources to reorient their curriculum and course offerings towards market demand.

The Human Resource Development Council, which was set up in 2003 to address some of these issues, administers the National Training Fund, which among other things includes incentives such as the Training Needs Analysis Scheme. This scheme entitles firms to receive

refunds if they conduct a training needs analysis.²⁹ The Youth Employment Scheme, which started in 2013, is also a programme aimed at encouraging employers to hire unemployed 15–24 year olds by subsidizing their wages.

The University of Mauritius and the University of Technology, Mauritius both face increased demand that outpaces their current intake capacity. The University of Technology, which was originally built for 1,000 students, currently accommodates more than 3,500 students but has an accommodation requirement for 10,000 students.³⁰ This constraint will place a significant burden on the already strained university infrastructure that is attempting to cater to high demand.

29. Human Resource Development Council (2016). Training needs analysis scheme. Available from <http://www.hrdc.mu/index.php/levy-grant-incentive-schemes/121-training-needs-analysis-scheme>.

30. Mauritius, Ministry of Tertiary Education, Science, Research and Technology (2013). *Tertiary Education Strategic Plan 2016–2025*. Available from <http://docplayer.net/11236127-Tertiary-education-strategic-plan-2013-2025.html>.

Table 4: *Unemployment in Mauritius by category, 2012–2015*

	Year	%
Unemployment, total (% of total labour force) (national estimate)	2015	7.9
Unemployment, total (% of total labour force) (International Labour Organization estimate)	2014	7.7
Youth unemployment (16–24 years old), total	2014	26.3
Unemployment with primary education (% of total unemployment)	2012	39.4
Unemployment with secondary education (% of total unemployment)	2012	23.3
Unemployment with tertiary education (% of total unemployment)	2012	19.9

Source: World Bank (2016) (a); Statistics Mauritius (2016).

The implications of high youth unemployment and the skills mismatch in Mauritius are addressed in the cross-sector chapter on skills development of the NES.

- **Severity:** ● ● ● ● ●
- **Cross-sector strategy:** Skills Development

Lack of entrepreneurship and incubator programmes for new entrants

Entrepreneurial activity is a fundamental reflector of the business environment in an economy. In the sub-Saharan Africa group, Mauritius is ranked as having the second-highest business density behind Botswana, and is ranked twenty-ninth globally.³¹ Despite this impressive ranking, there is work to be done to further improve the environment in terms of spurring entrepreneurship in the country.

There are currently a few incubators for SMEs and entrepreneurs, which would provide the comprehensive technical support and mentoring that is particularly important in the early stages of establishment. This model has worked well in developing countries such as India and can be replicated with relative ease through sustained support.

Change management is also needed to bring about the necessary change in the business culture. Qualitative inputs gained through bilateral interviews as well as the NES consultations have pointed to the high unwillingness – and risk averseness of the business community in general – to undertake risks without relatively guaranteed returns.³² This is a natural concern, perhaps driven by the dependence of the private sector on preferential access. However, as this access is gradually eroded and the need to rely on competitiveness instead takes centre stage, attention must fall on fostering entrepreneurship.

- **Severity:** ● ● ● ○ ○
- **Cross-sector strategy:** NES
- **PoA Activities:** 2.3.1, 2.3.2, 2.3.3

Insufficient clustering in the manufacturing sector

The Mauritian manufacturing sector, while currently characterized by strong market and product concentration, is also marked by a relatively low level of sophistication. This, along with the anticipated increased competition from South-East Asia following the signing of the TPP, demands that the manufacturing sector move into producing

more medium- and high-tech products.³³ Therefore, costly investment is needed in the prerequisite advanced technology, as well as in training and human resource development. In this regard increased clustering in the sector would enable firms, particularly SMEs, to address these common factors, including increased labour costs, low productivity and increased competition.³⁴ However, while clusters exist in the clothing and textile sectors in Mauritius, there is a lack of clustering within the Mauritian manufacturing sector more widely.

The promotion of clustering would allow strategic subsectors to pool their resources and undertake the required innovation and R&D to increase their competitiveness. Clustering would also facilitate knowledge spill overs and linkages within and across sectors, which would further enhance the growth and competitiveness of the manufacturing sector.

Presently, there is a lack of knowledge on which specific manufacturing sectors could benefit the most from the strategic clustering and the nature of such intra-firm linkages.³⁵ There is also a marked deficiency in the institutional, regulatory and infrastructure support needed to foster the success of clusters. In particular, highly educated, highly technically skilled workers should be attracted to ensure the transition to higher-tech production. It is also likely that the industry is not yet ready to actively pool its knowledge, as this not only requires the establishment of reciprocal trust between cluster members but also strong institutional support and resources to guarantee such a venture.

- **Severity:** ● ● ● ○ ○
- **Cross-sector strategy:** NES
- **PoA Activities:** 2.2.1, 2.2.2, 2.2.3

QUALITY OF THE BUSINESS ENVIRONMENT

Absence of a single agency for the services sector

Specifically with regards to the services sector, there is a need to appoint a single agency or ministry to lead services sector development in Mauritius. However, due to the diverse nature of the sector, this has so far proved

31. Business density is defined as the number of newly registered corporations per 1,000 working-age people. These figures are the most recent (June 2015), from: World Bank (2016). *Doing Business: Entrepreneurship*. Available from <http://www.doingbusiness.org/data/exploretopics/entrepreneurship>. Accessed 24 October 2016.

32. The ICT sector was a notable exception. This sector has forged ahead in terms of trying out new business models despite the lag in institutional support.

33. For further information on the TPP see: Australia, Department of Foreign Affairs and Trade. *News on the TPP Agreement*. Available from <http://dfat.gov.au/trade/agreements/tpp/pages/trans-pacific-partnership-agreement-tpp.aspx>.

34. Zeng, D. (2008). *Knowledge, Technology, and Cluster-based Growth in Africa*, p. 5. WBI Development Studies. Washington, DC: World Bank.

35. Lall, S. and Wignaraja, G. (1998). *Mauritius: Dynamising Export Competitiveness*. Commonwealth Secretariat, Economic Paper No. 33, p. 107.

problematic and relevant roles have been distributed among different ministries. BOI was tasked with leading the promotion of services-related activities in 2012. However, this did not extend to involvement in policy formulation. Furthermore, BOI's main mandate of investment promotion means that there is still a gap for an agency whose sole purpose is policy formulation and implementation for the services sector. Given the national goal of transitioning to a knowledge-based economy, the business case for such an entity is well made.

In general, the portfolio of assistance available to the services sector by the TSN is poor, and the bulk of the focus of trade and investment support institutions (TISIs) is focused on the manufacturing and agriculture sectors. TISIs oriented towards the private sector, such as EM, Business Mauritius, the Small and Medium Enterprises Development Authority (SMEDA) and the Mauritius Chamber of Commerce and Industry (MCCI) have a limited service portfolio available for the services sector, although there is recognition among the leadership of these organizations of the gaps, and efforts to address these are ongoing. A regulatory gap regarding services has also been pointed out, ranging from unclear guidelines and a lack of legal certainty to a complete absence of regulations.

One of the reasons support services for the services sector have been slow to emerge is low participation by services enterprises in consultations aimed at the private sector. As the *Master Plan for the Mauritian Services Sector* points out, there is an unintended bias relating to the involvement of services sector firms in consultations with the public sector.³⁶ Additionally, Mauritian services

firms who do not belong to traditional service professions (such as tourism, ICT) do not belong to associations. This prevents them from being actively invited to consultations and other modes that affect policymaking.

- **Severity:** ● ● ● ● ○
- **Cross-sector strategy:** NES
- **PoA activities:** 2.1.1, 2.1.2, 3.4.1, 3.4.2, 3.4.3

Challenges in accessing trade finance

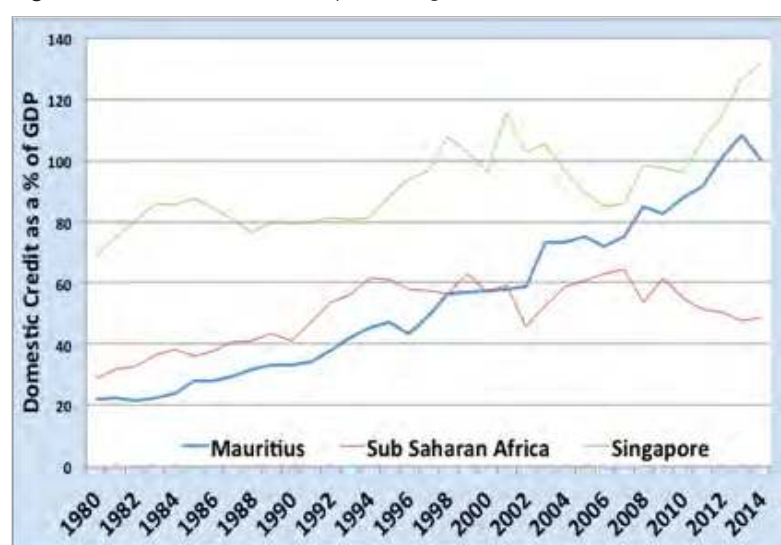
SMEs in particular, but also larger firms, face specific challenges in accessing finance that cut across sectors and value chains, and which must be addressed to improve competitiveness. The private sector has noted that bank charges and interest rates are relatively high in general, possibly owing to limited local competition.

Awareness among firms of the availability of loan instruments is also a constraint. This can possibly be attributed to weak marketing by the banks for these instruments and a weak ability of firms to prepare bankable proposals. The issues related to access to trade finance instruments for SMEs is addressed in the SME plan of action. Also a comprehensive sector strategy is proposed under the NES for financial services. In the NES, a number of activities are proposed more generally to the business community. The Mauritian Government introduced important measures to ease access to finance in the 2016/2017 budget.

- **Severity:** ● ● ● ● ○
- **Cross-sector strategy:** NES
- **PoA activities:** 3.3.1, 3.3.2, 3.3.3, 3.3.4

36. The *Master Plan for the Mauritian Services Sector* points out that there is an unintended bias.

Figure 40: Domestic credit as a percentage of GDP, 1980–2014



Source: World Bank (2016) (a).

Coordination and capacity gaps exist within the TSN which have affected service delivery to the trade sector

The national TSN, including the TISIs involved in policy-making, trade support services, business services and civil society has served the private sector well in the past but is now exhibiting signs of fatigue and structural weaknesses. This is due to both expansion in the SME sector (which is putting pressure on a stretched TSN and exposing capacity and coordination weaknesses) and the evolution of the exporting sector (including services diversification, among others). This situation is constraining SMEs involved in trade from reaching their operational and strategic goals.

Coordination deficits are particularly evident among TISIs, along with a lack of collaborative efforts which hinders the service delivery of the TSN more generally. Increased use of ICT by the TSN would enhance internal knowledge management, increase institutional memory, streamline business processes and improve the currently weak coherence, coordination and efficiency of TSN service delivery to the trade sector. In this regard an online hub/web portal focused on trade and business intelligence has been developed through assistance from ITC, although public awareness and use of the portal could be improved. Therefore, there is a need to formalize and operationalize private–public services in trade information, which could include a network with dedicated resources pooled from the various TISIs.

Lastly, implementation of this NES will require clear organization and delegation of responsibilities within the TSN. Therefore, a coordination mechanism under the NES governance structure would be helpful, as well as a capacity-building programme for eligible, involved TISIs to ensure that their service delivery is consistent and at the same level throughout. In addition, subcommittees for each sector could be established to increase understanding of the needs and requirements of each subsector, allowing for the establishment and monitoring of objectives, and enhanced service delivery by the TSN.

- **Severity:** ● ● ● ○ ○
- **Cross-sector strategy:** NES
- **PoA activities:** 2.4.1, 2.4.2 (NES); 1.1.1; 1.1.2; 1.1.3; 1.5.1; 1.5.3; 1.6.2; 1.8.1; 2.1.1; 2.1.2; 2.1.3; 2.4.1; 3.1.2; 3.1.3 (Institutional Alignment PoA); 1.2.3 (Branding PoA)

Deficiencies and inefficiencies in the QMS infrastructure

The QMS in Mauritius suffers from certain inadequacies that must be addressed before sectors such as fisheries and agro-industry can thrive. The coordination challenges in Mauritius' TSN also extend to TISIs that are involved in the QMS. Stakeholders, including the Chamber of

Agriculture, have noted that institutions spanning a variety of functional duties, ranging from setting policy and guidelines to monitoring and health inspections, are not well coordinated or connected. When an anomaly arises in the coordination chain, the division of roles and responsibilities is not well-articulated, which results in confusion that ultimately negatively impacts the private sector.

In terms of infrastructure, testing facilities are not readily available at local testing and accreditation institutions. The non-tariff measures survey revealed issues regarding limited facilities and a lack of appropriate equipment for conducting the required tests (e.g. fruit, jams, honey

exports).³⁷ The public or private certification bodies (such as MSB) have weak capacities for quality management services, particularly relating to exports to the EU of products of animal origin. There is also a need for a competent authority which is internationally recognized for the export of non-fish animal products. However, this may not be feasible, as the volume of exports for certain food products is likely to be lower than that of seafood, which

has its own competent authority.³⁸ Additionally, there is poor availability of resources for internationally recognized certifications such as GLOBAL G.A.P.

Human capital considerations related to QMS include the shortage of specialized service providers such as veterinarians, and general quality management-based skills involving testing and certifications.

- **Severity:** ● ● ● ○ ○
- **Cross-sector strategy:** NES
- **PoA activities:** 3.5.3, 3.5.4, 3.5.5

Low levels of FDI in productive sectors

The ongoing and increased need to attract FDI destined for Mauritius remains a priority, particularly regarding increased inflows channelled directly to the more productive, labour-intensive sectors. Despite Government reforms resulting in increased net FDI inflows in the past decade, seeing an increase from 1.5% of GDP in 1990 to 3.3% in 2014, such inflows have been very limited in labour-intensive sectors. Instead FDI has been directed at supporting the now dominant, more unproductive, capital-intensive and low employment services sector, which is now showing signs of diminishing returns and declining capital productivity. Therefore, little FDI is actually getting to the sectors that matter. For example, while real estate accounts for only 0.3% of Mauritian employment, it receives the largest share of investment, with 44% of FDI.

37. International Trade Centre (2014). *Mauritius: Company Perspectives – An ITC Series on Non-Tariff Measures*, p. 31. Available from <http://www.intracen.org/publications/ntm/Mauritius/#sthash.86V6O4pl.dpuf>.

38. Ministry of Industry, Commerce and Consumer Protection.

In addition, FDI inflows in 2015 not only showed a clear decline from the previous year but the country has also been experiencing outflows of FDI since then. A new approach is thus needed for the promotion of FDI, particularly with a view to targeting more labour- and knowledge-intensive sectors that have the potential to translate into longer-term productive capacity, as well as adopting tighter 'coupling' between attracting FDI and developing skills.

Potential countries to negotiate and sign IIAs with need to be identified, and the causes of investment outflow need to be determined and remedies proposed. Other obstacles to investment in the productive sectors in Mauritius also need to be identified. Further, regulatory changes are needed to support the promotion of productive investment. In this regard, current as well as all new policies must both support local investors and offer an incentive package for investors which addresses such issues as tax holidays, a one-stop shop, and procedural and infrastructure incentives.

Building on this, sector-specific special economic zones should be established based on best practice and include various measures that are conducive to FDI, ranging from special fiscal packages and access to a more flexible labour market to duty-free imports of inputs and access to basic infrastructure. This would build on the success of the EPZs in the country's manufacturing sector, widening the scope somewhat.³⁹

There is also a need to stimulate the interest of business 'angel' investors in Mauritius' export-related business sector, which would build on previous initiatives by the Mauritius Research Council and SMEDA and increase the required inward FDI in the more productive sectors.

- **Severity:** ●●●●○
- **Cross-sector strategy:** NES
- **PoA activities:** 2.6.2, 2.6.3, 2.6.4, 2.6.5, 2.6.6, 2.6.7, 2.6.8

Need for continued Customs reforms and implementation of the WTO Trade Facilitation Agreement

Mauritius was one of the first developing country WTO Members to ratify the Trade Facilitation Agreement which, once it enters into force, should reduce total trade costs by more than 14% for low-income countries and more than 13% for upper middle-income countries by streamlining trade across borders.⁴⁰

Despite some Customs reforms, Mauritian exporters still face difficulties when it comes to Customs procedures, logistical networks, and meeting technical and quality standards, particularly with regional trading partners in

SADC and COMESA.⁴¹ The process to obtain an export certificate has been reported to take too long, with an unnecessary number of steps making it time-consuming and costly. The process needs to be streamlined and the number of goods requiring an export certificate should be reduced in a bid to further increase the efficiency of exports. In addition, a general review of export-related Customs measures is needed to study best practice examples of the use of duty drawback systems, allowing exporters to access intermediate imported goods at a duty-free rate, thereby increasing national production.

Full implementation of the WTO Trade Facilitation Agreement and the related measures to streamline Customs procedures and increase transparency and efficiency would allow Mauritius to benefit from the increased liberalization and market access provided for in international trade agreements to which it is a party.

- **Severity:** ●●○○○
- **Cross-sector strategy:** NES
- **PoA activities:** 3.1.1, 3.1.2, 3.1.3, 3.6.1, 3.6.2

MARKET ENTRY ISSUES

IP protection mechanisms are weak, exposing the private sector to brand dilution and theft

Mauritius is not signatory to the Madrid System, which provides a mechanism for businesses (through virtue of their country being a signatory) to register, manage and protect their marks worldwide across 92 contracting parties. The new IP Bill contains provisions for the accession of Mauritius to three of the main WIPO administered Treaties, namely the Madrid Protocol, The Hague Agreement and the Patent Cooperation Treaty. Following adoption of the Bill by the National Assembly (tentatively scheduled for first quarter of 2017), Government plans to initiate action to accede to these treaties. Accession to the Madrid System would provide a convenient way for Mauritian firms to gain trademark protection in many countries simultaneously, rather than having to register their brand in each market separately. There is an urgent need to initiate a discussion on this important topic and seek a solution.

39. African Development Bank/Organisation for Economic Co-operation and Development (2003). *African Economic Outlook*, p. 206.

40. World Trade Organization (2015). Trade Facilitation Agreement. Available from https://www.wto.org/english/thewto_e/20y_e/wto_tradefacilitation_e.pdf.

41. International Trade Centre (2015). *ITC Impact: Mauritius*. ITC News. Available from <http://www.intracen.org/news/ITC-Impact-Mauritius/>.

Additionally, IP registered in Mauritius is not recognized outside of Mauritius because the country has not merged its database with that of the World Intellectual Property Organization. This also needs to be resolved urgently. Despite recent measures by the Government of Mauritius to adopt relevant WIPO instruments, such as the Intellectual Property Development Plan being developed with the assistance of WIPO, the relevant IP infrastructure in Mauritius remains weak and lacks IP-specialized attorneys or courts to deal with such IP rights disputes. The Intellectual Property Office requires increased funding and capacity-building of its staff if it is to address arising IP issues within the country. The legal and policy environment, while acknowledging IP needs, still requires changes that account for such things as plant varieties and geographical indication. The implications of IP constraints, as well as innovation constraints, are further addressed in the cross-sector chapter on innovation in the NES.

- **Severity:** ● ● ● ● ●
- **Cross-sector strategy:** Innovation
- **PoA activities:** 2.2.6; 2.2.7; 2.2.8 (Innovation PoA)

Dealing with non-tariff measures

The non-tariff measures survey has also revealed that compliance with labelling requirements can frequently be an important challenge for enterprises. More than 26% of enterprises in the textiles and clothing sector noted that they face challenges in complying with labelling requirements in certain markets.⁴² Firms face challenges in developing product labels with information for consumers, and these are perceived as burdensome as they are too strict or too difficult to comply with, especially for the EU. The main partner country cited as applying labelling-based non-tariff measures was Kenya.⁴³

The packaging aspect in the exporting process serves two purposes: that of satisfying health and quality requirements in the case of the agro-industry sector, and to develop differentiators and unique selling points for the exported product so as to improve its branding and distinguish it from other products. Packaging capabilities in Mauritius are relatively weak, possibly due to the insufficient number of packaging providers as well as capacity issues of existing providers.

The Ministry of Industry, Commerce and Consumer Protection confirms this issue, noting that Mauritian enterprises have failed to embrace the ability of product packaging to enhance the value, visibility, prestige and geographical indication, which would allow them to

compete in niche markets – something which it is imperative for Mauritian enterprises to do – so as to compete on non-price factors. The possibility of using domestic positive attributes, such as the notion of Mauritius being a ‘green, clean and tropical island [...]’ should also be embraced.⁴⁴

- **Severity:** ● ● ● ● ○ ○
 - **Cross-sector strategy:** NES
 - **PoA activities:** 3.5.1, 3.5.2, 3.6.1, 3.6.2
- Lack of actionable market intelligence

Despite the high market access available in regional markets, utilization is relatively poor. This is partially due to weak market intelligence and in-country support for these markets. The specific characteristics of these markets are different from the traditional, more familiar European and United States markets, with a more irregular flow of orders that hinders production planning; other non-tariff barriers; and inland transport and administrative bottlenecks at points of entry.⁴⁵ In addition, the lack of market information and market surveys makes it challenging for exporters to increase market penetration. Although Mauritius has a relatively robust institutional presence in regional trading blocs such as SADC and COMESA, there is scope to improve this.

The level and quality of market intelligence could also be improved. Market consolidation and diversification hinges considerably on market intelligence, which is currently inadequate and undertaken in an uncoordinated and unscientific way.⁴⁶ The number of market research providers, whether as a public good or through consultancy services, is rather limited and is unable to meet the requirements of exporters, who rely on such intelligence when embarking on export activities. SMEs typically do not have the resources to invest in dedicated market research and therefore the availability of thorough market research on a free or paid basis could provide additional options. Currently, the market research conducted by TISIs, such as EM, is limited to certain focus sectors, so there may be a need to expand this to other sectors while also increasing the depth of research.

The Mauritian TSN is evolving to address the growing Mauritian services sector, alongside the more traditional manufacturing and agriculture sectors. However, the development of the required strong TSN that can support both the traditional sectors of textiles and agro-products as well as ICT and tourism remains limited.

42. International Trade Centre (2014). *Mauritius: Company Perspectives – An ITC Series on Non-Tariff Measures*, p. 13. Available from <http://www.intracen.org/publications/ntm/Mauritius/#sthash.86V6O4pl.dpuf>.

43. *Ibid.*, p. 30.

44. The Ministry of Industry, Commerce and Consumer Protection.

45. The Ministry of Industry, Commerce and Consumer Protection.

46. The Ministry of Industry, Commerce and Consumer Protection.

This situation is particularly evident regarding Mauritian TSNs abroad, who either through lack of finance and/or capacity are poorly represented outside of the fairly mod-

est role and presence of EM liaison officers.⁴⁷ More commercial attachés are needed who can act as focal points for Mauritian companies wishing to export to the market in which they are based. Such support abroad through the provision of market analysis services and the identification of local trading partners would bolster the Mauritian export sector.

TSNs abroad could also benefit from the development of local advisory service capabilities encompassing business intelligence, logistics and transportation support, trade finance, international contracts and cross-border alliances. Lastly, increased awareness within the export sector is required through an improved TSN communication strategy. For example, new market opportunities arising from newly signed trade agreements between Mauritius and its trading partners should be systematically made known to all those operating in the sector.

- **Severity:** ● ● ● ● ○
- **Cross-sector strategy:** NES
- **PoA activities:** 2.5.1, 2.5.2, 2.5.3, 2.5.4, 2.5.5, 2.5.6, 3.2.1, 3.2.2, 3.6.1, 3.6.2

Need to strengthen export promotion activities

There are weaknesses surrounding more structured export promotion efforts, including consistent participation in international trade fairs, which provide the ideal environment to both leverage and promote Mauritian exports, particularly the export of local products, thereby developing and expanding local business.

While EM takes responsibility for the coordination of local participation in trade fairs, buyer–seller meetings, business-to-business (B2B) meetings and other such events, the export sector could benefit from further trade fairs and B2B meetings, particularly ones in non-traditional markets. This would both allow local exporters to meet international buyers and boost the visibility of Mauritian companies.⁴⁸

In addition, strategic markets should be identified and supported by bilateral trade facilitation forums to further develop the necessary market linkages, initiate contact with potential international buyers and generate interest among prospective foreign investors. Sector-specific in-market support is currently lacking, particularly across the main regional markets of SADC and COMESA, which

would take advantage of the preferential market access in those markets.

However, it is important that sufficient processes are in place to harness the value of such export promotion activities to ensure that the valuable information gained is relayed back and put to good use in promoting the export sector. In this regard, Support and access to information of commercial attaches must be enhanced to ensure that the relevant information is shared and that networking with the relevant institutions in Mauritius is undertaken.

- **Severity:** ● ● ● ● ○
- **Cross-sector strategy:** NES
- **PoA activities:** 3.7.1, 3.7.2, 3.7.3

DEVELOPMENT GEAR

Gender disparity exists in the Mauritian labour market

There is evidence that gender disparities are prevalent in the Mauritian labour market. This is evident when indicators such as the unemployment rates (female unemployment in the first quarter of 2015 was 53%, compared with 47% for males) and activity rates (46% for females and 74% for males as of the first quarter of 2015) are considered.⁴⁹ The NES proposes to introduce a number of activities that would be geared towards raising female participation in international trade, in particular through the strengthening of women-focused business associations and encouraging and privileging female participation in export readiness programmes and trainings.

- **Severity:** ● ● ● ● ○
- **Cross-sector strategy:** NES
- **PoA activities:** 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.2.1, 1.2.2

Address inequality and adjustment concerns related to globalization and openness to trade

Mauritius is signatory to a number of bilateral and free trade agreements, a member of trading blocs such as COMESA and SADC, and party to the Eastern and Southern Africa iEPA with the EU. In addition, various trade agreements are under way between Mauritius' major trading partners and other emerging developing countries which will also affect Mauritian competitiveness at the global level.

47. Enterprise Mauritius (2016). Liaison officers. Available from <http://sourcemauritius.com/liaison-offices/>.

48. Enterprise Mauritius (2016). Website. Available from <http://sourcemauritius.com/mauritius/enterprise-mauritius/>.

49. Statistics Mauritius (2015). *Labour Force, Employment and Unemployment – First Quarter 2015*, p. 2. Available from <http://statsmauritius.govmu.org/English/StatsbySubj/Documents/ei%201183/ESI%20Labour%20force%20Qter%201%202015.pdf>.

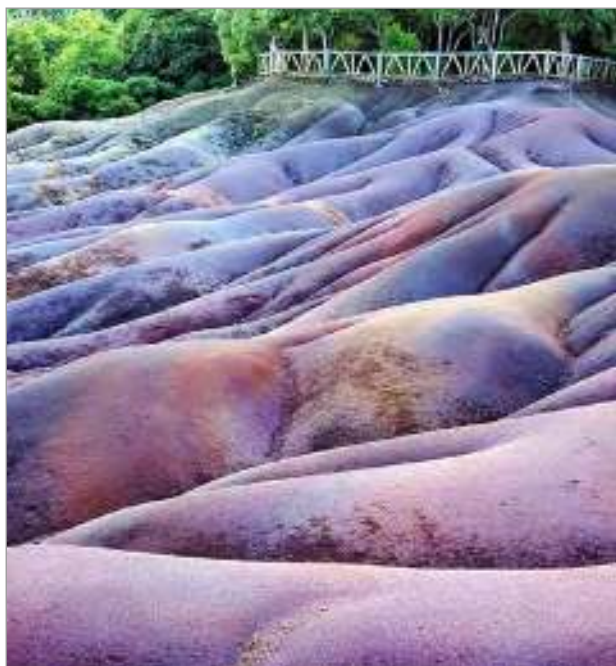


Photo: Miwok (CC0 1.0), *chamarel-coloured-earth*

Such agreements, while paving the way for increased trade and growth, also demand increased liberalization. This can be clearly seen with the current negotiations, to which Mauritius became a party in 2015 for the Trade in Services Agreement. Twenty-three WTO members, representing 70% of world trade in services, are negotiating an agreement aimed at opening up markets and improving rules in areas such as licensing, financial services, telecoms, e-commerce, maritime transport and professionals moving abroad temporarily to provide services.⁵⁰ Additionally, the iEPA is hoped to be the first step towards a full Economic Partnership Agreement between the EU and the Eastern and Southern Africa region more widely, which will go beyond opening up trade in goods to include services and investment.⁵¹

Trade liberalization, particularly in services which are characterized by natural monopolies, high entry barriers and informational asymmetries, carries potential risks and costs that must be addressed through appropriate regulation to ensure that those vulnerable individuals (particularly women) and vulnerable sectors (such as SMEs) are not unfairly affected.⁵² Mauritius would benefit from taking remedial action in the face of such developments to

ease the effects of the so-called adjustment costs: potentially disadvantageous short-run outcomes resulting from trade liberalization. Adjustment costs can affect levels of employment and output, human capital and the overall stability of the economy.⁵³ Appropriate remedial action requires sufficient knowledge and understanding of how such trade agreements affect levels of inequality, marginalization and poverty in the country.

Preparatory action in the face of liberalization would go a long way to easing the expected adjustment costs. Activities can include:

- Profiling the sector in an attempt to better understand its needs and vulnerabilities;
 - Creating awareness and disseminating timely information on the trade liberalization process;
 - Ensuring relevant ministries are in constant discussion with the various chambers of commerce, business associations and key industry stakeholders;
 - Enabling SMEs to develop skills specific to the export market;
 - Identifying and capacitating bodies responsible for the promotion of the export of professional services; and
 - Providing capacity-building to the professional services sector to 'promote their marketability in an increasingly borderless world'.⁵⁴
- **Severity:** ● ● ● ○ ○
- **Cross-sector strategy:** NES
- **PoA activities:** 1.3.1, 1.3.2

The analysis of competitiveness framework along its four dimensions (supply side capacities, business environment, market entry and development) makes it clear that addressing the binding constraints the Mauritian economy requires a holistic and integrated set of interventions. However, a number of areas that are critical for export competitiveness of Mauritian enterprises require to be specifically addressed. As such these were recommended by NES stakeholders as cross-sector functions as part of the Mauritius NES:

- Institutional Alignment,
- Branding,
- Skills Development,
- Innovation, and
- SME Internationalisation.

50. European Commission (2016). Trade in Services Agreement (TiSA). Available from <http://ec.europa.eu/trade/policy/in-focus/tisa/>.

51. European Commission (2012). EU's first Economic Partnership Agreement with an African region goes live. Available from <http://trade.ec.europa.eu/doclib/press/index.cfm?id=800>.

52. United Kingdom, Department for International Development (2008). *The Contribution of Services to Development and the Role of Trade Liberalization and Regulation*, p.4. ODI Briefing Notes, OECD Global Forum on International Investment, 27–28 March, p. 4.

53. Tarr, D. and Matusz, S. (2005). *The Adjustment Costs of Trade Liberalization*, p. 4. World Bank. Available from <http://siteresources.worldbank.org/INTRANETTRADE/Resources/Topics/Accession/TheAdjustmentCostsOfTradeLiberalization.pdf>.

54. Cheen L. C. (2016). *Malaysia: Strategies for the Liberalization of the Services Sector*. Managing the Challenges of WTO Participation: Case Study 25. WTO. Available from https://www.wto.org/english/res_e/booksp_e/casestudies_e/case25_e.htm.

SELECTED PRIORITY SECTORS

Mauritius has long been a relatively open market, enjoying a series of market preferences, especially to the EU, and in different sectors, mainly involving sugar and textiles, two sectors that achieved a level of maturity that is leading to declining or plateauing growth. Existing growing sectors face the need to capitalize on opportunities and integrate into global value chains, while emerging sectors require significant and dedicated institutional support, sector development and market intelligence in order to reach the appropriate degree of maturity. Finally, those sectors in the concept stage, such as the ocean economy, have to be supported through a gradual build-up of capacity and maturity over a medium-term time frame. Therefore, taking into account the different stages of development, a limited number of priority sectors for the NES have been selected. A set of criteria was used to preselect sectors:

- Trade performance, including export dynamics and world demand dynamics for a given product;
- Domestic supply conditions, captured by production capacity and revealed comparative advantage;
- Socioeconomic impact, captured in the current employment rate; and
- Other qualitative criteria determined by the NES team.

The following priority sectors⁵⁵ were selected based on their capacity to contribute to sustainable export growth and employment generation, their potential for broad-based socio-economic development, and their ability to meet selected qualitative criteria.

It should be noted that sectors which have not been prioritized will nevertheless be supported by the NES through the implementation of cross-sector strategies. In fact, the NES is also composed of cross-sector functional strategies addressing the internationalization of SMEs, development of skills among the Mauritian population, institutional alignment, branding and innovation. In addition, selected sectors offer strong potential for forward and backward linkages to the rest of the economy as capabilities gained in priority sectors can be redeployed into other industries to foster the process of economic diversification.

55. Sectors are groups of products or services that are closely related through their inputs, production and transformation processes, and that share a common value chain. Usually sectors are not limited to single products or single tariff lines but are built around clusters of products or services.

Table 5: NES priority sectors' estimated potential

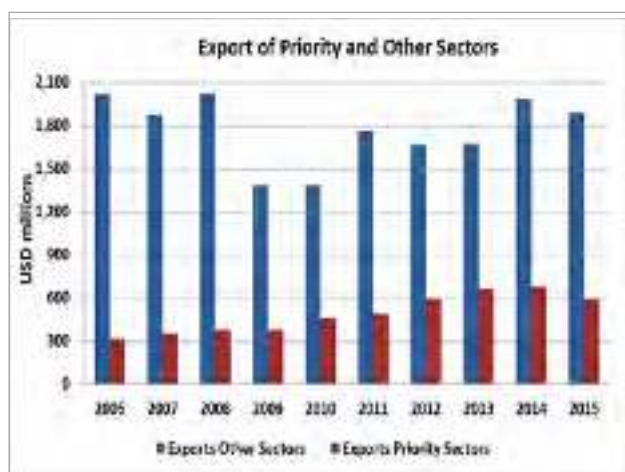
NES priority sectors	Trade potential	Socio-economic impact
Product sectors		
Agro-processed foods	High	High
Fisheries and aquaculture	High	High
Jewellery	Medium	High
Medical devices	Medium	High
Service sectors		
Cultural tourism	Low	Medium
Software development	High	High
Financial services	Medium	High

Figure 41 and 42 show the important role that selected priority export sectors for goods play in the overall economic development and balance of trade of Mauritius. Figure 41 highlights the share of the selected priority sectors in Mauritius' export basket. Figure 42 indicates the extent to which selected priority sectors contribute to positive improvements to the trade balance. The overall volume of exports of priority sectors reached US\$ 678.5 million in 2015. The growth rate of exports for the priority sectors was 7.14% overall between 2006 and 2015.

The total export value for priority sectors for services was estimated at US\$ 1.2 billion in 2014. The priority service sectors accounted for 100,000 persons employed and represented approximately 29% of GDP in 2014.⁵⁶

56. In order to calculate the aggregate weight of the priority sectors for services as percentage of GDP, the total contribution of tourism has been taken into account. No delineation by tourism segments is available.

Figure 41: Exports of priority and other sectors, 2006–2015 (US\$ millions)



Source: ITC calculations based on Comtrade.

Figure 42: Exports, imports and trade balance of priority sectors, 2006–2015 (US\$ millions)

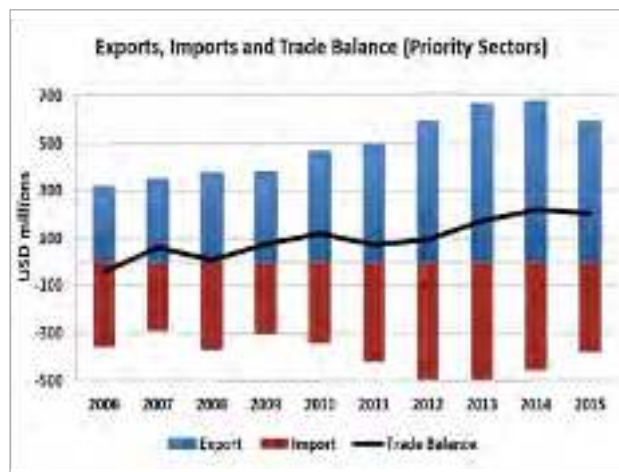
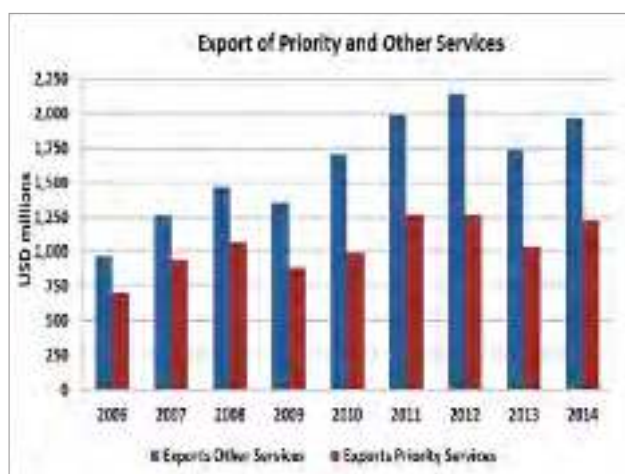
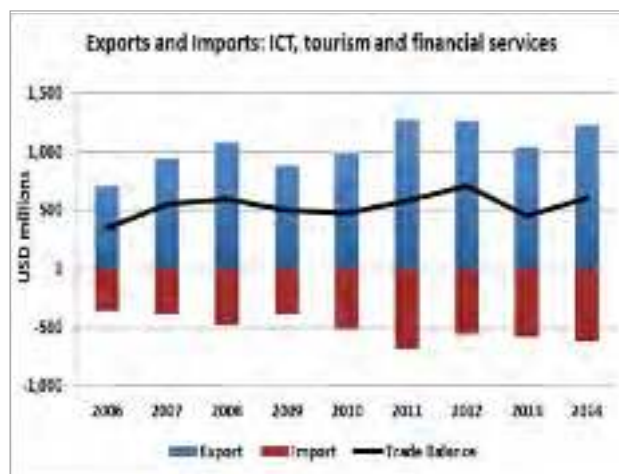


Figure 43: Exports of priority and other services sectors, 2006–2014 (US\$ millions)



Source: ITC calculations based on IMF statistics.

Figure 44: Exports, imports and trade balance of priority services sectors, 2006–2014 (US\$ millions)



Priority sector snapshots

The priority sectors selected based on the above-mentioned sets of criteria are presented and discussed in greater detail in the following snapshots. Furthermore, it is to be noted that each sector is the subject of a distinct sector strategy.

Agro-processing

Food processing industries have experienced rapid growth internationally, boosting trade of processed food in recent decades. However, the agro-processing industry in Mauritius has recorded poor trade performance in recent years. Mauritius has become more and more dependent on food imports for local consumption, importing almost 70% of its food needs, mostly processed fruits and vegetables.

The contribution of this sector to the economy is extremely limited, with no clear upward trend over the past decade. Export value of these products reached only approximately MUR 15 million in 2014, accounting for less than 0.03% of the country's total exports during that period, mainly concentrated in Europe (42%) and Indian Ocean countries and territories (34%). The main products exported are sauces, pickles and condiments, food preparations, and products requiring minimal processing such as prepared or preserved vegetables. Mauritius' relatively poor performance is mainly due to the lack of economies of scale and low productivity of food crops.

Food crop production progressed marginally over the past decade. Production and export of sugar remain the sector's main activities. It is estimated that there are around 67,000 hectares of land under cultivation, 58,000 hectares of which are dedicated to sugar cane cultivation, while the remainder is devoted to food crop and tea cultivation. Employment statistics in the agro-processing industry are unclear. However, in 2014, 25,430 persons were employed in the production of fresh fruits and vegetables, representing 57% of the total employment in the agricultural sector.

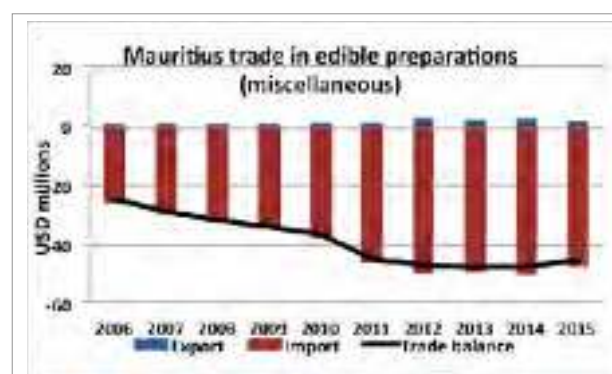
Following increasing concerns about food security, the Government has been encouraging agricultural and agro-industrial development to diversify the industry. The underexploited sector has potential for socioeconomic impact and food security.

The vision of the NES Agro-Processed Food Sector Strategy for Mauritius is to promote an innovative and competitive industry driven by sustainability and inclusiveness. The strategy will focus primarily on reinforcing the domestic supply of raw materials and increasing the competitiveness of the farming sector, as well as the organization between the various operators of the value chain. The strategy is built on three strategic objectives, namely: (i) improve the production and productivity of raw materials suitable for processing; (ii) improve the sector's capacity and provide an enabling regulatory environment; and (iii) foster the sector's integration and achieve greater market development.

Figure 45: Mauritian trade in vegetables, fruit, nut, etc. food preparations, 2006–2015 (US\$ millions)



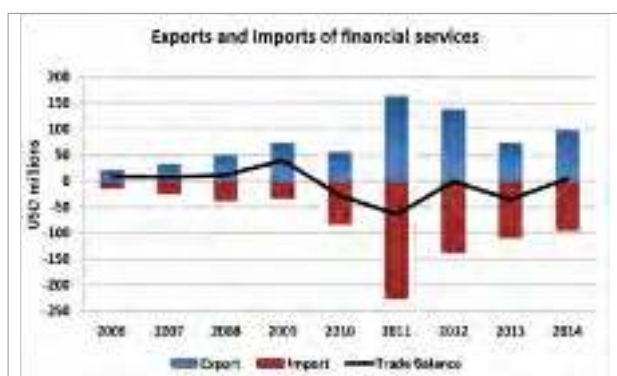
Figure 46: Mauritian trade in edible preparations (miscellaneous), 2006–2015 (US\$ millions)



Financial Services

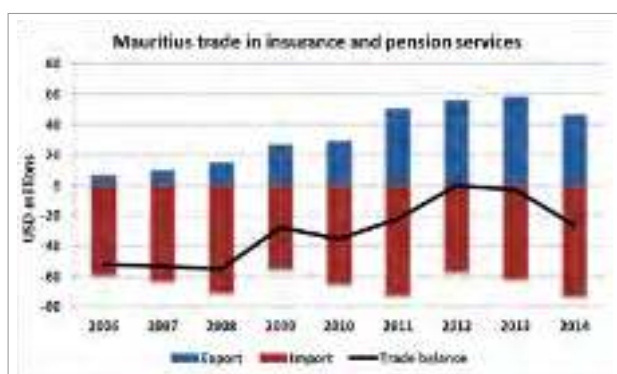
The financial services sector is one of the main pillars of the Mauritian economy. The sector has experienced rapid growth in the last two decades, in tandem with the record influx of FDI into the economy, and it contributes to over 10% of GDP today. Nevertheless, it only employed approximately 12,500 people in 2014, representing 2% of total employment in Mauritius. The financial sector has played a key role in the development of the Mauritian economy and presents great prospects for future economic development. However, the sector has found it difficult to move into higher value added services. The country continues to rely on its vast network of tax treaties, specializing in offering basic services for investment holdings while leaving more important decisions and contracts to foreign counterparts. Competitiveness has been deeply hindered by the failure of stakeholders to cooperate and develop client-centric solutions.

Figure 47: Mauritian exports and imports of financial services, 2006–2014 (US\$ millions)



Mauritian exports of financial services were valued at US\$ 122.7 million in 2014, representing 3.7% of total commercial services exports. Mauritius is the fourth-largest exporter of financial services in Africa, behind South Africa, Kenya and Egypt. Its share of total African financial services exports has also increased significantly over the past decade, from 1.5% in 2005 to 9% in 2014, signalling the country's growing competitiveness in the sector. Mauritius imported US\$ 101.8 million in financial services in 2014.

Figure 48: Mauritius trade in insurance and pension services, 2005–2014 (US\$ millions)

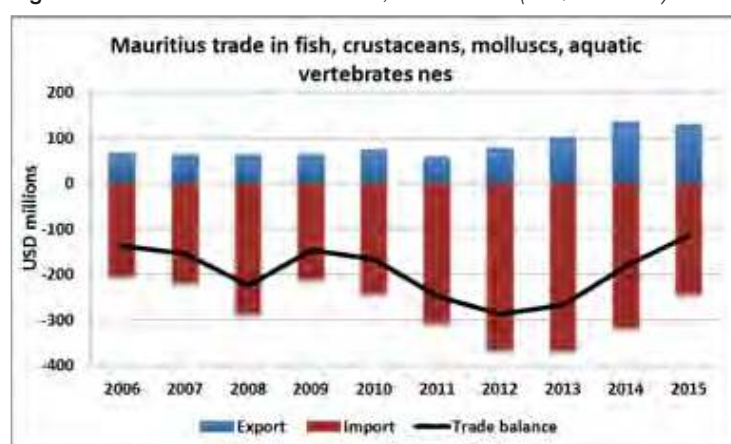


The NES financial sector strategy aims to transform Mauritius into a jurisdiction of substance and reputation offering world-class financial services to global businesses and investors. The vision proposes to unlock the potential of the financial services sector through a value chain approach by increasing value added service provision, enhancing exports, and opening up new markets. This will be achieved through four key strategic objectives, namely: (i) improve sector integration and coordination; (ii) improve the business environment by updating the legal and regulatory framework; (iii) improve capacities of the sector to provide world-class services; and (iv) facilitate market penetration and diversification by stimulating demand for Mauritian financial services.

Fisheries and aquaculture

The fisheries and aquaculture sector in Mauritius has experienced rapid expansion with increasing investment in several activities, ranging from fishing and aquaculture to fish and fish waste processing. It is one of the most promising sectors of the Mauritian economy. It presently employs around 12,000 people directly and accounts for 1.5% of GDP. Mauritius engages in two forms of fish production: marine capture and aquaculture. Total production was valued at 7,794 tons in 2013, denoting a steady decline since 2003. Capture fishing represents the vast majority (92.8%) of production. Nevertheless, aquaculture has been slowly beginning to increase. Aquaculture production grew by a total of 11% between 2009 and 2013, while capture production fell by 6%.

Figure 49: Mauritius trade in seafood, 2006–2015 (US\$ millions)



While global trade in fish has been expanding at an annual rate of 8% over the period 2001–2014, Mauritian exports of fish products peaked in 2014, amounting to US\$ 469.7 million. The sector currently accounts for 17.6% of Mauritian export earnings, 6.1% of African fish exports and 0.3% of global fish exports. Fish and seafood preparations were the major share of sector exports (68.2%), followed by fish, crustaceans, molluscs and aquatic invertebrates n.e.s. (28.8%), and products of fish origin (3%). The largest markets for Mauritian fish products are the United Kingdom (22.16% of total exports), Spain, Italy, the Netherlands and France. The largest regional market for Mauritian fish products is the EU (77%), followed by the Asia–Pacific region (19%). However, the sector is today threatened by shifting market conditions and preferences in the traditional markets such as the EU, which is foreseen to extend preferential access to Mauritius' key competitors, and the loss of competitiveness of the Japan market due to currency devaluation. Considering these upcoming shifts and adverse trends, securing new markets will be very important for Mauritian firms to overcome the losses foreseen from existing markets.

The NES Fisheries and Aquaculture Sector Strategy envisions anchoring the competitiveness and sustainability of the fair and responsible Mauritian seafood sector. The NES proposes to reinforce the acquired strengths of the sector and transition to a fully sustainable model while improving the business environment and knowledge transfers to SMEs. To achieve this vision, the NES sets out five key strategic objectives, namely: (i) ensure sustainability in the fisheries and aquaculture sector; (ii) secure favourable conditions for current operators and pave the way for their development; (iii) improve research, skills and knowledge transfers in the sector to stimulate investment, opportunities development and innovation; (iv) increase competitiveness of processed fish products through new sources of raw material and inputs; and (v) increase market diversification through the use of timely market intelligence.



Photo: Aqua Culture & Fish processing, Photo 1.JPG

Fisheries and aquaculture

Figure 50: Mauritius trade in fish and seafood preparations, 2006–2015 (US\$ millions)

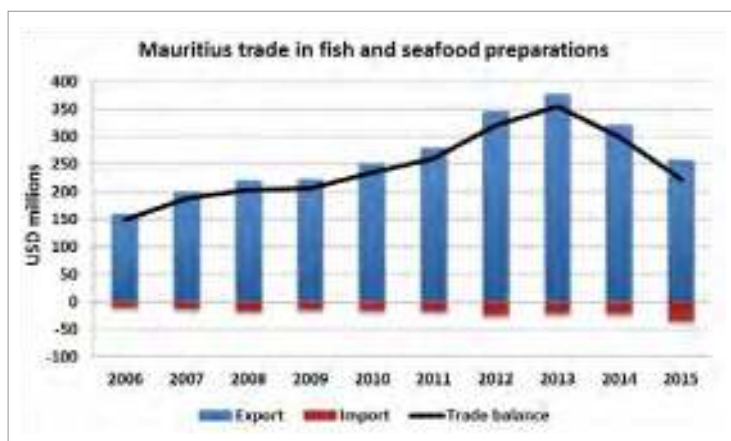
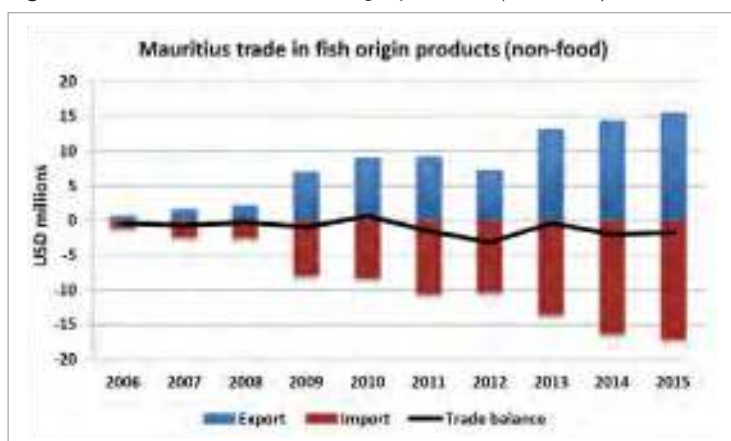


Figure 51: Mauritius trade in fish origin products (non-food), 2006–2015 (US\$ millions)



Medical Devices

The short history of the medical devices industry in Mauritius has been no impediment to achieving a well-developed industry that produces a wide range of highly sophisticated products, the bulk of them concentrated under HS 9018, 'electro-medical apparatus'. The sector contributed 0.5% of the country's GDP or US\$ 28.5 million in 2014, a significant rise from 2013, when it generated a turnover equivalent to US\$ 20.7 million. In terms of socioeconomic contribution, it is estimated that the medical devices sector currently employs approximately 550 to 600 people in Mauritius, of which 95% are Mauritian nationals. Almost the sector's entire workforce is focused on production lines. Women account for approximately 80% of the industry's workforce. Additionally, the workforce employed is relatively young, with 50% under 30 and 25% under 25 years old.

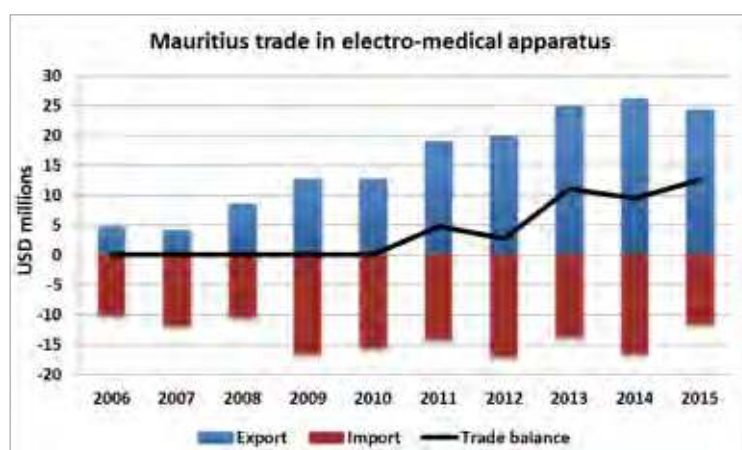
Nevertheless, the value addition generated by the sector is limited. Although manufacturers are producing highly sophisticated medical equipment, some companies are generating very limited levels of value addition locally. Several manufacturers have established sites in Mauritius to benefit from the relatively cheap and sufficiently educated labour force to manage simple production processes, therefore playing a very limited role in global value chains and having a limited impact on value addition.

Exports of Mauritian medical equipment and appliances are concentrated in a limited number of markets, with only 11 countries importing more than US\$ 100,000 worth of goods in 2015, and France and India being the only two countries importing goods for a value exceeding US\$ 1 million. The French market alone captured approximately 64% of Mauritius' exports of HS 9018 products in 2015, for a total exported value of US\$ 15.4 million. India, on the other hand, absorbed approximately 22% of Mauritius' exports, being the second major export market for the domestic industry. As most of the key markets remain untapped by local firms, promising prospects for market diversification exist. In addition to the well-established North American and European markets, the industry could notably take advantage of the significant growth of imports observed in developing and emerging economies such as China, Mexico, Singapore or Saudi Arabia.

Medical devices can play a leading role in transforming the Mauritian economy into a high value added one and will notably contribute to the strengthening of the domestic manufacturing sector. Following a structural approach, the development strategy for the coming years should focus on reinforcement of the domestic supply of medical devices components, improving the knowledge base of the industry and create a more conducive business environment by improving the quality of institutional support and developing an adapted and targeted regulatory framework.

The country's vision for the sector is to reinforce the sector's contribution to the domestic economy. In order to do so, competitive constraints and structural deficiencies along the four export development gears will be addressed and identified opportunities will be leveraged. The vision set up for the strategy is delineated in five strategic objectives, namely: (i) develop an enabling legal and regulatory framework for the medical devices sector; (ii) improve the organization of the sector and foster integration and cooperation; (iii) develop appropriate skills and competencies and foster research and innovation; (iv) create a more enabling business environment for the development of the sector and promote FDI; and (v) develop markets and strengthen export promotion efforts.

Figure 52: Mauritian trade in electro-medical apparatus, 2006–2015 (US\$ millions)

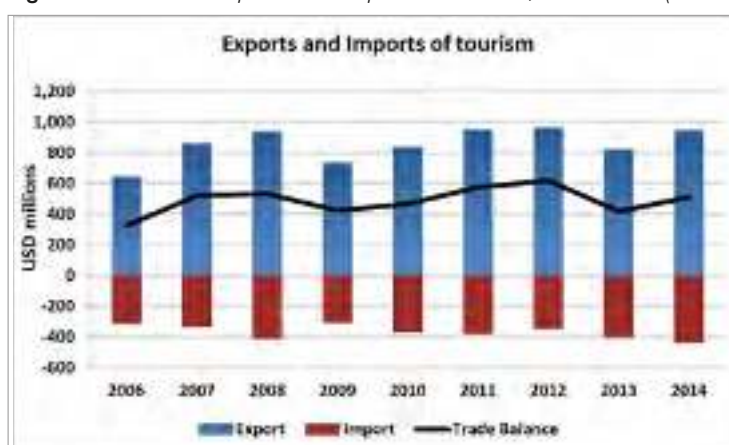


Cultural Tourism

International tourism has experienced remarkable growth in recent years and has been growing faster than world trade. Recent changes in tourism trends indicate that visitors are increasingly involved in cultural activities. Cultural tourism – that is, the movement of people motivated by cultural intents – has continuously increased in recent decades to become a major segment for most tourism destinations. According to the World Tourism Organization, it accounts for approximately 40% of international tourism flows, or about 400 million cultural trips.

The tourism industry is an important component of the Mauritian economy and is a major source of its trade services and foreign exchange revenues. The sector contributed 11.6% of the total GDP of Mauritius in 2015 and is estimated to rise by 2.3% in 2016. Its share in Mauritius' exports of services amounted to 46% in 2014 and generated US\$ 1,447 million of revenue. Tourist arrivals have increased considerably in recent years. The country has considerable cultural tourism potential with its rich multicultural heritage and diversified cultural attractions, along with a solid support infrastructure and robust existing tourism offerings. However, the sector remains largely dominated by the traditional sea, sun and sand mass offerings.

Figure 53: Mauritian exports and imports of tourism, 2006–2014 (US\$ millions)



To maintain a competitive advantage in global markets, the NES proposes that the tourism industry be geared towards diversifying its offerings and widening the range of tourist activities, including cultural activities. As part of the sector strategy development process, comprehensive analysis of the sector's value chain, TSN and competitiveness constraints are made.

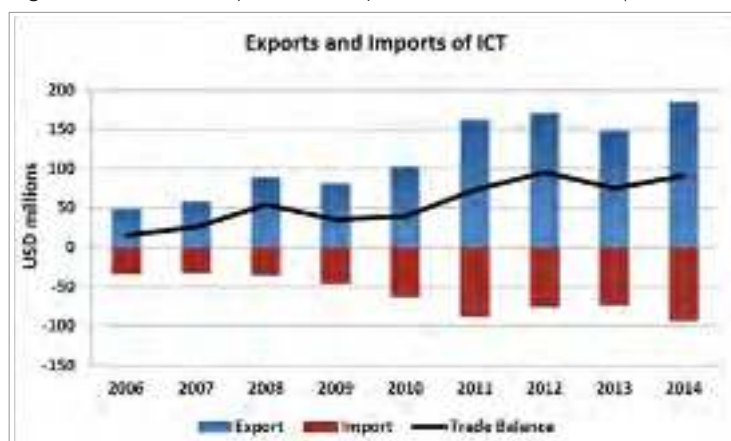
Cultural tourism is an integral part of the NES of Mauritius. The NES strategy aims to set the sector on a course of strategic development by addressing constraints in a comprehensive manner and defining concrete opportunities that can be realized through the specific steps detailed in its PoA. The vision is to reposition Mauritius as a sustainable, vibrant and diversified cultural destination. This will be achieved through three strategic objectives, namely: (i) facilitate the rehabilitation of important cultural assets and support infrastructure, including transportation and information; (ii) integrate cultural tourism within the main Mauritian tourism products with robust value added offerings and market cultural tourism to key destination markets; and (iii) deploy an effective implementation management mechanism for efficient implementation of strategy activities.

Software Development

The software industry is regarded as a very dynamic segment and important for the development of any economy. The software industry in developed countries is a significant sector and accounts for the lion's share of expenditure in terms of consumption base. Software markets grew by more than 40% in India, China, the Russian Federation and Latin America between 2008 to 2012, in contrast with developed markets which grew by 15%. Africa shows promising growth. Ireland is the lead exporter of software products and services, followed by India, Germany and the United States. The top three importers are the United States, EU and Japan.

The software industry in Mauritius is growing fast and proving more resilient than other ICT sectors such as computer hardware and communications. The sector also presents an array of comparative advantages to the Mauritian economy. The *Information Economy Report 2012* show that the total estimated spending for Mauritius on computer software and services amounted to US\$ 1.2 trillion in 2011. The Mauritian software development sector's value chain is comprised mostly of SMEs with a select few large firms. This relatively small sector employs about 3,000 to 5,000 employees; 20,000 to 25,000 people are employed in the larger business process outsourcing sector.

Figure 54: Mauritius exports and imports of ICT, 2006–2014 (US\$ millions)



Software development firms in Mauritius mainly deliver technology services and are not well integrated within the export value chain, with less than 10 firms estimated to be exporting members. There are many constraints that affect this sector, such as supply-side issues, and business environment and market environment dimensions. Comprehensive analysis of the sector's value chain, TSN and competitiveness constraints were made as part of the sector strategy development process.

The NES Software Development Sector Strategy aims to reinvent the software industry into a highly competitive sector driven by innovation and excellence, renowned as a reference point for quality software products and services. The vision set up for the strategy is defined in three strategic objectives, namely: (i) improve trust, maturity and innovation levels in the sector; (ii) enhance the operating business and policy environment for the Mauritian software development sector; and (iii) develop capabilities for penetrating and expanding in national and international markets. The NES further outlines the critical conditions for strategy success, including strong implementation management and improved supply-side, business environment and market development dimensions.

Jewellery

The jewellery sector has grown to become the third-largest manufacturing and sixth-largest exporting sector in Mauritius, enjoying success on the domestic market as well as with renowned international buyers and brands. Mauritian jewellery production is significantly export-oriented. It is estimated that roughly 90% of Mauritian production is destined for international markets. Mauritian jewellery has earned a reputation for the quality of the craftsmanship of the various products, which include cut and polished diamond, silver and gold jewellery, electroform products, high-end fashion jewellery with Swarovski crystals, resin-based fashion jewellery, and gifts and accessories.

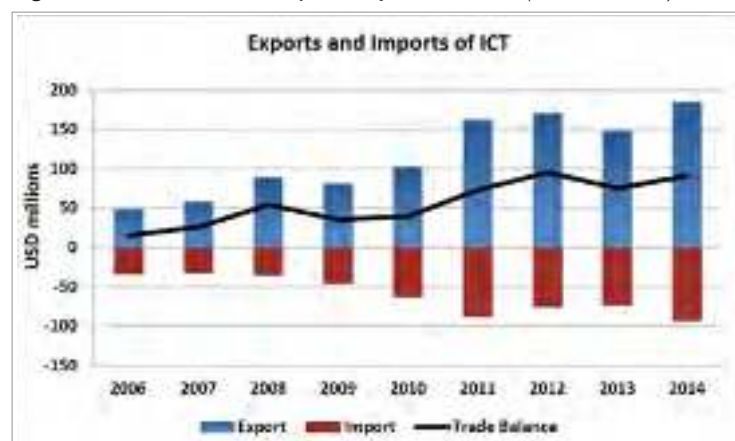
Mauritius' total exports of jewellery have witnessed an upward trend since 2005, peaking at US\$ 179 million worth of exports in 2014 and slightly dropping to US\$ 173 million in 2015. The exported value of jewellery had an average growth rate of 7% between 2011 and 2015. Mauritius' exports represent 0.03% of world exports for this product. Its ranking in world exports was 87 in 2015. The jewellery sector accounted for 6.7% and 7% of total exports of Mauritius in 2014 and 2015, respectively. However, while the sector showed a trade deficit between 2006 and 2013, it became a net exporter in 2014.

Mauritian exporters sell their products in foreign markets that include Switzerland, Belgium, France, the United States, South Africa, India, the United Kingdom and Australia, among others. There are some 10 major export oriented Jewellers in Mauritius, currently exporting to 35 countries. Traditional markets for Mauritian jewellery are France, Italy and the United States, while emerging markets are China, India and Turkey. Mauritian export destinations are fairly well diversified, covering some 20 markets for jewellery alone. However, the country's exports are heavily concentrated in one market. France accounted for US\$ 33 million (84.8% of exported value) in 2014, whereas the United States imported merely US\$ 2.4 million and Italy imported US\$ 726,000, which represented 6.5% and 1.8% of exported value, respectively.

However, the sector is characterized by important imbalances and faces challenges related to an acute shortage of skills and access to modern production technologies. The sector's exporting companies provide half of total employment and are responsible for 58% of value added generated by the sector. The sector is still very labour-intensive and faces difficulties in terms of new technology uptake and access to both unskilled and highly skilled labour in the domestic market. The production is largely characterized by traditional, unbranded fine and bridge jewellery using mostly gold and diamonds. While Mauritian operators benefit from preferential access for their products in the biggest markets for jewellery and fashion, they struggle to come up with a diversified, differentiated and unique offering to cater to Western market trends and buyer preferences.

Going forward, the sector will need to become internationally competitive and recognized by acting on the identified challenges and seizing the opportunities emanating from emerging global market trends and from its competitive advantages. This trajectory can be achieved provided Mauritius can capitalize on its geographical location as a gateway to regional markets as well as on its current competitive advantages in terms of preferential access conditions, as well as long-standing tradition and know-how in jewellery-making on the one hand and the mounting export success of its leading jewellery firms on the other. The vision set up for the strategy is articulated around three strategic objectives, namely: (i) develop adequate human capital in line with industry and market needs; (ii) improve support services and access to technology and innovation for sector enterprises; and (iii) Strengthen reputation and recognition of Mauritian jewellery on international markets.

Figure 55: Mauritian trade in jewellery, 2006–2015 (US\$ millions)



SELECTED PRIORITY CROSS-SECTOR FUNCTIONS

In addition to sector strategies aimed at improving the performance of key product/service sectors of an economy, a NES is also composed of cross-sector functional strategies which target horizontal sectors that affect the competitiveness and efficient functioning of specific product and service sectors. Due to their cross-cutting nature, functional strategies also benefit enterprises outside the priority sectors of the NES. As part of Mauritius' NES, the following have been selected as priority cross-sector functions.

Skills Development

While skills are an important component of competitiveness, skills development remains the topmost priority for any country. Investment in human capital is a consistent requirement for countries to achieve sustainable growth, and it is all the more important for a middle-income country wishing to become a high-income country. A highly skilled and qualified workforce has a major impact on foreign investment in a country and its competitiveness abroad.

The Mauritian Government has long recognized the importance of skills development to its socioeconomic goal of becoming a high-income country by 2020, and has been implementing several policies. In Mauritius, the Ministry of Education and Human Resources, Tertiary Education and Scientific Research is responsible for developing and implementing the Government's overall policies in the areas of education and human resource development. There are also a large number of support institutions in both the public and private sectors. While these institutions differ significantly in terms of capacities and mandate, there is a lack of coordination between the public and private sectors, and even within both sectors, resulting in the weak implementation and monitoring of policies.

Skills Development forms an integral part of the overall NES. The NES has a vision to build skills for export competitiveness and address specific skills-related constraints in each of the NES priority sectors. The skills development vision will be supported by three strategic objectives, namely: (i) adjusting skills development policies and regulations to best serve export competitiveness; (ii) bringing educational institutions up to speed with the needs of the Mauritian economy; and (iii) establishing a collaborative approach to identifying required skills within the private sector. These objectives will provide a framework for addressing constraints and highlighting key areas where action is required. The NES skills development strategy seeks to create conditions for a favourable expansion of the cross-sector in order to contribute to overall socioeconomic development.

Branding

Branding is one of the most important aspects of a business or country strategy that provides a major advantage in increasingly competitive markets. Branding covers a wide range of aspects such as national branding, collective brands, individual corporate brands or trademarks, quality marks and labels, geographic indications, appellations of origin, copyrights, inventions and industrial designs, as well as traditional knowledge. In this highly competitive world, a strong brand is extremely important to promote visibility and maintain a competitive edge.

Branding in Mauritius has been largely limited to the tourism sector so far, where a national brand was established with significant success but which overshadowed the existence and potential of other sectors. Many attempts were made in the past to develop a national brand for Mauritius but with rather mixed results: for instance '*Maurice, c'est un plaisir*' for the tourism sector and the private collective label 'Made in Moris' in the manufacturing industry. There is a need to revisit the branding strategy of Mauritius. IP protection is another important aspect of the NES branding strategy as IP protection mechanisms in Mauritius are weak and thereby impair innovation, brand promotion, and expose the private sector to brand dilution and theft. Additionally, there is insufficient branding, marketing and communication of products and services, as well as incoherent brand image.

The focus of the NES Cross-Sector Branding Strategy is to reinvent the national brand and link it with the key NES priority sectors so that Mauritius' competency in other sectors is also recognized. The branding function will thus address sector-specific visibility, including the fisheries and aquaculture sector, processed foods, medical and scientific devices, financial services and jewellery.

SME Internationalization

SMEs represent a large share of economic activity but they account for a small fraction of international trade, particularly exports. Challenges for the SME sector include the lack of entrepreneurship, access to finance, quality management and trade information.

SMEs are among the key beneficiaries of the NES. SMEs are currently involved in mainly consumption goods and services. To be part of value chains dominated by large global players, SMEs need a sound business environment, ready access to finance and institutional support. Shortcomings in local institutions (financial, human capital, quality management and local industry networks), which limited SMEs' export readiness and ability to benefit from opportunities for participation in global value chains, have been partially addressed through MauBank and SMEDA as well as the recent 10 year Government action plan prepared for the SME sector.

The SME Internationalization Cross-Sector Strategy proposes a series of concrete actions to address challenges and opportunities that Mauritian SMEs face in terms of entrepreneurship; accessing credit (supply-side financing, export financing and other forms of financing needs across the value chains of individual sectors); and receiving trade information, market intelligence and in-market support.

Innovation

Technology and innovation are important at all stages of development. Innovation is basically the introduction of a new product or process or the rearranging of the old in a new way. Innovation is essential for improving productivity and efficiency in agriculture, manufacturing and services; increasing value added locally; and expanding production. Innovation strategies present a competitive advantage. Exporting firms have to innovate on their products or services to remain competitive in international markets.

Global indicators reveal a middling performance of Mauritius in innovation. As per the Global Innovation Index 2016, Mauritius is ranked 53 out of 128 in its performance in innovation, which is attributed to a good rating in the general overall institutional environment. There are several public and private organizations that promote and support innovation in Mauritius. However, the country does not yet have a national innovation strategy to enable a growth strategy anchored on productivity improvement. The development of an innovative export sector is subject to a number of constraints because firms face critical challenges in terms of human capital shortages in science, technology and innovation; low investments in R&D; difficulty accessing finance in general and for innovation activities; and weak abilities to export among SMEs and others. Mauritian R&D activities are largely inclined towards the traditional agricultural sector while new priority sectors – such as ICT/business process outsourcing (engineering and technology) – account for only 5% of R&D. The demand for innovation in Mauritius is particularly weak.

The NES aims to improve and promote innovation for a competitive Mauritius. The NES strategy serves as a coherent road map for private and public stakeholders to collaborate for the improvement of innovation capacities in the country for a more competitive economy. The innovation vision will be achieved through four strategic objectives that are: (i) widespread consciousness and appetite for innovation; (ii) conducive environment for innovation; (iii) greater adoption of technologies and processes among domestic firms; and (iv) increased investments in R&D relevant for the Mauritius economy.

Institutional Alignment

Mauritius has a successful history of leveraging institutional arrangements involving joint public and private sector collaboration towards solving issues and harvesting opportunities. Institutions such as Enterprise Mauritius, Bol, MCCI and Business Mauritius (formerly JEC) have been in place and operating activity in tandem with the public sector since the early days of independence and constitute today the backbone of a very elaborate and modern institutional network providing some state-of-the-art support services to Mauritian enterprises.

However, this network suffers various coordination and capacity challenges. These translate into additional difficulties for enterprises that are exporting or wish to export goods and services. Therefore a comprehensive review of the institutional framework will be conducted to better align and capacitate the TSN. This particular strategy will cover all types of TSIs including those providing policy support, trade services and business services support to enterprises.

As Mauritius progresses to a new paradigm involving reinvention of mature sectors and the emergence of new sectors, strong institutional coordination and individual TSN capacities will be especially relevant to develop a robust TSN. The focus of the NES Institutional Alignment Cross-sector Strategy is to enhance coordination and efficiency of the Trade Support Institutions network in Mauritius and to align it with evolving needs of export-oriented enterprises, especially with a view to moving Mauritius to a knowledge- and services-based economy. In this respect, the Institutional Alignment function will thus specifically address service delivery gaps and institutional linkages to reduce the skills mismatch as well as institutional support for services. Finally, the function also provides for the Governance structures and responsibilities required for the implementation of the NES itself.



Photo: Giorgio Minguzzi (CC BY-SA 2.0), Rodrigues Isl.7.jpg

THE WAY FORWARD

VISION

The NES consultations gave stakeholders the opportunity to come together and define their vision for the NES of Mauritius. This statement embodies in a simple and direct manner the ambition that trade could and should support a more competitive economy. Such a simple and direct statement can be used to rally stakeholders around a common goal.

“Mauritius – strategic hub for international trade”

STRATEGIC ORIENTATION

The NES vision will be realized through the achievement of three strategic objectives. These objectives provide a framework for addressing the constraints identified and they highlight key areas where action is required over the next five years. The strategic objectives agreed on by stakeholders to uphold the vision are as follows.

Strategic objective 1: Move to a knowledge-based economy thriving on innovation and value addition

This objective will address how Mauritius can continue its transformation into a high-income country through the adoption and support of more research- and innovation-driven sectors, which have a higher propensity for knowledge and technology spill overs that drive higher levels of economic growth. In this regard, the development of various groupings, clusters and incubators in each of the

high-growth sectors identified is proposed. To ensure the success of such activities, the TSN must be strengthened by addressing coordination and capacity weaknesses, particularly regarding support of the services sector. A number of activities are proposed to achieve this.

Lastly, there is a need to increase new market access and attract FDI. The first can be done through the better identification of potential preferential trading partners and the initiation of negotiations of new agreements, as necessary. However, attracting inward investment will require various strategies, including the identification of potential countries with which to negotiate IIAs and undertaking necessary regulatory changes in order to promote productive investment.

The cross-sector functions of Innovation, Institutional Alignment and Skills Development will contribute to the strategic objective 2 of the NES.

Strategic objective 2: Make Mauritius the reference country and trade partner of choice

The aim of this strategic objective is to streamline Customs and export procedures, as well as trade facilitation measures more generally in Mauritius, so as to ensure an environment conducive to international trade and enhanced Mauritian competitiveness. Enhanced trade information on existing agreements is proposed, drawing particular attention to sector-specific market access preferences, rules and conditions of benefit to the export sector. Activities aimed at EM will also be developed to improve market access advisory service capabilities in support of potential exporters. Challenges related to accessing trade finance instruments will also be addressed.

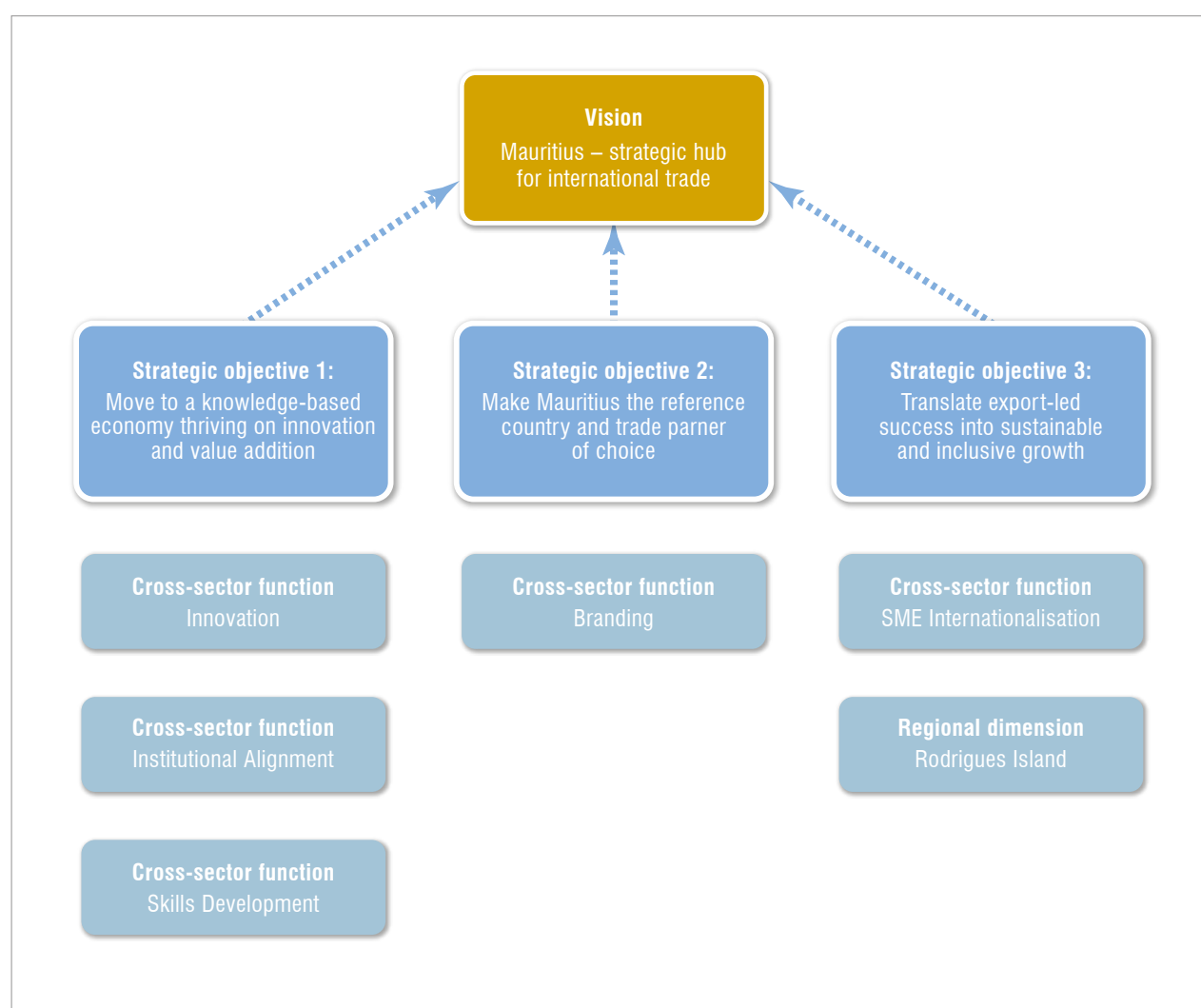
The branding cross-sector function will also contribute to achieving the strategic objective 3 of the Mauritius NES.

Strategic objective 3: Translate export-led success into sustainable and inclusive growth

This objective will address the needs of the most vulnerable and disadvantaged, including women and young people who are marked by higher levels of unemployment than men, by supporting the trade promotion activities of business associations working to enhance the role of women in the country's economic life. Additionally, it will improve the understanding of how trade affects inequality, marginalization and poverty more generally. This strategic objective proposes a number of proactive and inclusive activities to build a more inclusive and sustainable path to prosperity.

The cross-sector function on SME Internationalisation as well as the specific strategy for Rodrigues will also contribute to meet this first strategic objective of the NES.

Figure 56: Strategic orientation for the National Export Strategy



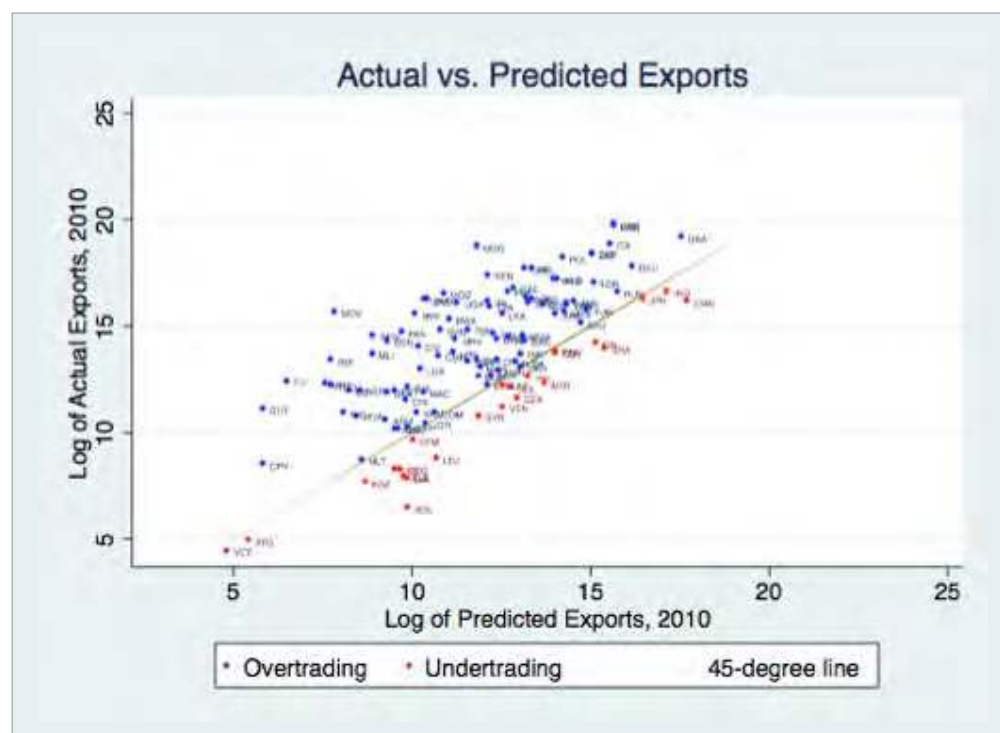
MARKET DEVELOPMENT

There are several relatively untapped markets that could offer opportunities for Mauritius' exports. A number of indicators and models exist to indicate potential markets to which Mauritius could export. One such indicator is the trade complementarity index, which compares the goods that one country exports with the goods that another country imports. It matches supply and demand for the same products to see where there is complementarity for trade between two countries. The outcome of the calculations for Mauritius in Figure 57 reveal a number of countries which account for a low share in Mauritius' exports but which have a revealed trade complementarity.

There are a number of countries which have a high complementarity for trade with Mauritius and yet which do not have any significant actual trade, such as Turkey, Hong Kong (China) and Japan. Results from a gravity model for Mauritius, which assesses whether the country trades as much as would be predicted with potentially important partners, show that Mauritius trades less than would be expected with large countries like China, Indonesia, Japan, Brazil and the Philippines, and has a stronger export relationship with European and African countries than models would predict.

One of the lessons learned from the decomposition of export growth is that there is an urgent need for Mauritius to diversify its export markets with a view to move from a model of preferential treatments to global competitiveness. The fierce competition emerging from other developing countries and the various trade agreements that have been signed or that are currently being negotiated by these countries with Mauritius' major trading partners represent a serious threat to the future of Mauritian exports. Market and product diversification are therefore needed to regenerate growth and gain competitiveness. While preferential treatments have contributed to the emergence of a few key sectors in Mauritius such as sugar, textiles and clothing, and fish, these have been intensively utilized and have led to high levels of export concentration. Market destinations increased slightly between 2005 and 2015, although not significantly, with a few products generating wide reach in terms of markets, resulting in the increase of destinations.

Figure 57: Actual versus predicted exports for Mauritius, 2010



Source: ITC calculations based on Comtrade data.

Table 6: Market diversification options per NES priority sector

NES Priority sectors	Regions	Short-to-medium term (existing products)	Medium-to-long term (higher value products)
Agro-processed foods	Europe	• France	• EU 27 (-UK)
	Rest of the World	• Indian Ocean region: Seychelles Madagascar, Reunion • Africa: South Africa, Kenya, Botswana, Ghana	• Africa: SADC, COMESA
Fisheries and aquaculture	Europe	• EU 27 (-UK) • Russian Federation	• Russian Federation
	Rest of the World	• China, South Korea • Brazil	• Africa: SADC • Asia: China, Japan
Jewellery	Europe	• EU: Belgium, France, Italy • Switzerland	• EU (-UK)
	Rest of the World	• United States • South Africa • India	• Singapore, China • Australia, New Zealand • Africa
Medical devices	Europe	• EU 27 (-UK) • Russian federation	• Russian Federation
	Rest of the World		• China • Brazil • India • Iran, Israel and Gulf states
Cultural tourism	Europe	• EU 28	• Scandinavia • Eastern European EU Countries
	Rest of the World	• Asia: emerging counties • Africa: emerging counties	• Gulf states
Financial services	Europe	• France • Switzerland	• Global
	Rest of the World	• India • South Africa, Kenya, Nigeria, Rwanda, Zambia, Madagascar, Mozambique	• United States • Qatar, Saudi Arabia, UAE • Senegal, Ghana, Ethiopia, African emerging counties • Asian emerging counties
Software development	Europe	• France	• EU 27 (-UK)
	Rest of the World	• Ghana, Ethiopia and Rwanda	• Uganda, Tanzania, Zambia, Angola, Malawi, Lesotho and Zimbabwe, Senegal and Ivory Coast, Mozambique • United States, Canada

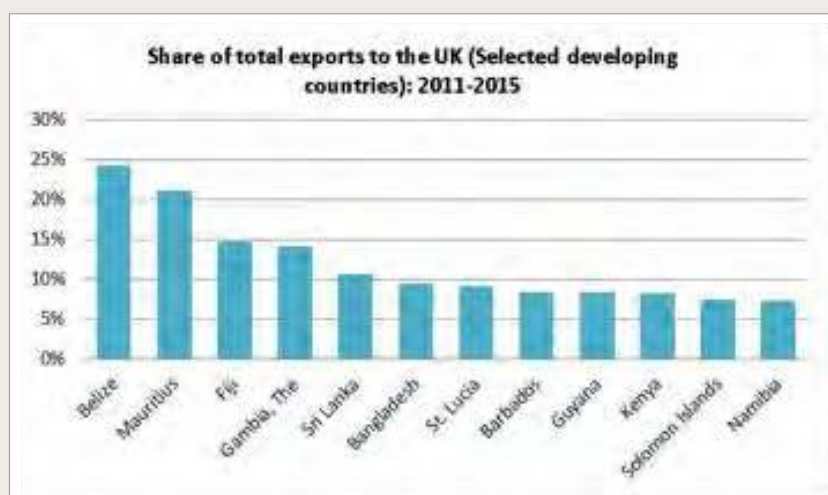
To mitigate high export concentration levels as well as possible effects of Brexit on Mauritius exports, the NES considers further market diversification both in the EU, as market access conditions remain essentially unchanged, and elsewhere in the world. The UK is expected to become a more open economy suggesting lower overall margins of preferences for Mauritius in its market in comparison to what it enjoys currently under the interim EPA. This primarily affects goods and not services, which are not covered by any preferential treatment at present by the EU 28. As illustrated by table 6, for most of the Mauritian goods sectors, the EU 27 member countries represent an alternative for the UK market both in the short and the medium-to-long

term. For these sectors, the UK remains an attractive export market, Brexit or not, in which case one likely option will be for enterprises to adjust by innovating and adjusting to the new market conditions. However, it is striking to observe that the vast majority of diversification potential lies in emerging overseas markets, mostly African and Asian. For services sectors in general, Africa, Asia and the Middle-East offer significant diversification potential in terms of destination markets. Yet, for cultural tourism, the UK is likely to remain a strategic market with the caveat that Brexit may continue having an unfavourable impact on the value of the British pound, thereby reducing the UK's demand for overseas tourism services.

Box 5: Brexit and its implications for Mauritius

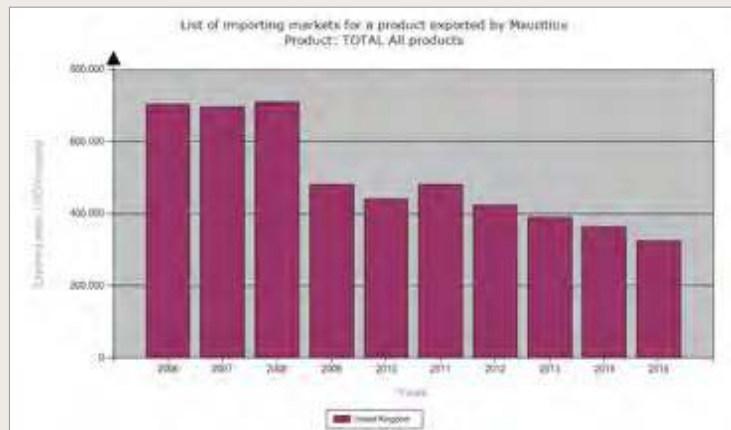
Mauritius' main trading partner is the EU and Mauritius currently exports under preferential market access through the IEPA. Following a referendum result in June 2016 in favour of leaving the EU, the United Kingdom is expected to trigger the process to leave the EU in 2017. While the process to leave may take a few years, it also raises many concerns as to the trading relationship that Mauritius may have with the United Kingdom post-Brexit. Among small developing countries, Mauritius is especially exposed to trade with the United Kingdom (see figure 57).¹ Historically, the United Kingdom has been and still is the first destination market for Mauritian products, with exports of US\$ 325 million in 2015 representing 13% of total exports of Mauritius. The main items that Mauritius exports are articles of apparel and accessories; meat; fish and seafood food preparations; and sugars and sugar confectionery. However, as shown in figure 58, the value of exports to the United Kingdom dropped by 9% a year between 2006 and 2015, with their US\$ value more than halved, mainly due to sinking demand. Meanwhile, Mauritius' strong export growth to other markets both within and outside the EU demonstrates the scope and capacity of Mauritian exporters for market diversification.

Figure 58: Share of total exports to the United Kingdom, 2011–2015 (%)



Source: International Centre for Trade and Sustainable Development (2016).

Figure 59: Value of Mauritian exports to the United Kingdom, 2006–2015 (US\$ thousands)



Source: TradeMap.

Given the timelines and intricacies for filing a formal request to exit the EU and negotiating its terms, a change in the trade regime of the United Kingdom is not likely to occur in the short-to-medium term (1–3 years). However, in the long term, Mauritius as a developing country with one of the biggest exposures to the United Kingdom market will be affected by a change in the United Kingdom's trade regime vis-à-vis third countries. When exactly that change occurs remains unclear but once Brexit is effective the United Kingdom will have the following, and to a large extent, complementary options:

1. Adopt the Free Trade Agreements (FTAs) negotiated by the EU either permanently or on a temporary basis to avoid trade disruptions;
2. Develop new preferential agreements or FTAs with selected developing countries;
3. Apply an MFN regime, yet to be negotiated with other WTO members;
4. Apply an MFN regime with a unilateral Generalized Scheme of Preferences under WTO rules.

Not necessarily exhaustive, these options are subject to many possible variations and carry different implications for Mauritius. In the absence of a status quo (option 1), Mauritius is likely to face erosion or outright loss of preferences in all other cases. To mitigate or pre-empt the likely effects of Brexit, Mauritius has three complementary strategic options that it can implement in the time likely to remain until a change effectively happens, which is likely to be 3–5 years:

1. **Short term (1 year):** Continue market diversification efforts by actively exploring opportunities in alternative markets, notably within the EU itself but also in other markets, based either on preferential market access or available FTAs, where potential for diversification remains untapped;
2. **Short-to-medium term (1–3 years):** Join forces with or actively lead alliances with other like-minded developing countries (regional, Commonwealth members) to proactively pursue trade interests in a bilateral dialogue with the United Kingdom on the one hand and in the WTO context on the other;
3. **Medium-to-long term (3–5 years):** Continue efforts to strengthen export competitiveness with a view to developing an export business model which no longer relies on preferences, particularly by prioritizing high value added and technology-oriented sectors and upgrading traditional value chains.

These options are dictated by common sense and are upheld by the strategic objectives and captured by specific implementation activities in the Mauritius NES. Under almost total uncertainty, the success of any of these three options will much depend on the level of preparedness and capacities built by Mauritian authorities and operators in the face of a likely worst case scenario.

In June 2016, a Ministerial Committee was set up following a Cabinet meeting on 24 June to look into and make recommendations on the repercussions of the exit of the United Kingdom from the EU. It will be essential that Mauritius prepares well to mitigate any possible disruptions that it could face from changes in its trade regime with the United Kingdom, including currency exposures, changes in tariffs and non-tariff measures, and trade in services.

THE IMPLEMENTATION FRAMEWORK

The NES Mauritius seeks to generate the conditions for a favourable expansion of exports so as to contribute to overall socioeconomic development. Yet, a strategy in itself is not enough to ensure the cross-sector's sustainable development. Such development will require the elaboration and coordination of various activities. While the execution of these activities will allow for the NES objectives to be achieved, success will depend on the ability of stakeholders to plan and coordinate actions in a tactical manner.

The NES is not the strategy of any specific institution; rather it is the strategy of Mauritius as a country. Seemingly unrelated activities must be synchronized across the public sector, industry and academia to create sustainable results. In particular, the national export strategy will ensure that existing development efforts, both national and donor-driven, do not occur in isolation and instead are aligned with Mauritius' broader context of export growth for socio-economic development.

To achieve the vision laid out by the national export strategy, a concerted effort needs to be undertaken on a variety of fronts by all stakeholders. For this to happen it is necessary to create an adequate environment and framework for its implementation. The following section presents some of the key success conditions considered necessary for the NES to be effectively implemented and achieve self-sustainability and long-lasting benefits for the country.

Governance framework for the Mauritius NES

Successful implementation of a broad range of activities in a coherent, sequenced and coordinated manner relies on adequate governance structures. These structures can either be existing mechanisms or need to be specifically created to fulfil the purpose of NES implementation. Detailed activities pertaining to the NES implementation framework are set out in the Strategic objective 3 of the

Plan of Action of the Institutional Alignment cross-sector function, which is an integral part of the NES.

The first objective of the NES implementation arrangements is to ensure that the required governance structures are established and operationalised. The governance of the national export strategy is proposed to be entrusted to a central public-private governance body, which coordinates activities with leading trade support agencies from across the entire trade support network of Mauritius. The governance body is to be supported by an executive secretariat with administrative technical capabilities required for the management of NES implementation. Whether to create a new structure or to use and strengthen an existing one is to be recommended by the Inter-Ministerial Committee in charge of reviewing and validating the NES.

A further objective of the implementation framework is to ensure that the governance structures are provided with adequate human and technical capabilities as well as resources allowing them to fulfil key functions for NES implementation such as project development and programme planning, budgeting, monitoring and reporting on progress in implementation, fundraising and donor relations as well as policy outreach and communication with external partners, the business community and the wider public.

Moreover, wherever necessary, the national export strategy provides for the establishment or operationalisation of sector specific implementation and coordination arrangements among actors through individual sector and cross-sector strategies. The NES implementation arrangements however make a provision for all implementation actors intensified in the NES to work together through a formalised collaboration and coordination and for the strengthening of their combined capabilities in alignment with specific NES implementation objectives and responsibilities. By aligning national, sector and cross-sector level coordination and implementation structures, the national export



Photo: Victor Deleplanque (ITC), Mauritius April 2013

strategy provides for a comprehensive set up to ensure that all implementing partners and stakeholders are enabled to play their respective parts and gear jointly towards an effective and coherent implementation of the Mauritius NES over the next 5 years and beyond.

NES governance and implementation structures: public-private platform

Best practice recommends the establishment of a formal public-private dialogue platform as the central NES governance body to provide overall policy guidance and oversight to the NES as well as an executive secretariat to provide technical expertise and operational and administrative capacities for managing NES implementation and providing support to the public-private dialogue platform.

The formal dialogue platform requires a high degree of engagement of stakeholders from across a large spectrum of institutions and circles involved in trade (public institutions, private sector organisations, academia and civil society), as their role is crucial and will impact the effectiveness with which the NES is implemented.

The main functions of the public-private platform should be the following:

- i. Act as a consultative group pertaining to the NES, enabling the private sector and Government representatives to identify and discuss priority issues and formulate guidance for NES implementation,
- ii. Steer, coordinate and monitor the implementation of the NES by the Government, private sector, institutions or international organizations so as to ensure implementation is on track;
- iii. Identify and recommend allocation of resources necessary for the implementation of the NES;
- iv. Elaborate and recommend revisions and enhancements to the NES so that it continues to best respond to the needs and long-term interests of the country;
- v. Propose key policy changes to be undertaken, based on NES priorities, and promote these policy changes among national decision makers;
- vi. Guide the secretariat in its monitoring; coordination; resource mobilization; and policy, advocacy and communication functions so as to enable effective implementation of the NES.

The public–private platform should be supported by an executive secretariat to complete the day-to-day operational work related to implementation management of the NES. It is recommended that the executive secretariat can be housed within an existing institution, which is best placed and equipped for such role within the scope of the NES development and implementation. The core responsibilities of the executive secretariat should be to:

- A. Organize and support the regular meetings of the public–private platform,
- B. Monitor progress and impact of NES implementation,
- C. Coordinate NES implementation partners,
- D. Mobilize resources to implement the NES.

Specific tasks falling under these broad areas of activities include:

- Formulate projects proposals including budgets for implementation of activities of the NES,
- Develop annual and biannual work plans for approval by the public–private platform,
- Collect information from project implementation and prepare regular monitoring reports to be submitted to the public–private platform,
- Communicate and advocate in favour of the NES to public and private partners,
- Execute any other tasks required by the public–private platform.

Private sector support and participation

The private sector's willingness to contribute, directly or in partnership with public institutions, to the implementation of the NES is critical. As the activities of the PoA are further developed and implemented, the private sector's practical knowledge of business operations is essential to ensuring that those activities are effectively implemented. Their contribution can range from providing business intelligence to institutions, to advocacy, to contributing to development projects. Most of the time however the private sector will be a direct beneficiary of the NES implementation activities and projects.

Sensitization of implementing institutions to build ownership

The key implementing institutions detailed in the PoA need to be informed of the content of the strategy and the implications for their 2017–2021 programming. This sensitization is essential to building further ownership and it provides institutions with the opportunity to review the PoA in order to confirm the activities they can implement immediately, and in the medium and long terms. Such a programming approach will permit better resource allocation within the responsible agencies. This allocation can

be formalized by integrating the activity of the NES in the programme planning of the institution. While the financial dimension is often required, the human resource element is no less important.

Financial resource mobilization for implementation

While resource mobilization is only part of the solution, it plays a crucial and indispensable role in supporting NES implementation. An integrated resource mobilization plan should be elaborated as soon as the NES is adopted. Resource mobilization involves planning the sequencing of communications with donors, project design, project proposals/applications, and resources collection and management. This should facilitate, leverage and strengthen the impact of diverse sources of finance to support sustainable and inclusive implementation, including national resources, development aid and private investment.

National resources through direct budget and support programmes

The Government will need to validate a defined minimum budget support towards the implementation of activities in the NES Plan of Action. This support for implementation activities will demonstrate the Government's commitment to the NES.

Alignment of donors' support and interventions with the NES

The public–private platform, together with the authorities, will have to capitalize on the significant momentum gained as part of the NES design process and leverage it for smooth and efficient implementation. International development agencies can use the NES as a basis for their programmes as it provides favourable conditions for operation (i.e. political endorsement, private sector buy-in and improved collaboration with national institutions). The PoA of the NES should serve the public–private platform as well as national institutions to improve communication and facilitate the negotiation, planning, coordination and evaluation of commitments made in the context of development aid, in particular through the development of programmes and project proposals aligned with the priorities of the NES.



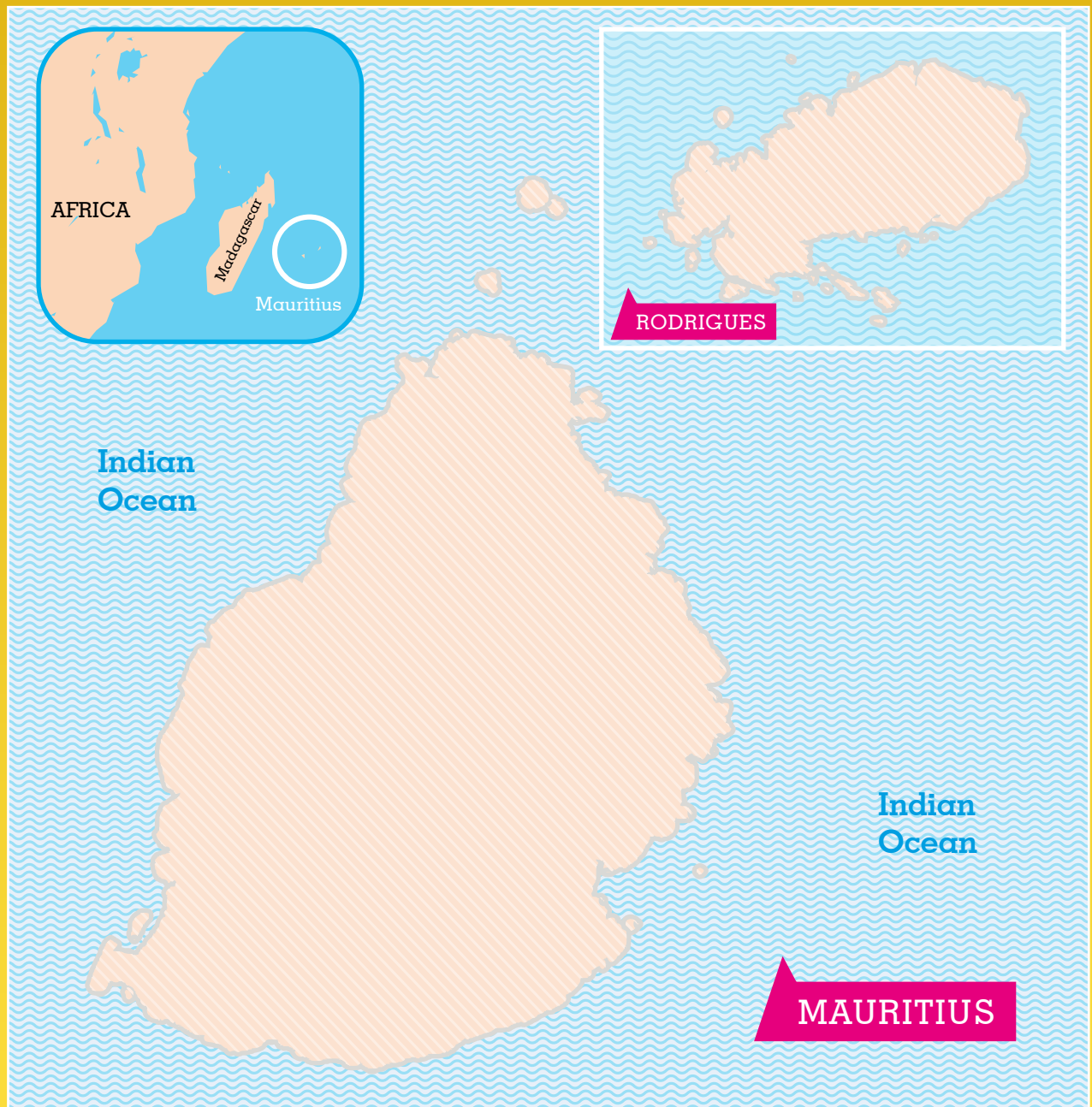
Photo: Giorgio Minguzzi (CC BY-SA 2.0), Rodrigues Island

MAURITIUS NATIONAL EXPORT STRATEGY

PLAN OF ACTION

The NES Plan of Action brings together in a structured manner concrete actions for implementation, which jointly aim at achieving the vision and the overarching strategic objectives set by Mauritian public and private stakeholders for the National Export Strategy. As for the NES document itself, which is composed of the NES Master Document, Rodrigues island strategy, priority sector strategies, as well as cross-sector functions, the NES Plan of Action is composed of the national-level plan of action, priority sectors plans of action and cross-sector plans of action. Consequently, all those plans combined converge and contribute to fulfilling the vision of the NES.

However, the Mauritius NES PoA has been construed in such a way that each of the identified cross-sector functions as well as the Rodrigues strategy contribute to fulfilling the three overarching strategic objectives of the NES. Indeed, the first NES strategic objective (*Move to a knowledge-based economy thriving on innovation and value addition*) includes 3 cross-sector functions: Innovation, Skills Development and Institutional Alignment. The second NES strategic objective (*Make Mauritius the reference country and the trade partner of choice*) includes the Branding cross-sector function. Finally, the third NES strategic objective (*Translate export-led success into sustainable and inclusive growth*) includes in its remit the *Rodrigues dimension* and the *SME internationalisation* cross-sector function. The respective cross-sector functions are highlighted by a specific reference at the bottom of each strategic objective table.



Strategic objective 1: Move to a knowledge-based economy thriving on innovation and value addition*(Note: This strategic objective also includes 3 cross-sector functions: Innovation, Institutional Alignment and Skills Development)*

Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
1.1. Develop a coalition of the Mauritian services sector.	1.1.1. Identify currently operating associations across the services sector that can be brought under the umbrella of a national coalition for export promotion. Activity to be conducted jointly with activity 2.1.4. of the Institutional Alignment cross-sector function.	1						Service providers and exporters	» Feasibility study conducted	MoFED	EM, MCCI, MoFARIIT	
	1.1.2. Create a services coalition of Mauritian companies able to identify business opportunities abroad and represent and defend the interests of its members. Activity to be conducted jointly with activity 2.1.4 of the Institutional Alignment cross-sector function.	1						Service providers and exporters	» Services coalition created, duly registered and totally operational	BOI	EM, MCCI, MoFARIIT	
1.2. Undertake an analytical exercise to identify manufacturing sectors that can benefit from cluster development.	1.2.1. Based on the results carried out during the process of the NES formulation, implement the institutional, regulatory and infrastructure changes required for the success of clusters across the value chains identified at the sector level.	1						Private sector	» Sectors ready for clustering identified » Clusters created » Regulation drafted and adopted	BOI	EM, MEXA, MCCI	
	1.2.2. Conduct a feasibility study for the establishment of strategic clusters targeting previously identified strategic export-ready sectors. » Assess the readiness of the industry to engage in active pooling of knowledge; » Ensure clear expectations of and orientation towards benefits as a basis for active involvement of the partners in the cluster; » Assess the readiness of companies to establish reciprocal trust with other cluster members.	1						Private sector	» Feasibility study carried out	BOI	MICCP, EM	
	1.2.3. Establish a monitoring and evaluation system with a feedback revision mechanism updating the state of the cluster and the strengths of and deficiencies faced by the cluster's members.	1						Private sector	» Revision mechanism drafted and updated every six months » Periodic reports produced	BOI	EM	
	1.3.1. Establish a cohort system wherein a batch of companies will be selected through an application programme and inducted for a 1–2 year incubation cycle. The application process will involve a business plan competition, among other criteria.	1						Private sector	» System drafted and implemented » At least five companies are identified and selected for incubation	BOI	EM	Budget 2016-2017
1.3. Establish export-based incubators.	1.3.2. Support package for inducted companies will include the following: Financial support; » Office space with access to facilities including computer equipment and related network infrastructure, printing, fax, Internet, meeting rooms, administrative support; » Mentoring and coaching support throughout the maturity lifecycle; and » In-market support through, among other strategies, client-matching business delegations.	1						Private sector	» Support package created and implemented	MOFED	BOI, EM	
	1.3.3. Reinforce the capacity of those TISIs involved in the development of this incubation programme, such as EM, MEXA and MCCI.	1						Trade promotion institutions	» At least 50 officials are trained in trade-related areas, specifically in the functioning of export-based incubators and their needs	EM	MEXA, MCCI, BOI, MoFARIIT	

Strategic objective 1: Move to a knowledge-based economy thriving on innovation and value addition

(Note: This strategic objective also includes 3 cross-sector functions: Innovation, Institutional Alignment and Skills Development)

Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
1.4. Strengthen the TSN by resolving coordination and capacity weaknesses.	1.4.1. Based on the mapping of institutional value chains for each NES priority sector and cross-sector, undertake national level revisions of governance structures to strengthen the coordination between various institutions. This will require a decision by the Government to be implemented by the sectors involved.	2						TSN	» National level memorandum of understanding and policies implemented » Proposals for regulatory modification drafted	Prime Minister's Office	EM, BOI, MCCl, MEXA	
	1.4.2. Establish a monitoring and evaluation system with a feedback revision mechanism to ensure the effectiveness of institutional coordination.	2						TSN	» Monitoring and evaluation system and reporting established	Prime Minister's Office	EM, BOI, MCCl, MEXA	
1.5. Reinforce the role of the TSN abroad.	1.5.1. Carry out a study analysing the situation of the Mauritian TSN abroad, focusing on the possible lack of finance and capacity. Elaborate recommendations aiming to solve the identified problems.	2						TSN	» Situation report drafted. » Recommendations presented	BOI	EM, MEXA, MCCl, MoFARIIT	
	1.5.2. Implement the recommendations arising from the study.	2						TSN	» Recommendations implemented	BOI	EM, MEXA, MCCl, MoFARIIT	
	1.5.3. Identify and elaborate a map identifying all the existing TISIs abroad, highlighting their locations and contacts. Distribute the map to relevant business organizations.	2						TSN	» Network map developed » Map distributed to EM, BOI, MEXA, MCCl, etc.	BOI	EM, MEXA, MCCl, MoFARIIT	
	1.5.4. Have commercial attachés in embassies and / or BOI offices abroad serve as focal points for Mauritian companies interested in exporting to that market, providing market analysis services and identifying suitable partners in the country by offering matchmaking and B2B services.	1						Exporters	» Advisory services are formally created in offices abroad » Feedback on services is positive	BOI	MoFARIIT, EM	
	1.5.5. Develop advisory service capabilities at EM and BOI, including business intelligence, logistics and transportation support, trade finance, international contracts and cross-border alliances.	1						Private sector	» Database of external consultants is created (nationally and internationally) » At least 50 SMEs make use of advisers per annum	BOI/EM	BOI/EM	
	1.5.6. Create fact sheets analysing the market opportunities arising from the existence of signed FTAs between Mauritius and its partners, ensuring their distribution through the major business associations and trade promotion authorities.	1						Private sector	» Fact sheets explaining market opportunities arising from existing and future FTAs to which Mauritius is a Contracting Party created	EM	BOI	
1.6. Increase new market access and attract FDI.	1.6.1. Identify potential preferential trading partners and create individual negotiating strategies. On that basis, start negotiations with suitable partners.	1						Private sector	» Identification process carried out and potential partners selected. » Consultations held with the private sector » FTA negotiations started six months after the conclusion of the identification process	MoFARIIT	BOI, EM	
	1.6.2. Identify potential countries to negotiate and sign IIAs.	1						MoFARIIT	» Partners identified » IIA negotiations started	MoFED	EM	
	1.6.3. Draft a position paper regarding the latest developments on IIAs, such as the EU International Arbitration Court and investor-state dispute settlement.	2						MoFARIIT	» Position paper drafted and adopted	MOFED / MFA.	EM, academia	

Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
1.6. Increase new market access and attract FDI.	1.6.4. Carry out a study identifying the causes of, and proposing remedies for, investment outflow, as well as other obstacles to investment in productive sectors in Mauritius.	1					MoFARIIT	» Study developed	BOI	EM		
	1.6.5. On the basis of the previous report, draft, approve and implement regulatory changes in order to promote productive investment.	1					MoFARIIT	» Regulatory changes approved and implemented	MOFED	EM / BOI		
	1.6.6. Review existing policies to support local investors and develop an incentive package for investors, featuring the following: » Tax holidays for investors; » Tax holiday for import of capital goods; and » Offer procedural incentives and set up a one-stop shop to reduce bureaucracy, in particular regarding the number of permits and licences required for export (ongoing). Provide infrastructural incentives, e.g. buildings and land for lease at affordable rates.	1					Investors	» Revision carried out and incentives implemented	MoFARIIT	BOI		
	1.6.7. Promote the establishment of sector-specific special economic zones based on best practices. Make logistics for export available at special economic zones through port facilitation, as well as Customs clearance, inspection and documentation at the zones (physical single window facilities). Special economic regulations within the identified zones, including measures that are conducive to FDI, could include: » Special fiscal package » Access to a more flexible labour market » Duty-free imports of inputs » Access to basic infrastructure.	1					Exporters	» Feasibility study conducted » Measures proposed and adopted	MoFED	MoFARIIT, EM, MEXA, Mauritius Africa Fund		
	2.6.8. Stimulate interest in export-related business by business angel investors (affluent individuals or companies who provide capital for a business start-up, usually in exchange for convertible debt or ownership equity), building on past initiatives developed by the Mauritius Research Council and SMEDA.	1					Private sector	» Increase in business angel investments » Creation of a business angel investors register / database, improving communication	BOI	MoFARIIT, EM, MEXA		
Innovation												
Skills Development												
Institutional Alignment												

Strategic objective 2: Make Mauritius the reference country and trade partner of choice

(Note: This strategic objective also includes the Branding cross-sector function)

Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
2.1. Review and ensure the relevance of export-related Customs measures.	2.1.1. Study the use of a duty drawback system using best practice examples to foresee temporary admission, allowing exporters to access intermediate imported goods at a duty-free rate.	1						Manufacturers and exporters	» Duty drawback and temporary admission systems implemented » Increase in duty-free intermediate imported goods » Increase in national production	MoFARIIT	BOI, EM, MEXA	
	2.1.2. Streamline the procedures necessary to obtain an export certificate.	1						Exporters	» Reduce the number of steps and time required to obtain an export certificate	MoFARIIT	BOI, EM	
	2.1.3. Review the rationale behind the existing export controls applied to certain products, eliminating them where considered necessary.	1						Exporters	» Reduce the number of goods which require an export certificate	MoFARIIT	BOI, EM	
2.2. Improve knowledge about existing trade agreements.	2.2.1. Carry out sector-specific profiles highlighting existing market access preferences, rules and conditions that the private sector can benefit from. Introduce an awareness-raising campaign and develop market access advisory service capabilities at EM to provide support to potential exporters.	1						Private sector	» Awareness-raising campaign developed » EM and BOI staff trained and market access advisory services made available on request and advertised	EM	BOI, MEXA, MCCI	
	2.2.2. Conduct a study identifying the difficulties faced by producers and exporters attempting to benefit from preferential market access, such as standards and Rules of Origin compliance. Complement with capacity-building activities delivered to the identified sectors.	1						Exporters	» Report produced » At least 50 SMEs are trained over the five-year period	EM	BOI, MEXA, MCCI	
2.3. Ensure access to trade finance.	2.3.1. Formulate proposals to improve the uptake of trade finance from the private sector by assessing the supply-side (credit ratings, risk appetite, guarantee schemes, etc.) and demand-side (business skills, business plan proposals, collateral) bottlenecks.	1						Private sector	» Survey carried out » Proposals are drafted and presented for approval	MauBank	Ministry of Finance and Economic Development, EM, BOI, SMEDA	
	2.3.2. Implement the proposals proposed under the previous activity.	1						Private sector	» Proposals are approved and implemented	MauBank	Ministry of Finance and Economic Development, EM, BOI, SMEDA	
	2.3.3. Disseminate information regarding alternative funding mechanisms available through national and regional funds agencies and provide assistance to be considered eligible for funding.	2						Private sector	» Reports produced on the available funding » Reports distributed to relevant organizations	SMEDA	Ministry of Finance and Economic Development, EM, BOI, MauBank	
	2.3.4. Conduct a feasibility and WTO compatibility study regarding the implementation of an export support fund and credit.	3						Public sector	» Report produced	MoFARIIT	BOI	
2.4. Enhance the responsiveness of services and service providers.	2.4.1. Establish a working group formed of academia, Government officials and private sector representatives in order to propose policies enhancing the role of Internet-based services, taking into consideration measures taken in the 2016/2017 budget, namely e-licensing and e-commerce platform.	2						Exporters of services	» Working group created and meetings take place on a regular basis » Minutes are drafted » Policy proposals issued, examined and adopted	EM	BOI	

Strategic objective 2: Make Mauritius the reference country and trade partner of choice*(Note: This strategic objective also includes the Branding cross-sector function)*

Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
2.4. Enhance the responsiveness of services and service providers.	2.4.2. Identify those countries with which the adoption of mutual recognition agreements would be beneficial and possible, and start negotiations.	2						Exporters of services	» Countries identified and mutual recognition agreements negotiated » Market access for exporters of services enhanced	MoFARIIT	BOI	
	2.4.3. Prepare an action plan for the implementation of the recommendations emanating from the <i>Master Plan for the Mauritian Services Sector</i> .	1						Service providers	» Action plan is prepared » Implementation begins in 2017	MoFARIIT	BOI	
2.5. Enhance the competitiveness of Mauritian exports.	2.5.1. Conduct a systematic stocktaking of non-tariff measures issues, examining reported cases and developing measures and actions to solve problems.	1						Exporters	» Report mechanism created » Alerts on a regular basis » Exporters report fewer issues related to non-tariff barriers	EM	BOI, MEXA, MCCI	
	2.5.2. Reduce the procedural obstacles and improve the trade-related business environment, ensuring that reported administrative issues and constant delays do not occur on a regular basis.	1						Exporters	» Number of administrative steps reduced » All administrative issues reported solved in a maximum of three months » Create a response mechanism to solve those problems that appear regularly	MoFARIIT	EM, BOI, MEXA, MCCI	
	2.5.3. Ensure that testing equipment is fully operational and up-to-date, creating a control and report mechanism through which testing equipment and facilities can be upgraded as required.	1						Mauritius Standards Bureau (MSB)	» Control and report mechanism created » All alerts solved, implementing or discarding the suggestion in a one-month period	MSB	MoFARIIT, BOI, EM	
	2.5.4. Promote the adoption of group certification among sector-specific exporters such as agriculture exporters or textile exporters.	1						Exporters	» Capacity-building activities in Good Agricultural Practices and / or International Organization for Standardization standards are carried out » At least 50 companies obtain certification	EM	MSB, BOI, MEXA, MCCI	
	2.5.5. Ensure that all MSB laboratories are certified by the International Organization for Standardization and that the certification is renewed on a periodic basis.	1						Exporters	» All MSB laboratories obtain the International Organization for Standardization / International Electrotechnical Commission 17025 certification by 2018 » The certification is renewed periodically	MSB	MoFARIIT	
2.6. Ensure fair and equitable treatment of Mauritian exports abroad.	2.6.1. Raise issues faced at the regional level, especially with SADC and COMESA's trading partners, regarding the application of burdensome and restrictive trade barriers.	1						Exporters	» Ensure a constant and fluent communication with SADC–COMESA's trading partners and secretariats » Reduce the number of reported non-tariff barriers	MoFARIIT	BOI, EM, MEXA	
	2.6.2. Negotiate and conclude trade agreements at multilateral, plurilateral, regional and bilateral levels to offer Mauritian businesses advantageous, predictable, secure and transparent market conditions.	1						Business community and professionals	» Predictable, secure and transparent market conditions ensured	MoFARIIT	Ministry of Finance and Economic Development, BOI, EM, MEXA	

Strategic objective 2: Make Mauritius the reference country and trade partner of choice

(Note: This strategic objective also includes the Branding cross-sector function)

Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
2.7. Ensure structured export promotion efforts. ²	2.7.1. Ensure greater participation in international trade fairs, especially targeting fairs in non-traditional markets, to enable local exporters to meet international buyers and strengthen the visibility of Mauritian companies. » Organize trade meets that will be leveraged to promote Mauritian exports. » Promote local products through international trade fairs. » Organize bilateral trade facilitation forums to develop market linkages. Strategic markets will have to be identified according to the range of products that is available for export, also ensuring that those products comply with the norms and standards of the target markets.	1						Exporters	» Increased number of international trade fairs attended » Increased number of participating companies » increased value of exports	EM	Association of Mauritian Manufacturers, MCCI, MEXA	
	2.7.2. Promote and organize B2B events such as B2B trade shows to: » Initiate contact with potential international buyers; » Generate interest among prospective foreign investors; » Provide support to exporters visiting the market.	1						Exporters	» Participation in at least two B2B events per year » increased value of exports	EM	MCCI, SMEDA, Association of Mauritian Manufacturers	Government
	2.7.3. Design and implement sector-specific in-market support programmes, with the main focus on regional markets (including SADC and COMESA regions) in order to benefit from preferential market access to those markets. This activity aims to: » Build capacities of commercial attachés at Mauritian missions abroad on the potential of specific sectors by training, sending related information and networking with the relevant institutions in Mauritius; » Organize training sessions for exporters on procedures and documentation for export; » Organize trade missions to selected target markets for business owners from the sector; » Conduct targeted market studies to identify the products with export potential as well as buyer's requirements, and develop targeted marketing strategies.	1						Exporters	» In-market support programmes designed and implemented by the end of 2017	EM	MICCP BOI, MCCI, MEXA, MoFARIIT	Government

Branding cross-sector function

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