SUMMARY

1. Mauritius is a small island with a relatively high standard of living, and it is classified as a high human development country by the UNDP. Good utilization of non-reciprocal trade preferences, sound economic policies, large investments in human capital, as well as socio-political stability, have contributed to improving the competitiveness of its economy, attracting large FDI inflows, and firming up its economic resilience. With 72% of GDP, and as a significant component of exports, the services sector plays an important role in the economy. Efforts are under way to further increase trade in services and create more employment opportunities therein, with a view to mitigating the high unemployment caused partly by the decline in non-preferential access.

2. Mauritius ranks well in various international indicators relating to governance, competitiveness and the business environment. It is consistently one of the strongest performers in Africa. Its investment regime is open and transparent. Over the review period foreign equity caps have been removed in the tourism sector. They remain in: television broadcasting, sugar companies and diving centres. Foreign law firms may only practice foreign or international law or provide legal services in relation to non-judicial proceedings; further liberalization of legal services is envisaged. Property ownership by foreigners is also subject to restrictions. Efforts to improve the environment for trade and investment have included: measures to fast-track the processing of permit approvals for large investment projects and strengthened legal protection to investors.

3. Despite the global economic crisis and weaker import demand from the EU, Mauritius' economy performed generally well during the review period. A buoyant tourism subsector, together with increased construction activities, fuelled GDP growth. In addition, supportive macroeconomic policies, i.e. fiscal stimulus and sound monetary policy, played a role in avoiding economic recession.

4. Trade continues to be important for Mauritius' economy as imports and exports together account for 115% of GDP. The current account remained in deficit during the review period, as a consequence of large deficit in trade in goods which surpasses the positive trade in services and income accounts. Clothing, textile and sugar are the main exported goods and the EU is Mauritius' main export market; while oil and food products are the main import products, mainly sourced from the EU, India and China.

5. Mauritius grants at least MFN treatment to all of its trading partners; it has never participated in any WTO dispute settlement cases as either complainant or respondent. Whilst maintaining a good record of notifications to the WTO, some remain outstanding.

6. Several measures, including tariff cuts, reduction in imports licensing, dismantlement of various subsidy schemes, were taken recently with a view to further liberalizing the economy. As a consequence of tariff cuts, Mauritius' simple average applied MFN rate has plummeted from 6.6% in 2007 to 2.3% in 2014; the most significant tariff reductions, by HS section, have been on footwear and headgear; arms and ammunition; prepared food and textiles. As a result of these reductions, MFN zero rates apply to 88.8% of Mauritius' applied tariff lines. The highest levels of tariff protection are afforded to the clothing industry, where tariff rates are as high as 488% (an ad valorem equivalent). Mauritius' very open applied regime contrasts with its limited tariff binding coverage at high rates.

7. 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.

8. Given that nearly 90% of its MFN tariff lines are duty free, Mauritius' scope for granting preferences is limited. Mauritius participates in a network of five regional trade agreements with a total of 24 partners. Over the review period key developments have been the entry into force of RTAs between Mauritius and Turkey and an interim Economic Partnership Agreement between the EU and the Eastern and Southern African States, including Mauritius. Integration within both SADC and COMESA has been strengthened and broader regional integration efforts are underway. Preferential access to key markets in the EU and US has remained pivotal to Mauritius' export performance, particularly for sugar and textiles. Customs duties are a minor and decreasing source

of government revenue, while revenue from other taxes, namely the VAT and excise duties, has risen.

9. Customs clearance times have been significantly reduced, and an Authorized Economic Operators programme was launched in 2008. Since 2013, legislative changes have made advance rulings by Customs on tariffs and origin binding, and have introduced a non-judicial independent appeal mechanism within the Mauritius Revenue Authority for customs-related disputes. Mauritius is among the WTO Members that have already notified their Category A commitments under the the Trade Facilitation Agreement.

10. In 2010, a Trade (Anti-dumping and Countervailing Measures) Act was enacted. Prior to this, no such legislation existed. However, amendments to the Act are being prepared since incongruities have been found. At the same time Safeguards legislation and implementing regulations are being drafted. So far, there have been no dumping or subsidies investigations.

11. The legislative and institutional frameworks for the setting of standards and technical regulations have remained unchanged since Mauritius' previous review. Technical regulations are prepared and issued by ministries, government departments and regulators within their respective areas of responsibility; some of these are based on voluntary standards, and others not. While these bodies routinely consult with relevant stakeholders during the drafting process, there is scope to improve coordination and consultation in the process of developing and implementing technical regulations. No specific concerns have been raised over the review period about Mauritius' technical regulations or SPS measures in the respective WTO committees.

12. Mauritius maintains various incentive schemes to, *inter alia*, promote business development, encourage the growth of SMEs, support growth in the real estate sector, encourage job-related training and attract offshore companies. Many of the incentive schemes in place during Mauritius' previous review, which were largely designed to support its exports, are no longer in operation. Customs duty and VAT exemptions as well as reduced electricity tariffs are in place to assist the manufacturing, agriculture and fisheries subsectors. Mauritius continues to operate a Freeport scheme to provide a competitive logistics and distribution platform for international trade; new strategic thrusts have been to encourage value-added activities such as processing and light assembly of goods and to incentivise manufacturing companies to export to Africa. Businesses operating within the Freeport are not required to pay corporate income tax and also benefit from other fiscal and non-fiscal incentives. Under the Special Foreign Currency of Credit, onlending is available to economic operators through commercial banks with a new to minimising their exchange rate risks. Various programmes are run by Enterprise Mauritius and the Small and Medium Enterprises Development Authority (SMEDA) to support Mauritian businesses in participating in trade fairs, identifying export markets and undertaking, marketing and promotion activities.

13. A new government procurement act entered into force in 2008. Procurement is carried out by various government ministries, departments and public authorities. A Central Procurement Board is responsible for approving the award of all major contracts over certain thresholds as well as public/private partnership awards. Tenders may be limited to citizens of Mauritius or entities incorporated in Mauritius only, or a price preference may be granted to domestic or regional goods, services or contractors. In 2012, total government procurement spending amounted to MUR 9,679 million; national firms accounted for the lion's share of procurement contracts. Mauritius does not participate in the GPA.

14. The State intervenes in economic activities through various parastatal bodies. It has a direct equity stake in a number of Mauritian companies, including in telecommunications, air transport and financial services. It also invests in a wide variety of Mauritian businesses through its investment arm, the State Investment Corporation. In 2012, the Government of Mauritius, together with several commercial banks, established a private equity fund to invest in the equity or capital of Mauritian SMEs. The Fund may acquire equity of MUR 10 million to MUR 50 million, with a return on capital commensurate with the level of risk. The intention is to acquire a minority equity stake and to exit within five years.

15. Two parastatal entities are involved in the importation of agricultural products: the Agricultural Marketing Board (AMB) and the State Trading Corporation (STC). The AMB's role is to

ensure that the supply of certain basic food products is constant and their prices remain affordable. It is the sole importer of garlic; since 2008, it no longer has an import monopoly over onions, turmeric and cardamoms. The STC is the only authorized importer of petroleum products, liquefied petroleum gas and flour.

16. A new Competition Act entered into force in November 2009. The act empowers the newly established Competition Commission of Mauritius (CCM) to investigate collusive agreements, to review alleged abuses of monopoly situations and mergers leading to a substantial lessening of competition. The Act does not apply to petroleum products. Most of the CCM's investigations so far have related to reviews of monopoly situations; a first cartel investigation in the beer industry was undertaken in 2014. The Competition Commission has the power to undertake general studies on the effectiveness of competition in individual sectors of the economy. Two studies have been launched so far, relating to cement and pharmaceuticals; the CCM's intervention in the former case resulted in the liberalization of the importation and bagging of cement. Over the review period, price controls have been lifted on LPG in 12 kg cylinders destined for commercial and industrial use, but remain in place for certain other products.

17. Mauritius is seeking a broad ranging reform of its intellectual property (IP) legislation, with the objective of mainstreaming IP into its economic and social development, and promoting innovation and creativity. An Intellectual Property Development Plan (IPDP) was established in 2009. As a first step taken to implement the IPDP, a new Copyright Act was passed by the National Assembly in 2014. An Industrial Property Bill will cover trademarks, patents, industrial designs, plant breeders' rights, geographical indications, layout designs of integrated circuits and utility models; the latter four are not currently covered by existing legislation. The Government also intends to strengthen the institutional framework governing IPRs. Legislation in force allows for parallel imports, of products covered by patent rights only.

18. Sugar cane remains Mauritius' main commercial crop. The main trends in agricultural production over the review period were a continued decrease in the production of sugar cane, and a dramatic reduction in tobacco production. On the other hand, production of milk, pork and certain food crops grew fairly consistently. In 2011, Mauritius started to produce rice, mainly seed for export. Over the review period, Mauritius' agricultural policy has been focused on meeting the challenges posed by the termination of guaranteed quota access to the EU market for its sugar exports. Government strategies in this area have been focused on: diversifying sugar cane production into refined sugar, electricity and ethanol; restructuring the sugar industry; and, encouraging the production and export of other agricultural products through various incentives. Export permits are inter alia required for various agricultural products for food security purposes.

19. Mauritius has one of the world's largest exclusive economic zones (EEZs); nearly 90% of the total annual catch is accounted for by licenced foreign vessels. Mauritius is looking to benefit more from its ocean resources through, *inter alia*, aquaculture development and increasing the national fleet capacity. Mauritius has a seafood hub scheme in operation, for processing activities and related services.

20. The structure of the energy sector remains largely unchanged since Mauritius' previous review. Petroleum products are imported by the State Trading Corporation and sold on to four oil companies who distribute to the domestic market. The Central Electricity Board still has a monopoly on the transmission and distribution of electricity. It is engaged in electricity generation together with other independent power producers. Electricity tariffs vary according to the category of customer; lower tariffs apply to industrial and agricultural users. A new focus of energy policy is to reduce reliance on imported fossil fuels by making greater use of renewable energy and utilizing energy resources in a much more efficient manner.

21. The development of Mauritius' manufacturing sector is based on a two-pronged strategy of export-led development driven by so-called export-oriented enterprises (EOEs); these are mainly comprised of clothing companies exporting to the United States and the EU under preferences. Production geared to the domestic market is dominated by processed food, beverages and tobacco. Since Mauritius' Export Processing Zone scheme was phased out in 2006, EOEs no longer receive any special benefits or incentives.

22. Financial services remains a major pillar of the economy, contributing over 10% to GDP, and is open to foreign investment. Banking services dominate and the government has a stake in various financial services companies. There were no bank failures in Mauritius as a consequence of the global financial crisis. Over the review period, legislative and regulatory changes have been introduced to strengthen supervision and transparency of the sector and to combat illegal activities. There has been significant merger and acquisition activity in the insurance industry as companies implement a new requirement for long-term and general insurance business to be separate. Local assets cannot be insured by insurance companies based in a foreign country. However, since 2013, this restriction has not applied to insurance contracts providing for export insurance.

23. The Government aims to transform Mauritius into a regional information and communications technology hub and to make the sector a main pillar of the economy. In this context measures have been undertaken or are in the pipeline to enhance the competitiveness of the telecommunications subsector, which is dominated by the former incumbent, Mauritius Telecom, as well as to create the best enabling environment for broadband development. The Government maintains a 59% equity stake in this company. Over the review period, key trends in the sector have been an increase in the number of mobile cellular subscriptions and internet subscriptions and an exponential growth of international bandwidth capacity.

24. The State continues to maintain a strong presence in the transport sector in terms of providing port and airport operations and services. It also owns a substantial share of Mauritius' flag carrier, Air Mauritius. The Government's strategy for the maritime sector is to develop its main port into a regional maritime, logistics and business hub. In the air transport subsector, strategies to transform Mauritius into an aviation hub are focused on developing the passenger, cargo, training and maintenance, repairs and overhaul segments. Mauritius is continuing to implement a more liberal air access policy and is moving away from its policy of only allowing scheduled flights.

25. The tourism policy is to promote Mauritius as a premium destination. Over the review period, the Government has revisited its policy on investment by non-citizens in tourism-related activities to enable the signature of a bilateral investment treaty with the United States; restrictions on foreign investment in the car rental, travel agency and tour operator segments have been removed. FDI in hotels and restaurants is permitted as long as the project proposed brings added value and matches with Mauritius' quality tourism objectives. FDI in hotels and villas is being encouraged through specific schemes.