SUMMARY

1. Mauritius is a small island with a population of close to 1.3 million people. About two decades of liberalization reforms have transformed Mauritius into an almost duty-free economy. Its openness to trade has been one of the reasons behind its economic success, also supported by a long tradition of parliamentary democracy, good governance, and strong institutions. The country relies heavily on imports for its industrial inputs and for a large share of its food supplies, while maintaining the general openness of its services markets to foreign competition. Its trade in goods and services as a share of GDP declined from 105% in 2014 to 90% in 2019 and 76% in 2020. The fall in 2020 was mainly attributable to the COVID-19 pandemic, while the decline between 2014 and 2019 reflects, inter alia, the continuation of the downward trend in merchandise exports, a stagnation of services trade, while Mauritius was registering steady domestic growth. The EU remains Mauritius' main trading partner. South Africa and the United Kingdom are the other main destinations of merchandise exports, while the country imports many of its manufactured goods, including petroleum products, from China, the United Arab Emirates, and India.

2. Over the review period, the main drivers of growth were the services sector, particularly tourism, financial services, information and communications technology (ICT) services, and construction. The transformation of the Mauritian economy away from its main manufacturing industries, namely sugar and textiles and clothing, towards a service-oriented economy continued, particularly as an investment gateway to Africa. The reforms have resulted in further liberalization of its trade regime for goods with a generally low tariff protection and more policy emphasis on trade in services. However, the COVID-19 pandemic has reinforced the tendency towards greater state involvement in the economy, mainly in industries considered critical to the national interest.

3. As a result of steady economic growth (by about 3.6% per year on average over 2014-19), Mauritius' per capita income reached about USD 11,000 in 2019, and unemployment declined to 6.7%. However, pandemic-related measures, including the national lockdown with the closure of businesses and borders, resulted in a 15% drop in GDP and a decline in per capita income to USD 8,700 in 2020. The economy is expected to recover, conditional on, *inter alia*, good performance of the tourism industry with the resumption of foreign travel.

4. Indeed, tourism remains Mauritius' flagship industry (8% of GDP in 2019) and was, until the pandemic, one of its fastest-growing economic activities. The tourism expansion was supported by the island's natural beauty; its high and rising foreign direct investment, including under real estate schemes designed for foreigners; and the prioritization of the sector by the Government since the 1990s, underpinned by comprehensive GATS commitments. Tourist arrivals and revenue then plunged in 2020, with the contraction in the accommodation and food services subsector estimated at 66% in 2020.

5. Mauritius' open capital regime and growing importance as an international investment hub, supported by double tax avoidance treaties, have contributed to the development of its financial services, which account for about 13% of GDP. In December 2019, the total value of direct investment channelled abroad through the so-called Global Business sector stood at USD 39 billion, nearly three times the country's GDP. In 2018, following concerns expressed by trading partners, changes were brought to the way tax credits are granted to Global Business corporations that reside in Mauritius but conduct business mainly outside Mauritius.

6. Over 2014-19, the manufacturing sector posted modest growth, by 0.8% on average, owing to a decline in investment in the export-oriented enterprises, as well as productivity and competitiveness challenges particularly in the sugar and textiles industries. The sector was then hard-hit by the pandemic-related measures and contracted by 20% in 2020. Mauritius' new industrial policy has the ambitious objective to rebuild, diversify, and expand the sector towards 30% of GDP (up from 12% in 2020) through, *inter alia*, enhanced local content requirements in government procurement.

7. Agriculture contributes about 3.9% to GDP. Sugarcane production still plays an important, albeit declining, role in the economy. Mauritius has a dualistic agricultural sector with an export-oriented sugar industry and a self-sufficiency-oriented food crop and livestock subsector. Some tropical fruits and vegetables benefit from export subsidies under a Freight Rebate Scheme. The country imports most of its main staples, namely wheat and rice, through the State Trading

Corporation. There are various input subsidy schemes in place, and price support is provided for sugar, as well as for sensitive crops regulated by the Agricultural Marketing Board. The sugar import tariff was gradually raised from zero to 100%, which is still within Mauritius' binding of 122%. As a result, Mauritius now imports duty-free sugar from other Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA) countries, including Egypt.

8. The fisheries sector remains relatively small (about 1.2% of GDP), but provides significant employment in fish processing, which relies significantly on catch imported from outside the vast Mauritian exclusive economic zone, for further processing and export. Support to the fishing sector includes tariff and value added tax (VAT) exemptions on certain inputs and equipment, as well as financial assistance to registered fishermen and cooperatives. Mauritius has been closely following the WTO fisheries subsidies negotiations.

9. Mauritius participates actively in the work of the WTO, with timely notifications adding transparency to its trade regime. Mauritius also continued to pursue active trade diplomacy, including through the East African Community (EAC)-COMESA-SADC tripartite agreement concluded in 2015, and the African Continental Free Trade Area Agreement in 2019, and it started negotiations on a comprehensive economic partnership agreement with the European Union also in 2019. Moreover, in 2021, Mauritius concluded two free trade agreements with China and India that contain new commitments on trade in services. In total, Mauritius participates in eight regional trade agreements, all of which were notified to the WTO.

10. Trade facilitation is an integral part of the reforms implemented by Mauritius as it enables access to essential inputs for sectors driving the economy, such as tourism, manufacturing, transport, and business services. Mauritius was thus prompt to ratify the WTO Trade Facilitation Agreement in 2015 and is already implementing it fully in all but four areas, and notified its technical assistance needs for full compliance. The Mauritius Trade Easy portal provides information on import and export procedures and applicable charges, including customs duties and local taxes, regulations, and required shipping documents by tariff line and by partner country. The Government's new Trade Obstacles Alert Mechanism platform allows operators to report exporting or importing obstacles.

11. Mauritius pursued its tariff liberalization launched about two decades ago, whereby the simple average applied MFN tariff rate declined from 6.6% in 2007 to 2.3% in 2014, and to 1.3% in 2021. Tariff protection for agricultural products increased from 1.8% to 3.2% over the review period, whereas tariff protection in the manufacturing sector declined to less than 1%, with duty-free lines representing 93.5% of the total tariff lines. The non-zero rates carried by the remaining 6.5% of tariff lines are quite high on, *inter alia*, sugar, tea and spices, and alcoholic beverages.

12. Over the review period, Mauritius increased tariffs on sugar. In contrast, all non-*ad valorem* (specific) tariffs, which in the case of suits, ranged up to 488% (an *ad valorem* equivalent), were reduced to zero. Tariff rates were also reduced on glassware and electrical machinery and equipment. Furthermore, Mauritius has also allocated preferential tariff quotas (on 101 tariff lines, mostly manufactured articles, spices and raw sugar) to India under their 2021 bilateral trade agreement. Overall, the reforms have contributed to widening gaps between Mauritius' generally low applied tariff rates and its WTO binding commitments at high rates and with limited scope.

13. Mauritius levies 15% VAT on all goods and services; and excise duties on 557 tariff lines. The Maurice Ile Durable (MID) levy is collected on fossil fuels as part of the country's strategy to reduce the demand for this product and, *inter alia*, increase the share of electricity generated from renewable sources from 24% in 2020 to 35% by 2025 and 60% by 2030. The VAT and excise regimes could advantageously be reviewed in light of the numerous exemptions or concessions granted to certain manufacturers, farmers, fishermen, and other persons or bodies. Both excise duties and the MID levy were lowered on fossil fuels, to combat price increases.

14. Non-automatic import licensing procedures were removed on many products. However, for some sensitive agricultural products, the import permit system is still used for self-sufficiency purposes. Also, Mauritius is in the process of revamping its Trade (Anti-dumping and Countervailing Measures) Act of 2010, under which no measure has been applied so far. Mauritius submitted several TBT and SPS notifications to the WTO during the review period, without any specific trade concerns raised by Members. An import ban on certain types of plastic bags and other products was introduced in 2021 to make Mauritius a plastic-free country.

15. Mauritius' State Trading Corporation (STC) increased its emphasis on improving governance and combating corruption, given its important role as a supplier of the country's essential commodities. The STC is the sole authorized importer of petroleum products; it also has exclusive privileges in the importation of wheat flour and rice for subsidized consumption. The Agricultural Marketing Board, also notified as a state trading enterprise, controls the imports of onions, potatoes, and garlic for self-sufficiency reasons. A widespread system of price controls aims to ensure the supply of essential commodities at reasonable prices.

16. Mauritius' location in the middle of the Indian Ocean helps it to develop the redistribution of goods arriving from the Middle East and Asia among the other African markets, as well as the re-exportation of African products to Asian markets. During the review period, the Government accordingly continued to simplify export registration procedures and controls. The Freeport Scheme continues to provide incentives to companies engaged in the light processing of imported goods before re-exportation, mainly to other African countries via Mauritius.

17. Several export support schemes remain in place. Since 2017, companies engaged in exports of goods have been taxed at 3% instead of the general corporate tax rate of 15%. The Trade Promotion and Marketing Scheme provides air freight export subsidies on all products except for machinery, live animals, and chemicals to most markets worldwide, while the Freight Rebate Scheme provides sea freight export subsidies for agricultural products. A new Export Credit Insurance Scheme was launched in 2015. The multiple-currency Exchange Rate Support Scheme, introduced in September 2017 to provide temporary support to exporters, was terminated in March 2018.

18. The Government's Africa Strategy also encourages Mauritian entrepreneurs to invest in other African countries; it participates as an equity partner in the capital invested by Mauritian investors and has signed agreements with several African countries on the establishment and management of special economic zones. Outflows of foreign investments through Mauritius into other African countries have thus expanded sizeably.

19. Mauritius maintains several investment-incentive schemes. These schemes intensified with the COVID-19 crisis and include reductions in corporate tax, exemptions of tax on dividends paid to shareholders, subsidized business loans, and direct investments in a wide panoply of Mauritian businesses through, *inter alia*, its investment arm, the State Investment Corporation. In May 2020, the Bank of Mauritius set up the Mauritius Investment Corporation (MIC) with a budget of USD 2 billion, equipped with a range of equity/quasi-equity instruments to invest in distressed large corporations, but also in joint ventures engaged in the fishing industry. The MIC's objectives are to support economic development, build self-sufficiency in key necessities, and enhance Mauritius as an innovation-driven economy. Recognizing that public companies may prove in the long run to be costly and inefficient, the Government has in parallel embarked on a divestment programme concerning a few of its assets.

20. Open international bidding is the main public procurement method, with a substantial share of Mauritius' public procurement being foreign sourced. However, several new and stringent "buy local" provisions were announced in 2020 as a response to the economic crisis induced by the COVID-19 pandemic. Mauritius is neither party nor observer to the WTO's plurilateral Agreement on Government Procurement.

21. A new Industrial Property Act was enacted in August 2019, consolidating existing provisions on the protection of patents, industrial designs, and trademarks, and providing for the protection of new rights such as utility models, layout designs of integrated circuits, plant varieties, and geographical indications. The Act establishes the Intellectual Property Council, comprising representatives from government authorities and the private sector involved in the generation, enforcement, and protection of intellectual property (IP) rights. Given the IP exhaustion regime adopted by Mauritius, owners of registered trademarks may withhold their consent for parallel imports of registered products, including pharmaceuticals. In 2008, Mauritius ratified the Protocol Amending the TRIPS Agreement, which facilitates access to medicines in countries with limited pharmaceuticals production capacity.

22. The small size of the economy and the relatively high involvement of the State in economic activities partly explain why the Mauritius Competition Commission has been actively studying the effectiveness of competition and potential restrictive business practices on several markets over the

period under review, including the food and retail distribution market, the market for petroleum products, the pharmaceutical market, and the financial services sector.