MAURITIUS: 2009 INVESTMENT CLIMATE STATEMENT

Openness to Foreign Investment

Mauritius is among the most competitive and successful economies in Africa and actively seeks foreign investment. The World Bank's 2009 Doing Business report ranks Mauritius first in Africa (for the second year in a row) and 24th in the world for ease of doing business. The report's praise -- and commensurate ranking -- of Mauritius stems from key reforms undertaken by the government especially in the areas of starting and operating a business, obtaining licenses and permits, openness to foreign investors, and tax administration. The government's objective is for Mauritius to rank among the top ten most investment and business friendly locations in the world.

ECONOMIC REFORM: The government, which took office in July 2005, embarked on an economic reform program aimed at moving Mauritius from a reliance on trade preferences to being globally competitive. The reform strategy, outlined in the past three government budgets (FY 2006-09), focused not only on measures to remedy fiscal weaknesses but also to open up the economy, facilitate business, improve the investment climate, mobilize foreign direct investment and expertise, and introduce structural reforms to support sustainable growth.

The reforms resulted in a balanced growth across all sectors of the economy with especially robust growth seen in the tourism, banking, construction, and services sectors. GDP grew from 2.3 percent in 2005 to 5.4 percent in 2007 and is estimated at 5.2 percent for 2008. In three years (since July 2005) Mauritius has received close to USD 700 million of foreign direct investment (FDI), more than the FDI inflows of the preceding 20 years. According to official reports, per capita income, which was at USD 5,000 in July 2005, has risen to approximately USD 7,000 at the end of 2008. The Budget deficit has been lowered to 3.4 percent in FY 2007-08 from 5.4 percent in FY 2005-06.

The reforms appear to have enabled Mauritius to build enough economic resilience to weather the first round effects of the global financial crisis in 2008. The international economic downturn, however, poses a greater challenge for key sectors of the economy--particularly tourism, textile, and the Global Business (Offshore Financial) sector. Accordingly, the growth rate in 2009 is estimated at 3.8 percent.

BUSINESS FACILITATION: The Government of Mauritius' policy since 2005 has been to open the economy and streamline administrative procedures for people to come, work, and live in Mauritius. The Business Facilitation Act 2006 abolished trade licenses and allowed businesses to start operations within three days of incorporation. Also, residence permits and work permits for foreign investors, entrepreneurs, and professionals have been combined into what is called an occupation permit, which is now processed within three working days.

An investor, professional under a contract of employment, or a self-employed person may apply for an occupation permit if the following conditions are met: (i) Investor: the proposed business activity should generate an annual turnover exceeding MRs 3 million (approx. USD 104,000) (ii) Professional: the basic monthly salary should exceed MRs 30,000 (approx. USD 1,035); and (iii) Self-employed: the annual income from the proposed business activity should exceed Rs 600,000 (approx. USD 20,700). An investor may subsequently apply for permanent residence status if his/her business activity generates an annual turnover exceeding Rs 15 million (approx. USD 518,000) during the first three years. In the case of self-employed persons, the business activity should generate an annual income exceeding Rs 3 million (approx. USD 104,000). Foreign nationals can acquire property for business purposes.

Regulations governing incorporation are contained in the Companies Act of 2001. After receipt of a certificate of incorporation from the Registrar of Companies, all companies must register their business activities with the BOI to be able to apply for occupation permit and other facilities offered to investors.

In its FY 2008-09 Budget, the Minister of Finance announced that the government's investment promotion agency, Board of Investment (BOI), in partnership with the World Bank, will further simplify the system of business licensing to make compliance easier, less time-consuming, and less costly. To simplify the process for export and import, provisions will be made under the Customs Act to suspend as from July 1, 2009, all permits relating to imports and exports, except those that are considered essential. Registration of property which currently can take up to 210 days to process will be reduced to 15 working days. A Commercial Division will be set up in the Supreme Court to bring down the settlement of commercial disputes from two years to seven months, which is international best practice.

Investment in Mauritius is governed by the Investment Promotion Act of 2000 and the Business Facilitation Act of 2006. Investment regulations are consistent with the WTO's Agreement on Trade Related Investment Measures (TRIMS). The Government of Mauritius does not discriminate between local and foreign investment. Businesses can be conducted locally in several forms: under a self-employed activity, as a partnership with Mauritian nationals, or a 100% foreign-owned company under the Companies Act. For a limited number of regulated activities in such sectors as tourism, sugar, and broadcasting, an application for the appropriate permit or license must be made to the competent authorities prior to start of operations. For such activities, investors should seek advice from the Board of Investment (www.investmauritius.com).

The Board of Investment acts as a one-stop focal agency for business registration. BOI acts as the facilitator for all forms of investment in Mauritius and guides investors through the necessary processes for doing business in the country. Before starting operations, businesses must register with the Registrar of Companies. Regulations governing incorporation are contained in the Companies Act of 2001. After receipt of a certificate of incorporation from the Registrar of Companies, all companies must register their business activities with the BOI to be able to apply for occupation permit and other facilities offered to investors.

INVESTMENT OPPORTUNITIES: Mauritius has realized a remarkable economic transformation from a mono-crop economy based on sugar production to a diversified economy driven by export-oriented manufacturing, tourism, and financial and business services sectors. In recent years, Information and Communication Technology (Business Process Outsourcing, call centers, software development), Hospitality and Property Development (commercial malls, luxury villas, and international flagship hotels), the Seafood and Marine Industry (fish farm, tuna fishing and canning, and seafood processing) and the Biomedical Industry (medical devices, pharmaceutical products, multi-specialty hospitals) have emerged, attracting substantial investment from both local and foreign investors.

In addition, the Mauritian authorities have identified a number of projects in the following sectors for implementation in the next few years: (i) Agri-business and biotechnology (refined sugar, ethanol, food crop production (potato, corn, soya bean), food processing, dairy products and livestock),(ii) renewable energy and environment (wind, bagasse (sugar cane fiber),solar, and waste-to-energy projects (ii) medical tourism (medical, surgical and diagnostic packages to the one million English and French speaking tourists currently visiting Mauritius) (iv) Bio-medical research and clinical trials and (v) Knowledge Industry (universities and foreign campuses, distance education, e-learning, vocational and technical training)

The location of Mauritius, situated in the Indian Ocean between Africa, Asia, and Australia, offers a successful business base for both regional and international trade. U.S. companies can use Mauritius as a platform to tap regional markets through Mauritius' membership in the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), which offer preferential access to a market of 380 million consumers. Mauritius also has a free trade agreement with Pakistan and is in the process of finalizing a Comprehensive Economic Cooperation and Partnership Agreement with India.

INVESTMENT INCENTIVES: Mauritius offers a low tax jurisdiction: (i) corporate and income tax of 15 percent, (ii) tax free dividends, (iii) no capital gains tax,(iv) up to 100 percent foreign ownership, (v) exemption from customs duty on equipment, (vi) free repatriation of profits, dividends, and capital, (vii) no minimum foreign capital required, (viii)50 percent annual allowance on declining balance for the purchase of electronic and computer equipment; and (ix) an extensive tax treaty network with several countries.

Moreover, the government has set up the Integrated Resorts Scheme (IRS) to attract high net worth non-citizens desiring to acquire an immoveable property of not less than USD 500,000 in Mauritius (within a resort approved by the BOI) for personal residence. The investor and his/her spouse and dependents are granted resident permits to live in Mauritius. More detailed information on the incentives is available on BOI's website: www.investmauritius.com

Conversion and Transfer Policies

The Government of Mauritius abolished foreign exchange controls in 1994. Consequently, no approval is required for the repatriation of profits, dividends, and capital gains earned by a foreign investor in Mauritius. In general, businesses have no difficulty obtaining foreign exchange.

An inter-bank foreign exchange market in U.S. dollars was established in July 1994 through a page on the Reuters screen. The exchange rate is market-determined, but the market is dominated by a small number of institutions. The Central Bank occasionally intervenes to stabilize the market. There is convertibility on both capital and current accounts. Settlement can be done in foreign currency, and foreign currency accounts can be opened in Mauritius. There is no legal parallel market in Mauritius for investment remittances.

Mauritius has a well-developed and modern banking system. At the end of October 2008, net international reserves amounted to close to USD 3 billion, representing about nine months of imports. Between January and November 2008, the Mauritian rupee depreciated by close to 12 percent against the U.S. dollar and the pound sterling and three percent vis-a-vis the Euro.

Expropriation and Compensation

Legislative guarantees against nationalization exist and are respected. The Government of Mauritius has never nationalized an industry.

Dispute Settlement

An entity formed through a joint venture between a local company and a U.S. investor, has been engaged in a lengthy dispute (since 2005) with Mauritius Telecom, its cellular subsidiary, Cellplus (now called Orange), and the former Telecommunications Authority, over allegations of unfair competitive practices by Mauritius Telecom and Orange. The case remains in the courts. There has been no case of expropriation in Mauritius thus far. Mauritius is a member of the International Center for the Settlement of Investment Disputes and the Multilateral Investment Guarantee Agency of the World Bank.

The Mauritian legal system is largely based on English and French law. Criminal and civil litigation is mainly English while substantive law is modeled on the French Napoleonic code. The domestic legal system is generally non-discriminatory and transparent. Members of the judiciary are independent of the legislature and the government. The highest court of appeal is the judicial committee of the Privy Council of England. Mauritius is a member of the International Court of Justice.

Right to Private Ownership and Establishment

Under the Non-Citizens (Property Restriction) Act, a non-citizen investor may acquire property in Mauritius with the prior approval of the Prime Minister. However, the Prime Minister's approval is not required when the property is acquired (i) under a lease agreement not exceeding 20 years, (ii) under the Integrated Resort Scheme for the purchase of a villa, or (iii) when the investor has obtained approval from the Board of Investment to acquire property for use in his/her business.

Protection of Property Rights

Property rights are respected. Mauritius maintains a sophisticated and impartial legal system based on both Napoleonic code and British common law. The system protects all tangible property. Intellectual property rights are protected by the Copyrights Act of 1997 and the Patents, Industrial Designs and Trade Marks Act of 2002, which are in line with international norms. Mauritius is a member of the World Intellectual Property Organization (WIPO) and party to the Paris and Bern conventions for the protection of industrial property and the Universal Copyright Convention.

The Patents, Industrial Designs and Trade Marks Act of 2002 was introduced by the government, in part, as a response to the rise in the production and trade of counterfeit goods, such as Ralph Lauren shirts. In 2004, Polo Ralph Lauren (PRL) successfully sued local manufacturers and retailers of PRL counterfeit products in Mauritian courts, which resulted in the closure of the counterfeit operations. More recently, in December 2008, the Supreme Court ruled in favor of PRL lawyer by ordering Customs to seize PRL products imported by a local businessman without PRL's authorization.

The new trademark and patent laws comply with the WTO's Trade Related Aspects of Industrial Property Rights (TRIPS) agreement and protects designs, brands, and technological inventions. Also, the law dictates that well-known international trademarks are protected, whether they are registered in Mauritius or not. A trademark is initially registered for 10 years and may be renewed for successive periods of 10 years. A patent is granted for 20 years and cannot be renewed.

However, while copyrights are being effectively enforced by the Police and Customs authorities, trademark enforcement is reportedly weak. The Government of Mauritius' Industrial Property Office (IPO), which has power to enforce trademarks, has no enforcement unit and therefore has not carried out any enforcement since its creation. According to a leading IPR law firm, the Police would take action against trademark infringements only in cases where the trademark owner has a commercial representative in Mauritius. According to the Police's Anti Piracy unit, IPR infringement could be curtailed substantially if the law is amended to put the burden of proof on the seller rather than on prosecution. The Customs Department also requires right holders or authorized users to register their trademarks and copyrights with its office in order to take action to protect their marks/copyrights at the borders of Mauritius.

Application forms for registration can be downloaded from the Mauritius Revenue Authority/Customs' website: http://mra.gov.mu.

Transparency of the Regulatory System

Mauritius has built its success on a free market economy. According to the U.S.-based Heritage Foundation-Wall Street Journal annual survey of 157 countries worldwide, Mauritius leads Sub-Saharan Africa in economic freedom. Mauritius also has a long-standing tradition of government and private sector dialogue which allows the private sector to effectively voice its views on the development strategy of the country. The Joint Economic Council, the coordinating body of the Mauritian private sector, is a key vehicle in this regard.

During the last three years, the government brought radical reforms to trade, investment, tariff, and income tax regulations to simplify the framework for doing business. Trade licenses and many other bureaucratic hurdles were abolished.

Companies in Mauritius are regulated by the Companies Act of 2001, which incorporates international best practices and promotes accountability, openness, and fairness. In order to combat money laundering and terrorist financing, the government also enacted the Prevention of Corruption Act, the Prevention of Terrorism Act, and the Financial Intelligence and Anti-Money Laundering Act.

In December 2006, the National Assembly adopted a new and more transparent Public Procurement Bill, which became effective on January 17, 2008. The objective of the bill, which repeals and replaces the Central Tender Board Act, is to establish a Central Procurement Board to cater for all forms of procurement by public bodies.

This World Bank-approved bill provides for the establishment of a Procurement Policy Office responsible for formulating policies and issuing directives for the operation of a transparent and efficient public procurement system. Provision is also made to enable a bidder or potential bidder to challenge the procurement proceedings of a public body at any stage and request the Chief Executive Officer of the public body to consider his complaint and, where appropriate, take remedial action. The bill also establishes an Independent Review Panel where appeals may be brought against decisions of a Chief Executive Officer. A simplified two-tier process, therefore, is available to unsatisfied persons to seek remedy. Both the Procurement Office and the Independent Review Panel became operational in 2008.

A Competition Bill was adopted in Parliament in December 2007 to promote competition, prevent monopolistic pricing, and restrict collusion in consumer markets. Monopoly, and more generally, collusion between suppliers are prevalent in the domestic economy. At the end of 2008, the Government of Mauritius hired a British expatriate as the Executive Director of the Competition Commission, which will administer the competition regime.

Efficient Capital Markets and Portfolio Investment

With its well-developed financial services sector, Mauritius aims to become a regional financial center. The financial system has not been involved in sub-prime lending or any activity deriving directly or indirectly from that asset class. As a result, the government has not had to intervene to bail out any bank. The sector is well regulated and has proven to be quite solid and highly profitable. It has ample liquidity to meet the financing needs of the economy.

The Stock Exchange of Mauritius (SEM) has done quite well in terms of the volume of transactions, the number of listed companies, market capitalization, and the fairness and efficiency of its operations since its launch in 1989. In December 2008, the Stock Exchange of Mauritius had 40 companies listed on the Official Market and 51 companies on the Development and Enterprise Market which is designed for small and medium enterprises. Market capitalization grew from USD 92 million in 1989 to about USD 3.5 billion in December 2008. The SEM is a member of the World Federation of Exchanges, which identifies the SEM as having assumed the commitment to prescribed business standards.

In November 2007, the SEM was included in the new Morgan Stanley Capital International (MSCI) Frontier Markets Indices which are designed to track the performance of a range of equity markets that are now more accessible to global investors. Mauritius was among four countries in Africa to be included in the new indices.

The Mauritius stock market was opened to foreign investors following the lifting of the foreign exchange controls in 1994. No approval is required for the trading of shares by foreign investors unless investment is for the purpose of legal and management control of a Mauritian company or for the holding of more than 15 percent in a sugar company. Incentives to foreign investors include free repatriation of revenue from the sale of shares and exemption from tax on dividends and capital gains.

Mauritius has an active offshore financial (now called global business) sector, which is a major route for foreign investments into the Asian sub-continent. Mauritius is by far the largest source of FDI and portfolio investment in India, estimated at close to USD 33 billion for the period April 2000-September 2008, which accounts for 44 percent of the total FDI inflows into India. Major U.S. corporations use the Mauritius offshore sector to channel their investment to India. These investments are mainly attracted by a particularly favorable Double Taxation Avoidance Treaty (DTAT) which exists between Mauritius and India. By January 2009, Mauritius had DTAT's with a total of 35 countries, including China, Malaysia, Singapore, South Africa, U.K, France, Germany, Kuwait, and U.A.E.

Mauritius has a relatively sophisticated banking sector with 18 banks currently licensed to undertake banking business. The Banking Act of 2004 provides for banking business to be conducted under a single banking license regime. Accordingly, all banks are free to conduct business in all currencies, including the Mauritian rupee. There are also several non-bank financial institutions which are authorized to conduct deposit-taking business.

The banking system is highly concentrated with two long-established domestic and two international banking groups dominating, holding between them 70 percent of all banking assets. Foreign banks present in Mauritius include the Hong Kong and Shanghai Banking Corporation (HSBC), Barclays Bank, Bank of Baroda, Habib Bank, Banque des Mascareignes, PT Bank International Indonesia, Deutsche Bank, Standard Bank, Standard Chartered Bank, and Investec Bank.

The banks focus mostly on trade financing and on provision of working capital. Accounts may be opened in all major currencies as well as the Mauritian rupee. Several commercial banks offer card-payment services, such as credit and debit cards and direct debits. Other facilities, including phone banking, home banking, internet banking, and PC banking, are also provided by some banks. Commercial banks offer spot and forward transactions in all major currencies.

Commercial banks have diversified into non-banking business through subsidiaries and affiliates. Banks are engaged in the provision of leasing, stock brokering, asset and fund management, investment and private banking business, insurance agency, and portfolio and custodial management. As of September 2008, commercial banks' total assets amounted to approximately USD 22 billion.

The Bank of Mauritius, the Central Bank, carries out the supervision and regulation of banks as well as non-bank financial institutions authorized to accept deposits. A new Bank of Mauritius Act, which strengthened the central bank’s institutional framework as well as its supervisory powers, was enacted in October 2004. It also has the power to establish prudential safety and soundness standards and regulations, and does so primarily by issue of Guidelines/Guidance Notes. The Central Bank has endorsed the Core Principles for Effective Banking Supervision as set out by the Basel Committee on Banking Supervision.

Political Violence

Mauritius has a long tradition of political and social stability and is internationally recognized for its well-established democracy. Inter-ethnic tensions, however, led to four days of rioting in February 1999, following the death in police custody of a popular minority singer. Governments since then have sought to calm ethnic tensions and stress national unity.

Civil unrest and political violence are uncommon. Three political activists were murdered in 1996. The leader and several members of a small political party were arrested in December 2000 and charged with this crime. One of them was found guilty and sentenced to 21 years imprisonment. General elections in 2000 and 2005 brought a change in government in each case and passed off without incident.

Corruption

Mauritius is one of Africa's least corrupt countries. In 2002, the government adopted the Prevention of Corruption Act, which led to the setting up of an Independent Commission Against Corruption (ICAC) a few months later. ICAC has the power to detect and investigate corruption and money laundering offenses and can also forfeit the proceeds of corruption and money laundering.

Mauritius made a significant improvement in its ranking on the 2008 Corruption Perceptions Index (CPI) published by Transparency International (TI). Mauritius climbed 12 positions to be ranked 41st worldwide and 2nd in Africa (after Botswana), with a score of 5.5 on a 10-point index. The index examines perceptions of public-sector corruption in 180 countries. It scores countries from zero, which indicates the highest level of perceived corruption, to ten, the lowest level. Although, overall Mauritius did well in 2008, the TI survey highlighted the highly-publicized dismissal of the former Director of Customs who earlier made allegations of continued high-levels of corruption in the Customs Department. Corruption, however, is not seen as an obstacle to foreign direct investment.

Bilateral Investment Agreements

In September 2006, Mauritius and the United States signed a Trade and Investment Framework Agreement (TIFA), aimed at strengthening and expanding trade and investment ties between the two countries. The TIFA Council, comprising of representatives from both governments, held its first meeting in Mauritius in February 2007. The Second Annual Council Meeting took place in April 2008 in Washington, D.C. Mauritius also has an investment incentive agreement with the Overseas Private Investment Corporation (OPIC), while discussions for a Bilateral Investment Treaty (BIT) between the United States and Mauritius are ongoing.

Mauritius has signed Investment Promotion and Protection Agreements with the following 34 countries: Barbados, Belgium/Luxemburg Economic Union, Benin, Botswana, Burundi, Cameroon, Chad, China, Comoros, the Czech Republic, Finland, India, Indonesia, France, Germany, Ghana, Guinea, Madagascar, Mauritania, Mozambique, Nepal, Pakistan, Portugal, Republic of Korea, Romania, Rwanda, Senegal, Singapore, South Africa, Swaziland, Sweden, Switzerland, U.K., and Zimbabwe. Agreements with the following countries are awaiting signature: Chile, Egypt, Ethiopia, Lesotho, Malawi, Tanzania, Turkey, Uganda, and Qatar.

OPIC and Other Investment Insurance Programs

Mauritius is eligible for the full range of OPIC's investment insurance programs. It is also a member of the Multilateral Investment Guarantee Agency.

Labor

As of September 2008, Mauritius had a total labor force of 558,900, including 354,000 males and 204,900 females. Total employment stood at 518,400, including 24,000 foreign workers, mainly from China, India, Madagascar, Sri Lanka, Bangladesh, and South Africa, and mostly employed in textile factories but also in construction, tuna canning, and hotel and catering sectors. The unemployment rate, which reached 8.5 percent in 2007, fell to 7.8 percent in 2008, representing about 43,400 unemployed.

The Government of Mauritius administratively establishes minimum wages, which vary according to the sector of employment, through the National Remuneration Board (NRB), and it mandates minimum wage increases annually based on inflation. However, most trade unions negotiate wages higher than those set by the NRB. The NRB issues Remuneration Orders for more than 90 percent of the workforce in the private sector.

In 2008, the government moved ahead with some significant labor market reforms. The National Assembly passed the Employment Rights Act and the Employment Relations Act in September 2008. Their main objectives are to revise and consolidate the existing labor and industrial relations laws which date back to over 30 years and to liberalize the labor market. The new legislation also provides for the introduction of a Workfare Program under which workers who have been laid off will benefit from government financial assistance for up to twelve months and opportunities for training to increase their employability. The regulations related to the implementation of these laws are currently being finalized.

Wages are low by Western standards but high by most Asian and African standards. Factory workers in the Export Processing Zone generally earn between USD 200-USD 250 per month. Middle managers earn between USD 700 and USD 1,000 per month. Fringe benefits, including transport and meal allowances, paid leave, and bonuses, represent about 25 to 30 percent of the basic wages of employees.

While Mauritius has an active trade union movement, labor-management relations are generally good. Unionized workers, which account for less than 25 percent of the workforce, act responsibly and rarely disrupt business. There has not been a major strike since 1979. Under current legislation, unions have the legal right to strike. However, the government seeks to preempt strikes through a system which promotes settlement through negotiation or arbitration by the Permanent Arbitration Tribunal and the National Remuneration Board.

Workers' rights are protected under the Mauritius Labor Act of 1975. Mauritius participates actively in the annual ILO conference in Geneva and adheres to ILO conventions protecting worker rights.

Foreign Trade Zones/Free Trade Zones

The Mauritius Freeport (free-trade zone) was established in 1992 as a customs-free zone for goods destined for re-export. The government's objective is to promote the country as a regional warehousing, distribution, marketing, and logistics center for Eastern and Southern Africa and the Indian Ocean rim. Through its membership in the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), and the Indian Ocean Commission (IOC), Mauritius offers preferential access to a market of 380 million consumers, representing an import potential of USD 90 billion.

Situated on 52 hectares of land adjacent to port facilities and a modern container terminal, the Freeport offers 120,000 square meters of world-class infrastructure, including cold rooms, dry storage, an international trade exhibition center, processing units, and office space for transshipment, consolidation, storage, and processing activities. Freeport facilities are also available at the airport. Port Louis is increasingly used by major shipping lines (i.e. Maersk/Sealand, P&O Nedloyd, and MSC) as a regional container transshipment hub.

Activities that can be carried out in the Freeport include warehousing and storage, breaking bulk, sorting, grading, cleaning and mixing, labeling, packing and re-packing, minor processing, transshipment, cash and carry sales, export-oriented port based activities, export- oriented airport based activities, freight forwarding, express courier services, mail order, simple assembly, reshipment, and quality control and inspection services.

By the end of 2008, about 470 Freeport companies were engaged in activities such as re-export, transshipment, minor processing, and assembly. In 2007, the Freeport imported USD 188 million and re-exported USD 335 million worth of goods. Main products re-exported include: machinery and telecommunication equipment (28 percent); apparel and accessories (26 percent); seafood (19 percent); textile yarns and fabrics (9 percent); chemical and pharmaceutical products (6 percent); and beverages and tobacco (3 percent). In 2007, the principal export markets for the Freeport were the United Arab Emirates, Madagascar, France, Reunion Island, and Italy.

The Freeport sources its imports from a wide range of countries, including Hungary, China, India, Finland, Taiwan, France, Spain and South Africa. The main products imported include fish, chemicals and pharmaceuticals, telecommunication equipment, textile fabrics and accessories, ready-made garments, electrical goods, and general consumer goods.

The Freeport facilities for warehousing, breaking bulk, and re-export should be of particular interest to American companies. These services enable businesses to ship containerized goods to Mauritius, warehouse them in secure, low-cost facilities, then break bulk and re-export them in an efficient and timely manner to African and Indian Ocean rim destinations. Modern computerized warehouse/logistics facilities, including cold rooms and processing centers, are provided by the private developers. These include Freeport Operations (Mauritius) Ltd (http://www.freeport-mauritius.com), Mauritius Freeport Development Co. Ltd (http://www.mfd.mu), and Froid Des Mascareignes (http://www.seafoodhub.com). Goods can also be assembled in the Freeport for export to the African and Indian Ocean markets. Current assembly and processing activities in the Freeport include: jewelry and precious stones, PET plastic bottles, transformation of fish into fillets, aluminum frames and fittings, re-packaging of pharmaceuticals, and reconditioning of second-hand vehicles.

Three U.S. companies are present in the Mauritius Freeport. Expeditors International (Mauritius) Ltd, a subsidiary of Expeditors International of Washington Inc., is a freight logistics company providing freight forwarding services, supplier consolidation, and quality control. Boxmore Plastics (Mauritius) Ltd., which started operations in Mauritius in 2002, is 100 percent owned by Chesapeake Corporation, headquartered in Richmond, VA. It manufactures PET (polyethylene teraphthalate) pre-forms for the soft drink bottling companies in Mauritius, Reunion, Madagascar, and Seychelles. Casamar (Mauritius) Ltd., a subsidiary of U.S.-based Casamar Holdings, Inc., which specializes in the assembly and repair of nylon-braided tuna purse seine nets, opened an office in Mauritius which provides marketing support for its fishing net repair and assembly operations in Seychelles.

The Government of Mauritius, in collaboration with the private sector, is actively promoting the Freeport as a seafood hub, in particular focusing on the transshipment, processing, storage, distribution, and re-exportation of high value-added seafood products using the modern port and Freeport facilities and logistics. A one-stop shop has been established in the port area to help facilitate administrative clearances related to the seafood industry. Thon des Mascareignes Ltd. (TDM), a leading Mauritian company in partnership with Spanish investors, is operating a tuna loin processing plant with a daily processing capacity of 300 tons for export to Europe and the U.S. for final processing and packaging. U.S. firm Bumble Bee Foods has a tuna supply and processing agreement with TDM.

The Board of Investment, in collaboration with Airports of Mauritius Ltd., plans to develop a dedicated air cargo logistics center at the airport. In December 2008 the government announced that it is granting the necessary clearance for the implementation of this project. The main activities targeted include re-export of high value/low volume products, light assembly operations, warehousing, labeling and repackaging, sea-air/air-sea and transshipment cargo, express courier, and freight forwarding services.

Foreign Direct Investment

After several years of decline, FDI picked up strongly in 2006, as a result of radical economic reform measures taken by the government to open up the economy, facilitate business, and improve the investment climate. In fact, in three years since July 2005, Mauritius received about USD 700 million, more than the FDI inflows of the preceding 20 years.

The following statistical tables, supplied by the Bank of Mauritius (Central Bank), show inflows of FDI in Mauritius by sector and country of origin (2005-2008).

- Foreign Direct Investment by Sector, 2005-2008

	2005	2006	2007	2008*
		(USD million)		
Manufacturing	8.9	5.7	8.5	3.0
Tourism	18.2	83.0	187.0	105.0
Banking	16.3	114.0	127.0	81.0
Real Estate	25.7	15.0	32.2	52.0
Other	25.9	11.3	5.3	9.0
Total	95.0	229.0	360.0	250.0

- Foreign Direct Investment by Country of Origin, 2005-2008

	2005	2006	2007	2008*
		(USD million)		
China	1.3	0.2	-	2.6
Dubai	0.3	3.6	40	23
France	14.5	16.6	36.7	31.0
Germany	1.5	5.6	1.8	2.3
India	22.7	5.0	19.0	65.2
Belgium	13.7	2.6	14.0	5.0
Luxembourg	12.5	1.1	2.1	2.5
Reunion Island	4.4	4.0	18.0	1.2
South Africa	0.9	1.2	15.6	16.0
Switzerland	5.0	18.6	40.2	15.4
U.K.	19.6	121.0	87.6	40.2
U.S.	2.5	5.2	74.4	12.0
Others	7.8	44.3	10.6	33.6
Total	95.0	229.0	360.0	250.0

Source: Bank of Mauritius
* Figures for 2008 are for the period January-September only

In 2007, the largest inflows of the USD 360 million of FDI into Mauritius came from U.K., followed by the United States, Switzerland, Dubai, and France. Together these five countries represented close to 80 percent of total investments. The bulk of the FDI was directed to the tourism and banking sector. From January to September 2008, FDI stood at USD 250 million, the main sources being India (USD 65 million), U.K. (USD 40 million) and France (USD 31 million), followed by Dubai, South Africa, and Switzerland. Hotel and tourism, real estate development under the Integrated Resort Scheme (luxury villas), and banking are the sectors that attracted the bulk of the FDI in 2008.

There is one U.S. investor in the Mauritius Export Processing Zone (EPZ). Mauriden Ltd, owned by a U.S. investor, was one of the first companies to operate in the EPZ more than 30 years ago. It is involved in diamond cutting and polishing as well as jewelry. As indicated in the Freeport section above, three U.S. companies (Expeditors International, Boxmore, and Casamar) are present in the Freeport zone.

MIC-USA Inc., a subsidiary of Millicom International Cellular, is a joint venture partner (50 percent shareholding) with local company Emtel Ltd in the provision of cellular phone service in Mauritius. Ceridian (Mauritius) Ltd., a subsidiary of Ceridian Inc. specializes in software development and payroll and human resource solutions for European, U.S., and Canadian markets. Other U.S. businesses operating in the domestic Mauritian market include Caltex, a brand owned by Chevron Corporation. Microsoft and IBM have regional distribution offices in Mauritius, serving the Indian Ocean region. KFC, Pizza Hut, and McDonald's have been operating in Mauritius for a number of years, all through local franchisees. UPS and FedEx also have offices in Mauritius.

More recent U.S. investments in Mauritius include Covance Laboratories Ltd, a subsidiary of Covance Inc., which holds 43 percent of the share capital of Noveprim Ltd., a local company involved in the breeding of monkeys for export to U.S. and European medical research laboratories. In 2006, Covanta Energy established a joint venture with local company Gamma Civic Ltd to build, own, and operate a USD 160 million waste-to-energy project in Mauritius. The 20 MW power plant is expected to utilize 300,000 metric tons of solid waste annually. The promoters expect to obtain the green light of the Mauritian authorities in early 2009.

Several French, British and Indian companies in joint ventures with Mauritian partners have invested in the ICT sector in Mauritius as a result of the government's determination at the beginning of this decade to develop Mauritius into a cyber island. Other leading global players, including Accenture, Orange Business Services (France), InfoSys (India), Hinduja (India), Huawei (China), TNT (U.K.) have started Business Process Outsourcing activities, call centers, disaster recovery and business continuity centers, and software development.

Significant investment has been made by Indian companies in the past several years. Indian Oil Ltd. has built a 24,000 metric ton-fuel storage terminal as well as a testing laboratory. It has also opened a number of retail distribution outlets in Mauritius in the past three years. The Indian firm has plans to construct a pipeline for jet fuel between Port Louis and the airport and is also interested in the purchase of a tanker to transport petroleum products to Mauritius in joint venture with the Mauritius Shipping Corporation.

Another Indian company, Mahanagar Telephone Mauritius Ltd., (MTML) started international long distance telephone service as well as fixed phone services in competition with the local utility (Mauritius Telecom), in early 2006. It now also provides mobile phone and wireless internet services. The State Bank of India acquired 51 percent equity in a local domestic bank for the sum of USD 8 million. In 2007, Apollo Hospitals Group from India embarked on the construction of a high-tech 200-bed hospital in Mauritius, estimated at USD 30 million, in joint venture with a local corporate group. The hospital is scheduled to be operational in early 2009. Various Indian hotel groups, including Oberoi, Sagar and Taj, have also invested in high-end hotels and resorts in Mauritius.

The Shanxi Tianli Enterprise Group, a Chinese firm which is already operating a spinning plant in Mauritius, is planning to invest USD 100 million in infrastructural works for the establishment of a Trade and Economic Zone near the Mauritius port. The total cost of the Trade and Economic Zone project, supported by the Chinese government, is estimated at about USD 600 million and is expected to attract Chinese investors in a wide range of sectors, including manufacturing, information technology, property development, tourism and leisure, health, logistics, and services. Works on the project are expected to start after the visit of the Chinese President to Mauritius scheduled for February 2009. The Chinese government is encouraging Chinese businessmen to invest in Mauritius in order to tap the regional markets of COMESA and SADC.

Investment opportunities in Mauritius are available in the following sectors: seafood and aquaculture, information and communication technology (particularly legal and business process outsourcing), tourism, land-based oceanic industry (exploiting deep-sea cold water for air conditioning and water bottling), hospitality and real estate development (including hotels and integrated resort/luxury villas), ethanol production, spinning, renewable energy, environment, clinical trials, education and training, healthcare, creative arts, and global professional services.

CAPITAL OUTFLOWS: In Mauritius, there are no restrictions on capital outflows. Direct outward investment for the first nine months of 2008 amounted to USD 41 million, with significant investment directed to the tourism sector (hotel construction) in Maldives and Seychelles, the manufacturing sector (mainly apparel) in Madagascar, and the banking sector in Maldives and South Africa. The GOM strongly supports regional integration.

The Mauritius Commercial Bank Ltd, the largest banking corporation in Mauritius, has established a strong presence in the Indian Ocean region with operations in Reunion, Madagascar, Seychelles, Mozambique, and more recently in the Maldives. They also have operations in France. The State Bank of Mauritius, another important local bank, has established banking operations in India and Madagascar.

Outward FDI in the garments industry emerged in 1990, when the low-end operations were relocated to lower wage countries in the region. The first major move was by Floreal Knitwear, one of the largest apparel manufacturing entities in Mauritius, which began relocating to Madagascar in 1990 and is currently the largest textile manufacturer there. CIEL Textile Group, which owns Floreal Knitwear, also opened two garment factories in India in 2005-2006 and plans to invest in a sweater factory in China. The African Growth and Opportunity Act (AGOA) also provided the impetus for several other textile companies operating in Mauritius to open factories in the region, mainly Madagascar and Mozambique.

Other Mauritian investments on the African mainland relate to the use of expertise in the sugar industry to rehabilitate and manage sugar production in Mozambique, Tanzania, Ivory Coast, Madagascar, and Uganda. Long-established conglomerates like the Rogers Group, IBL Group, the Currimjee Group, the Food and Allied Industries Group, the Altima Group, and the British American Investment Ltd. have established foreign subsidiaries in commerce, poultry, and financial non-banking services, principally in Madagascar. Mauritius Telecom and Emtel, a subsidiary of the Currimjee group, have also invested in the telecommunications sector in Madagascar and Seychelles.

The following tables provide statistics on FDI outflows by country and sector of investment during the period 2005-2008.

-Mauritius Direct Investment Abroad by Sector, 2005-2008*

	2005	2006	2007	2008*
		(USD million)		
Tourism	32.8	12.4	33.4	23.2
Manufacturing	10.7	10.6	7.3	5.3
Real Estate	2.5	2.9	7.6	5.6
Banking	0.5	0.4	3.5	5.2
Other	19.5	9.7	5.2	2.0
Total	66.0	36.0	57.0	41.3

-Direct Investment Abroad by Mauritius, 2005-2008

	2005	2006	2007	2008*
		(USD million)		
France	2.0	-	-	2.1
Reunion Island	0.8	0.2	4.0	3.9
USA	-	-	2.9	0.4
Madagascar	6.6	9.2	8.3	5.1
Maldives	27.4	3.4	9.3	17.6
South Africa	-	0.4	1.1	0.6
India	-	-	1.0	-
Seychelles	3.0	5.9	5.4	4.6
Mozambique	18.0	8.6	4.5	0.3
Others	8.0	8.1	18.5	6.7
Total	66.0	36.0	57.0	41.3

Source: Bank of Mauritius
* Figures for 2008 are for the period January-September only