MAURITIUS: 2008 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 2008 Doing Business report ranks Mauritius first in Africa and 27^{th} in the world for ease of doing business. Also, the Foreign Direct Investment magazine published by The Financial Times, put Mauritius first on the list of business-friendly countries in Africa. The Government of Mauritius' (GOM) 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 a bold economic reform program aimed at moving Mauritius from a reliance on trade preferences to global competitiveness. The reform strategy, outlined in the budget for fiscal year 2006-07 (July-June), was designed not only 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 results of the economic reforms have been swift and tangible. The economy was turned around and grew by 5 percent in 2006, up from 2.2 percent in 2005. GDP growth in 2007 is estimated at 5.8 percent. Foreign Direct Investment (FDI) in 2006 amounted to USD 229 million, more than the cumulative total for the previous four years. In 2007, FDI is estimated at USD 313 million. It is expected to rise to USD 469 million in 2008. Encouraged by the signs of economic revival, the government's second budget (July 2007-June 2008) continued along the path of liberal economic reforms. In this budget, the government introduced a 15 percent uniform rate of corporate and personal income tax, thus making Mauritius one of the lowest tax jurisdictions in the world.

BUSINESS FACILITATION: GOM's 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, self-employed, and professionals have been combined into an occupation permit, which is now processed within three working days. Individuals holding an occupation permit can be eligible for permanent residence after three years. A new residence permit allows non-citizens to retire in the country. Foreign nationals can acquire property for business purposes.

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 GOM does not discriminate between local and foreign investment. Foreigners are allowed to own 100 percent equity in a local company.

The Board of Investment (BOI) is the government's investment promotion agency. It also 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.

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 resting on export-oriented manufacturing, tourism, and financial and business services sectors. In recent years, Information and Communication Technology, Hospitality and Property Development, the Seafood and Marine Industry, and the Biomedical Industry have emerged, attracting substantial investment from both local and foreign investors. In addition, thanks to strong support from the GOM, a number of projects in the following sectors are expected to be implemented in the next few years: (i) Land-Based Oceanic Industry, (ii) Knowledge Industry, (iii) Renewable Energy, (iv) Agro-processing and biotechnology, and (v) Logistics and Distribution

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. U.S. businesses will also be able to use Mauritius to get preferential access to the Indian market through the Comprehensive Economic Cooperation and Partnership Agreement expected to be signed in early 2008 between Mauritius and India.

INVESTMENT INCENTIVES: Government incentives for investment include: a low corporate tax rate of 15 percent; exemption from customs and excise duties on imports of equipment and raw materials; exemption from tax on dividends and capital gains; a low rate of 5 percent registration duty for notarial deeds; free repatriation of profits, dividends, and capital; and reduced tariffs for electricity and water.

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 GOM 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. Prior to that, the Mauritian rupee was pegged to a basket of currencies, which included the U.S. dollar, the pound sterling, the French franc, and others. 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 2007, net international reserves amounted to approx. USD 2.8 billion, representing 10 months of imports. Between January and December 2007, the Mauritian rupee appreciated by 13 percent against both the U.S. dollar and the pound sterling and 3 percent vis a vis the Euro, mainly as a result of sustained inflows of foreign investment

Expropriation and Compensation

Legislative guarantees against nationalization exist and are respected. The GOM has never nationalized an industry.

Dispute Settlement

A joint venture involving a U.S. investor has been engaged in a lengthy dispute with Mauritius Telecom, its cellular subsidiary, Cellplus, and the former Telecommunications Authority, over allegations of unfair competitive practices by Mauritius Telecom and Cellplus. 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 (BOI) to acquire property for use in his/her business. Any foreign investor engaged in an economic activity generating an annual turnover exceeding Rs 3 million (approx. USD 94,000) may obtain BOI's approval to acquire immoveable property in the name of 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.

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. According to a leading IPR law firm, the Police are not taking action against trademark infringements because it has been advised by the State Law Office that trademark enforcement is not within their scope of work, despite the fact that trademark infringement is by law a criminal offence. Furthermore, the GOM's Industrial Property Office (IPO), which also has power to enforce trademarks, has no enforcement unit and therefore has not carried out any enforcement since its creation. Only in cases where the trademark owner has a commercial representative in Mauritius is enforcement possible under the Prevention of Unfair Practices (Industrial Property) Act 2002, based on unfair competition instead of trademark infringement.

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 is a key vehicle in this regard.

During the last two years, the government has 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 have been 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 is scheduled to become 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 issue 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 to which appeals against decisions of a Chief Executive Officer may be brought. Thus, a simplified two-tier process is available to unsatisfied persons to seek remedy.

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. The government’s 2007-08 budget has already earmarked funds for the setting up of the Competition Commission, which will administer the competition regime.

Efficient Capital Markets and Portfolio Investment

Mauritius has a well-developed financial services sector and aims to become a regional financial center. 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 2007, the Stock Exchange of Mauritius had 43 companies listed on the Official Market, including 3 mutual funds, and 50 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 5.7 billion in December 2007. 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 4 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 USD 6 billion in 2006, which accounts for roughly 55 percent of the global business sector. 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 2008, Mauritius had DTAT's with a total of 33 countries.

Mauritius has a relatively sophisticated banking sector with 20 banks currently licensed to undertake banking business. The Banking Act of 2004, which replaced the Banking Act 1988, removed the distinction between domestic (Category 1) and offshore (Category 2) banks and provided 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.

Two Mauritian banks, the Mauritius Commercial Bank Ltd. and the State Bank of Mauritius Ltd., account for about 75 percent of the market share. Both banks are among the 10 largest banks in Africa. Foreign banks present in Mauritius include the Hong Kong and Shanghai Banking Corporation (HSBC), Barclays Bank, Bank of Baroda, Habib Bank, South East Asian 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 2007, commercial banks' total assets amounted to approximately USD 21 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. The Central Bank has also 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. However, inter-ethnic tensions 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.

After a registering a significant improvement in perceived levels of corruption in the 2006 Corruption Perceptions Index of Transparency International, Mauritius’ performance in 2007 was disappointing. It fell from second to fourth position in sub-Saharan Africa. 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. Mauritius’ score slipped from 5.1 in 2006 to 4.7 in 2007. However, corruption is not seen as an obstacle to foreign direct investment.

Mauritius achieved the highest ranking in sub-Saharan Africa in the recent survey of standards of national governance. The 2007 Ibrahim Index of African Governance compiled by the Kennedy School of Government at Harvard University, ranked Mauritius the best-run country in Africa.

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 is expected to take place in the first half of 2008. Mauritius also has an investment incentive agreement with the Overseas Private Investment Corporation (OPIC).

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, the United Arab Emirates, 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 2007, Mauritius had a total labor force of 552,600, including 354,600 males and 198,000 females. Total employment stood at 507,500, including 21,000 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 9.8 percent in June 2006, dropped to 8.8 percent in 2007, representing about 48,000 unemployed.

The GOM 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 2007, the government moved ahead with some significant labor market reforms. In

April, the government set up the National Pay Council (NPC) in replacement of the traditional tripartite committee that used to meet once yearly to determine the annual wage compensation based on the inflation rate. Henceforth the NPC will ensure that the level of compensation reflects not only the rise in cost of living but also other economic conditions such as productivity and the capacity to pay.

In September 2007, the Minister of Labor, Industrial Relations, and Employment published the draft Employment Rights Bill and the Employment Relations Bill for public debate before their introduction in Parliament. The new bills' main objectives are to revise the existing labor laws and liberalize the labor market. The ILO is assisting the government in the review of these bills. In December 2007, the Ministry of Labor launched the Labor Market Information System which provides an online skill-based matching service for both employers and job seekers.

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 the Industrial Relations Act, 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 in 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 & 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.

About 450 Freeport companies are engaged in activities such as re-export, transshipment, minor processing, and assembly. In 2006, the Freeport imported USD 447 million and re-exported USD 551 million worth of goods. Main products re-exported include: machinery and electronic equipment (56 percent); apparel and accessories (11 percent); seafood (10 percent); textile yarns and fabrics (5 percent); chemical and pharmaceutical products (3 percent); and jewelry and precious stones (2 percent). In 2006, the principal export markets for the Freeport were the United Arab Emirates, Madagascar, France, the United States, and Reunion Island.

The Freeport sources its imports from a wide range of countries. In 2006, the major suppliers included Hungary, China, India, Finland, Taiwan, France, Spain and South Africa. The main products imported include foodstuffs, 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, and re-packaging of pharmaceuticals.

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) performs 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 GOM, 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 was established in August 2004 in the port area to help facilitate administrative clearances related to the seafood industry. In June 2005, a leading Mauritian company in partnership with Spanish investors opened a tuna loin processing plant (Thon des Mascareignes Ltd.), with a daily processing capacity of 300 tons for export to Europe and the U.S. for final processing and packaging. U.S. company Bumble Bee Foods has a tuna supply and processing agreement with Thon des Mascareignes Ltd.

The Board of Investment, in collaboration with Airports of Mauritius Ltd., plans to develop an air cargo terminal and a dedicated air cargo logistics center at the airport. 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, foreign direct investment (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. From USD 229 million in 2006, FDI increased to USD 313 million in 2007 and is expected to reach USD 469 million in 2008.

The following statistical tables, supplied by the Bank of Mauritius (Central Bank), show inflows of FDI in Mauritius by sector and country of origin (2004-2007).

- Foreign Direct Investment by Sector, 2004-2007

	2004	2005	2006	2007*
	(USD million)			
Export Processing Zone	8.7	3.6	2.8	2.2
Tourism	4.2	18.2	83.0	144.0
Banking	10.9	15.4	111.0	70.0
Telecommunications	1.3	5.9	1.4	0.5
Other	37.8	52.0	30.7	64.3
Total	62.9	95.1	228.9	281.0

- Foreign Direct Investment by Country of Origin, 2004-2007

	2004	2005	2006	2007*
	(USD million)			
China	-	1.3	0.2	-
Dubai	0.3	0.3	3.6	33.0
France	17.2	14.5	16.6	25.0
Germany	3.3	1.5	5.6	0.2
Hong Kong	0.1	0.2	1.0	0.2
India	5.3	22.7	5.1	1.7
Luxembourg	1.0	12.5	1.1	0.4
Malaysia	-	-	-	0.5
Pakistan	-	1.7	1.6	-
Panama	0.5	0.1	0.4	-
Reunion Island	0.2	4.4	4.0	2.3
Singapore	-	-	-	0.7
South Africa	0.7	0.9	1.2	11.0
Switzerland	1.5	5.0	18.5	36.0
U.K.	5.0	19.6	121.0	82.0
U.S.	18.2	2.5	5.2	71.0
Others	9.7	7.8	43.9	17.0
Total	62.9	95.1	228.9	281.0

Source: Bank of Mauritius
* Figures for 2007 are for the period January-September only

In 2006, the largest inflows of the USD 229 million of FDI into Mauritius came from U.K., followed by Switzerland, France, Germany, and India. Together these five countries represented close to 90 percent of total investments. From January to September 2007, FDI stood at USD 281 million, the main sources being U.K. (USD 81 million) and the United States (USD 69 million), followed by Switzerland, Dubai, France and South Africa. 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 2007. Emerging sectors such as ICT, seafood and marine, biomedical, and knowledge/education also captured significant portions of the FDI inflows.

In addition to the traditional investment sources of Europe and India, the Board of Investment targeted new markets in 2007, such as China, Malaysia, South Africa, Scandinavia, Middle East, and North America. Several trade and investment promotion missions led by Mauritian Ministers have been to the United States in 2007. In April, the Minister of Tourism participated in the Africa-U.S. West Coast Investment Mission for African Ministers, organized by the U.S. Chamber of Commerce. In October, the Minister of Finance led a delegation to New York and San Francisco to attract U.S. investment and know-how in the sectors of ICT, finance, and legal process outsourcing. Also in October, the Minister of Telecommunications and Information Technology participated in the Outsource World trade show in New York to promote the outsourcing and ICT sectors of Mauritius. In November, a large delegation from both the public and private sectors of Mauritius led by the Minister of Finance participated in the Corporate Council on Africa's U.S.–Africa Business Summit held in Cape Town. The Mauritian delegation held a workshop on business and investment opportunities available in Mauritius.

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 (Mtius) Ltd., a subsidiary of Ceridian Inc., started operations in Mauritius in 2000 and 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, which is a wholly-owned subsidiary of U.S. Texaco Corporation. Microsoft, IBM, and Oracle 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 Teleforma Inc. which is engaged in Business Process Outsourcing activities, focusing on customer relations management for U.S. clients. Covance Laboratories Ltd, a subsidiary of Covance Inc., 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 approval process for the project is expected to be finalized in early 2008.

Several French and British 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, InfoSys (India), Hinduja (India), and Huawei (China) 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 couple of years. Indian Oil Ltd. invested USD 18 million in fuel storage terminals and retail distribution outlets. Universal Breweries Ltd. opened up a beer factory with a total investment of USD 9 million. 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 inaugurated its mobile phone and wireless internet service in December 2006. The State Bank of India acquired 51 percent equity in a local domestic bank for the sum of USD 8 million. In mid 2006, Sagar Hotels & Resorts started the construction of 250-room hotel, estimated at USD 47 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 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 530 million and is expected to attract Chinese investors in a wide range of sectors, including textile and apparel, light engineering, manufacturing, fish processing, and high-tech operations. Another Chinese company plans to invest Rs200 million in a paper recycling project in 2008 for the production of toilet and photocopy paper. Works on both projects are scheduled to start in early 2008. 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, tourism, land-based oceanic industry (exploiting deep-sea pure water for bottling and various other applications), hospitality and real estate development (including hotels and integrated resort/luxury villas), ethanol production, spinning, renewable energy, education and training, and healthcare.

CAPITAL OUTFLOWS: In Mauritius, there are no restrictions on capital outflows. Direct outward investment for the first nine months of 2007 amounted to USD 28 million, with significant investment directed to the tourism sector (hotel construction) in Maldives and Seychelles, the agricultural sector (sugar cane production) in Mozambique, and the manufacturing sector (mainly apparel) in Madagascar. 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, and Mozambique as well as 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 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 2004-2007.

-Mauritius Direct Investment Abroad by Sector, 2004-2007

	2004	2005	2006	2007*
	(USD million)			
Tourism	14.8	32.8	12.4	16.5
Banking	-	-	-	-
Manufacturing	3.5	8.7	10.6	3.7
Other	15.7	24.3	13.0	7.3
Total	34.0	65.8	36.0	27.5

-Direct Investment Abroad by Mauritius, 2004-2007

	2004	2005	2006	2007*
	(USD million)			
France	0.3	1.9	-	2.0
Reunion Island	1.3	0.8	0.2	4.0
USA	0.3	-	-	-
Madagascar	6.8	6.6	9.2	3.2
Maldives	11.7	27.4	3.4	4.8
South Africa	0.2	-	0.4	0.9
India	-	-	-	0.0
Seychelles	20.2	2.6	3.0	3.3
Mozambique	18.5	8.9	18.0	8.1
Others	0.07	13.5	35.3	2.0
Total	40.8	34.0	65.8	22.4

Source: Bank of Mauritius
* Figures for 2007 are for the period January-September only

NOTE: Exchange rate used throughout the report is (i) 2006: USD 1=MRs 31.50 and (ii) 2007: USD 1=MRs 32. (Mauritius Rupees=MRs)