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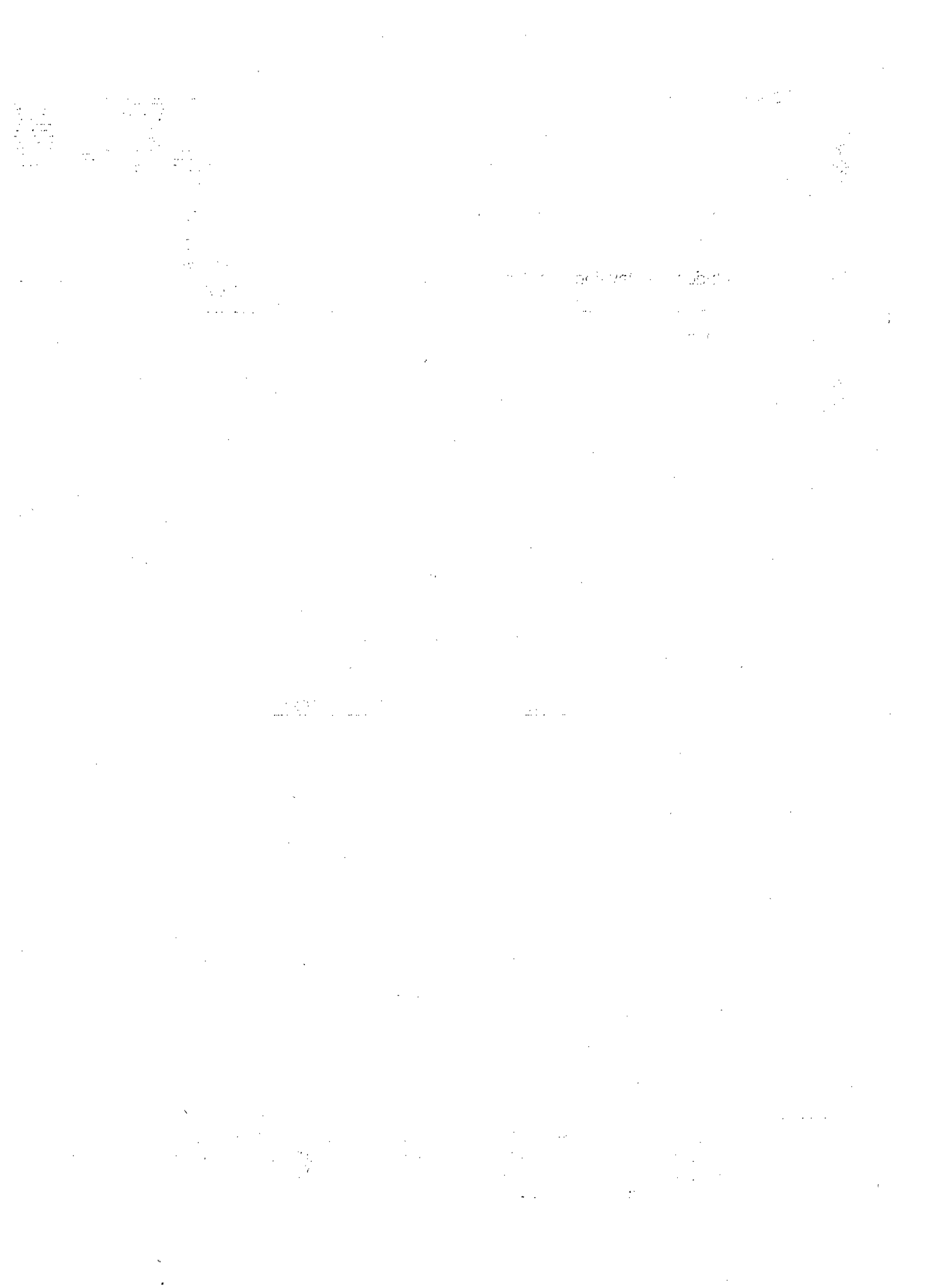
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## EXPORT INDUSTRIES DEVELOPMENT AND FREE ZONES PLANS

### BACKGROUND

#### (1) Situation and Climate

Mauritius is a small island of about 720 square miles in the South West Indian Ocean, some 500 miles east of Madagascar. It has a pleasant climate throughout the year, the average temperature being 16°C (61°F) during the winter months and 22°C (72°F) during the summer months.

#### (2) International Status

Mauritius is an independent State within the Commonwealth. It is a full member of the U.N. and a member of OCAM. It has applied for membership of the Yaoundé Convention so as to become eventually an associate member of the E.E.C.

#### (3) Population

The present population of Mauritius is about 850,000, almost half of whom are under 20. After remaining almost static during a period of about 70 years, the population has doubled in the last 20 years.

#### (4) The Economy

The sugar industry has always been the mainstay of the economy and is likely to remain so for a number of years. The production of tea is being stepped up. The cultivation of foodcrops, vegetables and fruits is also being encouraged actively. Tourism is being developed apace. But it is becoming increasingly clear that agriculture and tourism alone cannot absorb the large number of young persons who join the labour market every year. A serious attempt has been made to diversify

the economy. A number of incentives were offered to encourage the development of industries. For example, a tax holiday of five years, customs duty concessions on machinery and raw materials, tariff protection as well as other facilities were granted. As a result, a number of new industries have been established in Mauritius during the past ten years. But most of them were geared to the needs of the local market. Their growth was, therefore, necessarily limited and the number of employment opportunities created has remained relatively small. The problem of unemployment assumed serious proportions in the meanwhile and gave concern to the Government. It was then that the idea of creating export processing zones began to be seriously discussed both in the public and the private sectors. It was clear that the size of the domestic market and the structure of the existing industry could not provide a base for the significant development of manufacturing in Mauritius. Industrial development, on the scale and at the speed required, could only be brought about through the establishment of large scale foreign trade operations, completely or partly carried out in Mauritius.

#### ESTABLISHMENT OF EXPORT PROCESSING ZONES

An official mission was sent to the Far East some two years ago to visit the industrial set ups of such countries as Hong Kong, Singapore and Taiwan. After having witnessed the success of the Kaohsiung Processing Zones, in particular, the mission recommended the creation of similar zones in Mauritius. The suggestion was thoroughly examined and it was finally accepted. The conditions in Mauritius were considered quite favourable for the establishment of industrial free zones. There was a fairly large number of young unemployed persons looking for jobs and

the level of wages in the country was relatively low. A good industrial base already existed. Mauritian labour is known for its efficiency. It is educated and easily adaptable, with proven manual dexterity and experience in precision work. The local business community is a highly sophisticated one with long experience in the sugar industry (which, by the way, is one of the most efficient in the world), in foreign trade, shipping, etc. Lastly, Mauritius is well situated to supply markets anywhere in the world and has good air transport facilities and a potential for the development of large scale air freight operations. The Government and the population welcomed the creation of the Export Processing Zones. The Act establishing the Zones was passed in December 1970.

#### INCENTIVES AND FACILITIES

The following are the main concessions and facilities provided in the Mauritius Export Processing Zones:-

- (a) Complete exemption from payment of import duty on capital goods (i.e. machinery, equipment and spare parts).
- (b) Complete exemption from payment of import and excise duty on raw materials, components, and semi-finished goods.
- (c) Corporate Income Tax holiday for a minimum of 10 years and a maximum of 20 years, depending on the merits of each case. Dividends in the hands of shareholders, too, are tax free during the first 5 years.
- (d) Electric power at preferential rates.
- (e) Issue of residence permits to technical expatriate personnel and permanent residence permits to promoters and shareholders as warranted by the size of their interest.

- (f) Long term and medium term loans from the Development Bank of Mauritius. The Bank also provides industrial units.
- (g) Lease of land at preferential rates in the vicinity of certain housing estates.

#### INFRASTRUCTURE AND INSTITUTIONAL ARRANGEMENTS

The Ministry of Commerce and Industry is directly responsible for the operation of the Export Processing Zones. Certain internal re-organization of the Ministry is being effected. An Administrative Block will be set up shortly in order to service the Export Processing Zones. This Unit will take care of the needs of industries established in the zones, providing them with the necessary services such as sites, water, electricity, health clearance, municipality clearance, loans, customs regulations, labour legislation, freight rates etc. Secondly, an Export Promotion Council, which already exists, will be re-organized in the light of the experience gained so as to be of more effective assistance to potential and existing industrial enterprises. Thirdly, a Foreign Trade Unit is also being firmly established in the Ministry to undertake market surveys, feed the industry with trade and market information, to negotiate with foreign governments with a view to promoting sound trade relations with other countries.

#### INDUSTRIES ALREADY ESTABLISHED

Following the passing of the Act, a world wide publicity was given to the establishment of the Zones and of the incentives offered. As a result, a number of industrialists visited the country to investigate investment possibilities and submitted

concrete projects for the Government's consideration. During 1971, more than 30 projects were approved and a dozen industries were established. These included wigs, gloves, toys, garments, furniture, diamond processing, reproduction model boats etc. Over 1,000 persons were employed in these industries. However development was slowed down by a long dockers' strike last year. This year, there is an increased interest shown by industrialists from Hong Kong, India, Taiwan, South Africa, Australia and Europe. The prospects for the future seem good.

#### TYPES OF INDUSTRIES SUITABLE FOR MAURITIUS

Because of the unemployment situation in Mauritius, priority is given to highly labour intensive industries or those that through linkage effects can create substantial indirect employment opportunities. The types of industries that would be particularly welcome, bearing in mind the skill and experience possessed by Mauritians, include clothing, knitted and woven goods, handicraft products, plastic goods, leather products, toys, yachts and boats, wigs, rubber products, furniture, electronic products, light electrical appliances, tools and implements, sugar confectionery and so on.

#### CONCLUSION

Though the first year's achievement has not been outstanding, Mauritius can safely look forward to brighter prospects in the future. The constant flow of foreign industrialists coming to the country with interesting projects is an indication of an assured success of the Mauritius Export Processing Zones. However, there are certain constraints, particularly, shipping services and freight rates. It is hoped that these problems will be overcome in due course after the industrial activity in the Zones gathers momentum.