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05151



Distr.
LIMITED
ID/WG.165/16
23 November 1973
ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Meeting on Industrial Development Strategies
and Policies in Small Countries
Vienna, 26-30 November 1973

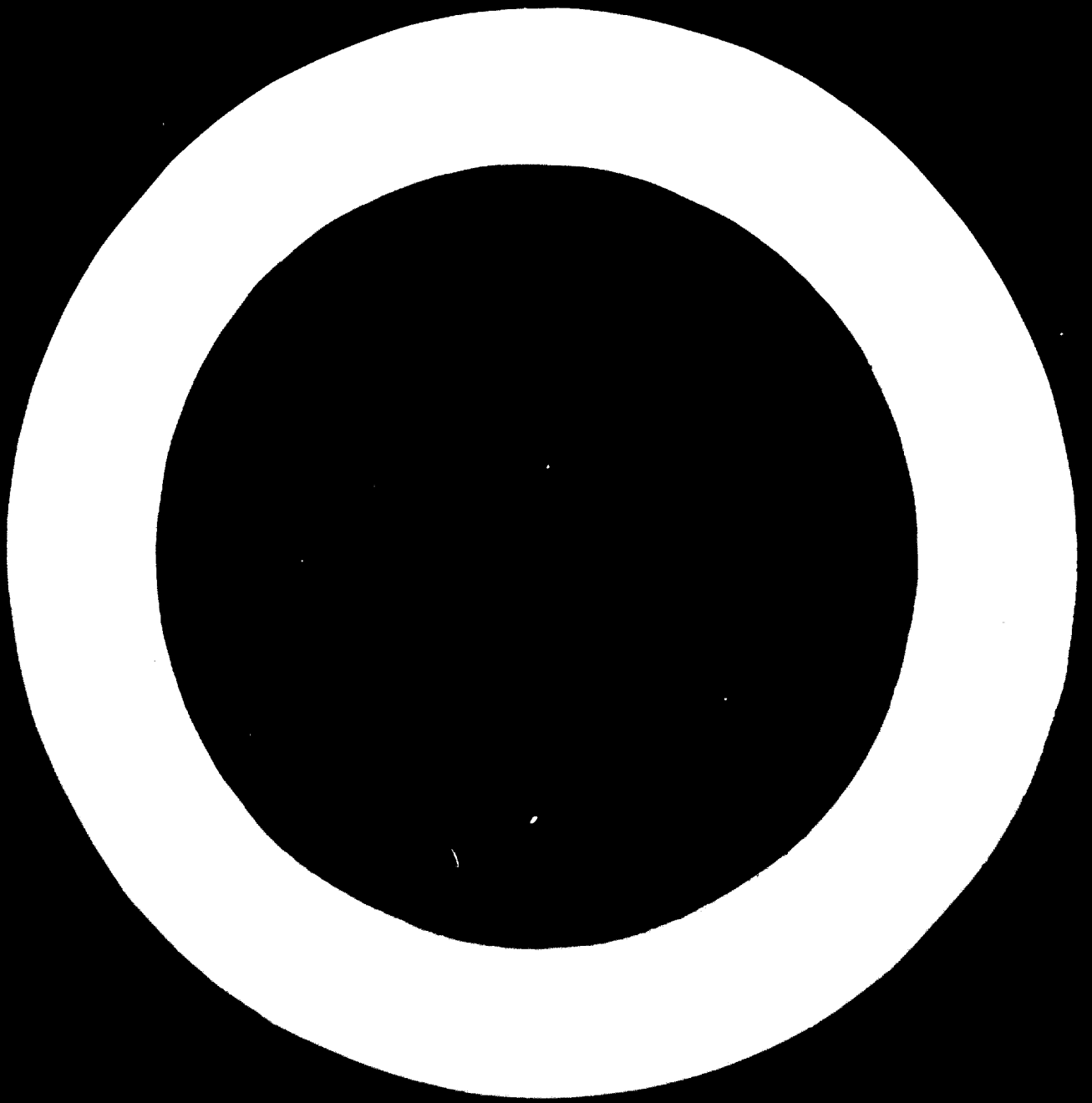
**INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES:
THE EXPERIENCE OF MAURITIUS, 1950-1972 ✓**

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CONVERSION RATES

1 rupee (R) = approx. 7.5 new English pence
or 13.33 rupees (Rs.) = £1 Sterling.

I. GENERAL CONSIDERATIONS

The strategy for industrial development in Mauritius is perforce dictated by the following general characteristics of the island: -

(a) Geographical

Size and Population

The country is small (having an area of only 720 sq. miles) with a population which, though still short of a million, is pretty dense for such a small territorial size. At the time of writing, the population is estimated at 870,000. The country has therefore little land for crop, livestock or forestry production in relation to its population. Further, Mauritius is an island and therefore highly dependent on external trade for its subsistence.

Position

Mauritius is strategically situated, lying as it does at the crossroads of three oceans, the Atlantic, the Indian and the Pacific oceans, in between Africa, Asia and Australia (see map). This key position has been further enhanced by the closure of the Suez Canal, which has considerably increased the number of ships calling at Mauritius on their way from Europe or America to Asia.

Topography and Climate

The island has been beautifully gifted by nature which has given it more than its fair share of golden beaches, blue-green lagoons and a climate which, though sub-tropical, is quite equable and attracts regular rainfall and a constant flow of trade winds.

Geology

Unfortunately, Mauritius is not richly endowed with mineral resources and has, accordingly, to depend on imports of raw materials and intermediate products for its industries.

(b) Historical

The island has derived no small benefit from its dual colonial heritage, having been at first a French colony and, after about a century, an English colony for an even longer period: hence its bilingualism, which serves it right, both at home and in international circles. Furthermore, the admixture of races, which has gradually produced one of the world's most multi-racial and multi-lingual societies, where East and West happily meet, has created a tolerant attitude to the outsider, receptive to new ideas, and thus makes the place congenial to tourists and industrialists, wherever they come from.

This dual colonial heritage has also created indelible links which have favoured useful associations abroad with a view to a strongly-based industrial and economic development in Mauritius with assured markets for its products.

(c) Social and Economic

From the blend of races mentioned above has emerged a strong, ambitious, intelligent and highly adaptable workforce. Thanks to this, the islanders feel ever ready to face any industrial task however heavy, sophisticated, artistic or technologically advanced. In fact, Mauritius has a high level of education for a developing country. Further, the labour force will not only increase rapidly over the next decade or so, but will also become younger. By the end of the seventies over half the labour force will be under thirty and training programmes will have a larger impact on its quality.

Economically, by reason of the restricted dimensions of the country, Mauritians know that their future cannot continue to hinge uniquely on a monocrop. Sugar, which constituted 98% of Mauritius exports until recently, has played its part magnificently across the ages, backed of late by tea, but the arable surface has been almost fully exploited and the swelling population has to face either the challenge of industry or the spectre of starvation: hence the determination with which Mauritians struggle, both with their hands and with machines, for survival and even better living standards.

Fortunately, for Mauritius, the long established sugar industry has laid the groundwork for managerial skills and ancillary industries rarely seen in other comparable agricultural economies, and produced a business community with considerable drive and acumen, and this to the point of providing consultancy services in Africa for sugar production.

2. Inevitably, the industrial development of Mauritius must needs be geared to the above broad characteristics which one has to bear in mind in order to appreciate to the full the policies and procedures adopted to promote such development.

II - PAST INDUSTRIAL GROWTH

General

3. As hinted above, the manufacturing sector in Mauritius has for long been dominated by the sugar processing industry which, with molasses, accounts for nearly 33% of the Gross National Product. In post-war years tea has also been constantly developed, thereby contributing increasingly to the national economy. Other agriculture-based industries dating from many years back are tobacco and aloe fibre which are respectively used for the production of cigarettes

for local consumption and bags both for the domestic and overseas markets. In the past, industry hinged on agriculture and whatever ancillary industrial activities developed were geared to the servicing of the factories producing sugar, alcohol and alcohol bags, tea and tobacco. There were, it is true, small units engaged in the processing of foodstuffs, the production of beverages, garments, footwear and furniture but these operations were conducted on a small scale and the variety of industries was quite limited until the Government launched its first industrial campaign in 1963. The following paragraphs give details of the agricultural industries established in Mauritius and the stage they have now reached.

Sugar

Sugar is the backbone of the economy. To date 21 sugar estates employ 6,175 persons in all, and produce about 700,000 metric tons of sugar a year (686,366 metric tons, valued at over Rs500 million for 1972). Of this quantity, some 30,000 tons are used for local consumption, the rest being exported. The sugar industry in Mauritius is, by international standards, operated on an advanced level of technology, research and management. So, one powerful asset of Mauritius in the context of industrial development geared to external markets is, besides the availability of adaptable labour, the skill and professionalism generated over many decades in the sugar industry.

5. It may be useful to elaborate a little on the pattern of sugar exports in view of the importance of assuring for the future, guaranteed markets which are no less remunerative than heretofore. Mauritius sells 386,080 metric tons every year to United Kingdom under the Commonwealth Sugar Agreement at a guaranteed price. This price, which had increased only slightly over the past twenty years, was raised by 20% for the three calendar years 1972-1974. Mauritius also sells 26,083 metric tons of sugar to the United States under the U.S. Sugar Act at a still higher price. In addition, sugar is sold on the free market under the International Sugar Agreement, subject to quotas when the statistical position so warrants. In 1972 there was no quota and Mauritius sold 130,444 m.tons to Canada and the rest (after deduction of 33,311 m.tons for local consumption) to U.S.S.R., Bangla Desh, Iran and Malaysia. In fact, prices on the free world market have improved steadily in recent years and have remained at exceptionally high levels throughout 1972 and 1973 to date. This accounts for the fact that the return from sugar has been high for the last three years — an important consideration in the analysis of the programme of industrial development in general since this situation has helped ease the balance of payments position and provide the necessary exchange facilities for the purchase of capital goods and raw materials for industry. An export tax and a milling tax on sugar also yielded revenue amounting respectively to Rs 26 million and Rs 14 million to Government in 1972/73.

6. By-Products of Sugar

(i) Molasses

The production of molasses, a by-product of sugar, is directly related to that of sugar. 140,158 tons were produced in the crop year 1971-72 and 176,489 tons in 1972-73. 94,835 tons were exported in 1971-72, valued at over Rs.7 million.

(ii) Alcohol

Production (from molasses) amounted to 1.63 million litres in 1972, most of which was used locally for the manufacture of rum, denatured spirits, drugs etc., leaving only 35,116 litres of ethyl alcohol for export.

(iii) Bagasse

This by-product of sugar, which is largely used as fuel in sugar factories, has recently been partly used to produce particle board.

7. Tea

Tea has been grown on the island since the 1800's, but it only began to assume commercial importance in the 1950's and the production was 4678 tons in 1972. Of this, 3937 tons were exported valued at Rs 20.8 million. 8 tea factories at present provide employment to some 410 persons. The tea industry has an important backward linkage effect and the total indirect employment in all establishments of this industry now exceeds 6,000 persons.

8. Tobacco

601 m. tons of tobacco were produced in the crop year 1971-72. This was mixed with 45 tons of imported tobacco to manufacture various brands of cigarettes, mainly under licence.

9. Aloe Fibre Industry and Sack Factory

Aloe fibre, which grows mostly wild in Mauritius, is suitable for manufacturing sacks and cordage. The annual production of aloe fibre varies between 1500 and 2,000 tons. This fibre is used as raw material in a Government Sack Factory for the production of sacks and cordage. In 1972 there were 657 persons engaged in the aloe fibre industry and 450 in the Government Sack Factory whose sale proceeds amounted to about Rs 5 million. One third of the production of the Sack Factory is sacks for the local sugar industry, the rest being exported with increasing success.

10. Exports of Other Agriculture-based Products

Some dried ginger, some fruits and flowers have in the past also been exported, but in moderate quantities. Groundnuts and maize have also been produced in the country as well as milk and meat. Recently exportation of groundnuts has started.

11. Miscellaneous Other Industries

Besides these agriculture-based industries and the auxiliary services provided thereto, Mauritian industries were, until about 1963, limited in variety and scope, as indicated in paragraph 1.3. above. Since 1963, however, following several reports by experts regarding the vulnerability of the economy in a small island with a then fast-increasing population, the Government launched an industrialisation campaign. Side by side with this campaign was a family-planning scheme aimed at reducing the rate of growth of the population which had reached the disquieting figure of 3.6% per annum.

III. THE FIRST INDUSTRIAL DEVELOPMENT CAMPAIGN (1963-1969)

12. The General Situation

Unemployment was rampant. Prospects were grim. The reports from overseas experts had rung the alarm bell. The population growth had to be drastically and rapidly curtailed, on the one hand. On the other, Mauritius had to launch into industrialisation by all means. Diversification in industry had to come as rapidly as possible to help relieve the unemployment situation and also save our valuable foreign exchange. The Government rose to the situation by taking necessary steps and the people responded, although timidly in view of the novelty of the undertaking. Fortunately the 1963 sugar crop turned out to be, both quantity and price-wise, an all-time record: a coincidence which enabled both the public and the private sector to devote a fair amount of capital to investment in manufacturing industry.

13. Objectives of the Campaign

In the same way as was done in most developing countries, the Government introduced in 1963 a series of incentives and concessions designed mainly to encourage entrepreneurs to establish import replacement industries. There was no scientific planning carried out at the time, the Ministries being not yet adequately equipped for such a transition. The main objective was to replace imports, wherever possible, by the creation of industries based on imported raw materials, since locally there could hardly be found any worthwhile basic materials, apart from bagasse, coral, sand etc. In this way it was hoped employment would be created for the rising number of unemployed and, at the same time, foreign exchange would be saved on value added. It was also hoped that the attitude of Mauritians vis-a-vis imported products (the only ones then considered acceptable) would change as it would gradually be found that similar articles could efficiently be produced in Mauritius.

14. Package of Incentives

The Government published a pamphlet setting out its policy regarding industrial development and stating unequivocally its determination not to nationalise any industry. Further, it would ^{enable} free repatriation of capital, profits and dividends. The benefits offered included the following: -

- (1) an Income Tax holiday of 5 years on the company's profits if the benefit of initial depreciation allowance (see (8) below) was utilised and 8 years with normal depreciation allowance;
- (2) exemption from income tax on dividends for 5 years; (these first two incentives were issued under "development certificates");
- (3) protective import duties for infant industries;
- (4) suspension or reduction of import duties on materials and equipment identifiable as being exclusively for industrial use and not locally available;
- (5) rebates of import duties on other raw materials and components for specified industries for as long as was considered justifiable;
- (6) Customs drawback of import duties on materials and components subsequently re-exported in finished products;
- (7) import quota protection of up to 80% of the market;
- (8) initial depreciation allowance of 40% on plant and 20% on industrial buildings;
- (9) longterm loans at favourable rates from the Development Bank of up to 50% of long term capital employed; lease of standard factory buildings at subsidised rates.

Effects of the above industrialisation campaign

15. First of all, how did Mauritians react to this campaign? For this was very much of an experiment in a country where for centuries one had been used only to the sugar industry. The tea industry was fairly recent, as explained above. So far, the population had been used to imported consumer goods and, even there, some marked preferences for goods from certain countries had developed.

16. Various reactions soon came to light. In the first years of this industrialisation campaign, the traditional importer of consumer goods which were now to be manufactured in Mauritius left no stone unturned to maintain his import trade. He, too, did not believe in industrialisation and, in his view, one only had to resort to some sort of dumping to ruin the budding industries. In anticipation of some Government action to protect these industries, he would import and build up heavy stocks with which to flood the market as soon as the locally made counterpart became available for sale. This, no doubt, made the position much more difficult for the industrialist who found, to his dismay, that the quota protection accorded by the Government was, at least for the first year, neutralised by these manoeuvres. This situation increased the strain on his finances by making intensive advertisement

essentially by forcing the industrialist to allow a substantial markup to the retailer, still keeping the price of his products to the consumer as low as possible. In the days that by, most manufacturers soon found that it was safer to avoid marking their goods "Made in Mauritius" and that, the closer the resemblance between the locally-made and the imported article, the better the chances of the former being bought. For the consumer did not at all believe in local production. To him, the goods were bound to be inferior. Accordingly, he would insist on being shown the imported goods in the shops. This led some manufacturers to devise trade marks which resembled those of imported goods, without being quite the same.

17. All this made the first three years difficult. Fortunately, after the initial years of this experiment in industrialisation, the importers had learnt their lesson and were, from that time on, much more eager to participate in industries producing goods which they used to import. This led to a smoother transition since by that time the traders had, for the most part, become the allies of the manufacturers and the distributors of locally-produced goods in replacement of imports. All the same, in view of the exiguity of the domestic market, the contribution of industry to employment creation was modest, although its growth in terms of output, especially in later years, was quite satisfactory in relation to the size of the local market, as shown hereunder.

	<u>1964</u>	<u>1970</u>
<u>All establishments except sugar factories & electricity</u>		
Employment	11,260	18,060
Gross output	Rs.126 million	Rs200 million

As for the Government itself, it had to face some erosion of revenue yield from import duties to protect these nascent industries without having any immediate compensation in the form of direct taxation or in any significant reduction of the overall costs to the consumer.

18. Industries Established by end 1970

By the end of 1970 the Government had issued development certificates to 110 industries out of which 70 had gone into production. This date is quoted because it will mark the introduction of a drastic change in the industrial development strategy. Among the industries established by that date (mostly under development certificates) were beer, stout, gin, jam, pickles, spaghetti, vermicelli, margarine, vegetable oil, dehydration of vegetables, paints and varnishes, carbon dioxide, cement bulk handling and bagging, concrete products, nails, oxygen, acetylene, floor tiles, shutters, candles, garments, metal furniture, spring mattresses, mirrors, soap, cosmetics, razor blades, rubber gloves, polishes, fibre

glass, reinforced plastic products, metal springs, wool working, packaging materials of paper and paperboard, foam plastic, processing of industrial jewels, saw milling, metal doors and windows, metallic structures, wire fencing, wire products and rolled steel products. Two important projects had also been approved by that date: a plant for the manufacture of 100,000 tons chemical fertilizers per annum and a particle board plant of a capacity of 5,000 tons per. ann., using bagasse as the basic raw material - both plants having to put considerable quantities to achieve full capacity utilization. The chemical fertilizer plant is now nearing completion whereas the particle board plant is already in operation.

19. Industry in Private Sector's Hands

These manufacturing industries were all established and operated by the private sector. The two exceptions were the Government Sack Factory and the Richelieu Livestock Feed Factory, which were then running at a loss. The Government Sack Factory is now quite viable and is due to pass into private hands, leaving Government a minority shareholding. There are clear indications that the Livestock Feed Factory may also turn private as part of a bigger joint venture project.

20. Exiguity of the Local Market

The small size of the island and, accordingly, the **exiguity** of the local market in many cases stood in the way of rapid expansion and, in fact, resulted in a generally low utilisation rate of plant and equipment. Very few of these industries have been able to achieve full utilisation, even on a one shift basis, although most of them have survived and gradually expanded. This situation has resulted in uneconomic rates of utilisation and therefore failed to offer the economies of scale necessary to make exports possible (at competitive prices). Value added in most cases has been fairly low, owing to a lack of local materials and components. On average, this has ranged between 30 to 40 per cent of ex-factory price. In some particularly labour intensive industries, the added value is somewhat higher, as in furniture and fixtures, for instance, where it reaches 45 to 50 per cent. The lack of locally produced materials has resulted in comparatively heavy demands for working capital. On average, working capital requirements have almost equalled the average fixed capital investment. In these industries, fixed capital investment varied widely, depending on the product but Rs 12,000 per employee can be said to have been the overall average figure. The backward linkage effect has on the whole been modest, except for the footwear industry. This remark does not, of course, apply to the processing of agricultural produce.

21. The Most Successful Sectors

Of the total increase in employment between 1964 and 1970, footwear, clothing and transport equipment together accounted for 56 per cent, while their share of the increase in gross output was 24 per cent. Food processing and chemical products together accounted for 7 per cent of the total increase in employment, while their share of the total increase in gross output amounted to 50 per cent. There was thus a certain emphasis on capital intensive industries which limited the contribution of these import-substitution industries to overall employment creation. The most capital intensive by far was the chemical fertilizer plant project (about Rs 60 million) which is now on the point of going into production. What is, however, surprising to note is that, by the end of 1970, local industry supplied about 40% of the total annual consumption of manufactures and about 50 per cent of the capital goods sectors - non electric machinery and transport equipment - which looks like a unique feature for a developing country.

22. The Political Future of Mauritius

There was also an important factor which prevented a more flourishing industrial development during these years. The country was going through a series of constitutional changes on the way to independence and the various political parties were extremely active in preparing the 1967 general elections, the result of which would determine whether the island would be independent or not. A coalition government set up in a spirit of conciliation had been short-lived. There was anxiety among the minority groups as to whether their rights would in future be fully safeguarded. Transfers of capital overseas led the Government to tighten its exchange control regulations and to tax such transfers. In that climate of uncertainty, potential investors at home were hesitant, and still more so investors from abroad. Fortunately, after independence the position gradually eased. In 1969, negotiations for the creation of a broad-based coalition government were set afoot, which culminated, towards the end of the year, in the actual formation of such a government.

IV. THE NEW OUTLOOK

AND THE MAURITIUS EXPORTS PROCESSING ZONES (MEPZ)

23. The main object of this coalition government was to muster all the resources of the new nation for coordinated planning and development. For the employment created by the import-substitution industries had been much lower than anticipated. As a result of the increasing labour force, unemployment was rampant in all sectors of the economy, and this, despite the fact that the family planning

campaign had been quite active and successful, and that the net growth rate of the population had by that time gone down to 1.8 per cent (after having been 3.6 per cent in the 1950's). Now that political independence had been achieved, the population realised that the next and perhaps more important objective was for economic independence. It was a real challenge both to the new government and to the population at large. The motto from that time on was "develop or die".

24. The New Industrial "Vireage"

The year 1970 saw a complete revolution in the outlook of Mauritians towards industrial development. The industries set up in the 1960's, although not very prosperous, had had a definite psychological impact. Mauritians could in fact produce a variety of goods and the labour was quite efficient. Some exports had actually been developed, not only to the neighbouring countries but even to Europe. Experiments in subcontracting operations had proved successful. Inter alia, the country was processing industrial stones (jewels) for watch bearings and re-exporting the processed goods by air to Switzerland: in that particular industry productivity had stood up to, and even exceeded, the most optimistic expectations. Female labour had thus shown its skill and dedication, in support of the work done in other fields by male labour. A new thinking had evolved and a new orientation was already in the minds of the Government and of the business community. Work began actively on a ten-year development strategy within the framework of which a four-year Plan - the first in the history of Mauritius - was to be formulated. A study of industry throughout the world was conducted by a team led by the Minister of Commerce and Industry, with particular attention to countries like Taiwan, Hong-Kong, Singapore and Porto Rico, where industry had been orientated mainly towards exports and where different free-zone or similar systems existed. In July 1970, the Mauritius Government published its intention of creating "export processing zones" on the island, giving detailed indications of the way these would operate and of the incentives that would be offered to investors, whether from overseas or domiciled in Mauritius. In December of the same year, the relevant Act (Export Processing Zones Act, 1970) was passed, giving birth to the Mauritius Export Processing Zones (MEPZ).

25. The Timing of MEPZ

To start with, there were at the time two schools of thought about the creation of these zones. Some were in favour of creating the full infrastructure first before launching into such a revolutionary venture. The majority, however, realised that the creation of jobs was such an urgency that it could not wait any further. It would be better to give to the overseas investor other benefits to compensate for any infrastructural deficiencies which might come to light in respect of their specific operations. After all, the island was small, the road network generally good and water and electricity distribution fairly widespread. Why not start with selected industries with moderate water and electricity

requirements? Some factory buildings were available in Plaine Lauzun near Port Louis, the capital, and the Development Bank of Mauritius was ready to pursue with due acceleration its useful work in the provision of factory accommodation. The labour, the most useful element in the operation, was available at rates which no developed and very few developing countries could compete with, and ready for the challenge. There could be no more hesitation. The die was cast in favour of immediate action.

26. Its Concept

The idea was to offer an attractive package of incentives to overseas manufacturing companies with well-established markets so as to lure them into transferring part or all of their manufacturing activities to Mauritius. The way to do this was to hold out to them the prospect of producing their goods, within a stable and pleasant environment, at a much lower cost by the use of inexpensive Mauritian labour and the benefit of tax exemptions, of maximising their profits, of utilising such profits freely by repatriation or otherwise and of exporting their finished products to overseas markets on time in accordance with commitments entered into.

27. Objectives

With the exiguity of the domestic market, opportunities for the creation of import-substitution industries had, with a few exceptions, almost reached their limit. The purpose of the Export Processing Zone Scheme was to turn to larger scale manufacturing operations and thereby maximize the creation of employment opportunities and the earning of foreign exchange by processing goods for export. This would at the same time lead to an influx of advanced industrial technology hitherto unknown in Mauritius. It would also introduce knowhow in design and marketing, which otherwise is difficult to acquire and takes a long time to develop,

28. Functions

It was certainly not the intention to make of MEPZ a geographical free zone. After all, it would require considerable time and money to try to put up a fenced area with walls, ready-built factories and dormitories and an intricate system of warehouses and administrative buildings as in Kaohsiung. For Mauritius, it was to be a race against time. Since certain areas with plentiful labour had already been earmarked in Mauritius as industrial zones and since the basic infrastructural facilities - roads, water, electricity, telephone etc. - were already there, approved industries established in these areas entirely for export would be considered as forming part of the Export Processing Zones. Under the

system, which was obviously very liberal, "bonded factories" were set up which enjoyed largely the advantages enjoyed in a geographically limited free zone. The licensed factories would be subject to a minimum of Customs Control to ensure that there was no erosion of revenue by the finished products finding their way to the local market. The system offered an important advantage to investors, namely the choice of sites best suited to the nature of their industrial activities, whether from the point of view of temperature, humidity, availability of labour, access to raw materials, etc. It ensured to the manufacturer the smooth and speedy conduct of his business in an atmosphere which was highly conducive to efficient industrial processing. No matter where in the island the factory was situated, transport to the harbour or airport was to be no problem in view of the short distances involved and the good road network. The administrative machinery, which was to be centrally located in the Ministry of Commerce and Industry, had been geared to this new requirement. It was to be a purely Mauritian device, based on the special conditions prevailing in Mauritius. The one real asset was the labour force, in which the hopes of the country rested.

29. The MFZ Package of Incentives

Considering the formula which was to be applied, it was essential to offer investors a really attractive package of incentives to attract them to Mauritius. After all, Mauritius was very little known and the risk to any prospective investor would appear fairly great: the magnet had to be powerful and, accordingly, the following package of incentives, considered unique in the world, was offered: -

1. Complete exemption from payment of import and excise duty on capital goods (i.e. machinery, equipment and spare parts).
2. Complete exemption from payment of import and excise duty on raw materials, components and semi-finished goods (except spirits, tobacco and petroleum products).
3. Corporate Income Tax holiday for a minimum of 10 years, and a maximum of 20 years, depending on the merits of each case.
4. Exemption from payment of Income Tax on dividends for a period of 5 years.
5. Free repatriation of capital and remittance abroad of profits and dividends to companies with an approved status.
6. Electric power at preferential rates.
7. Loans at preferential rates (from commercial banks) for the importation of raw materials.
8. Provision of reinforced factory buildings for use by industrialists.

9. Loans of up to 50% of total building costs for a 10 year period.
10. Favourable labour legislation to assist export industries to meet their export objectives.
11. Export finance at preferential rates of interest from commercial banks.
12. Exemption from payment of crane and other harbour handling dues chargeable by government on the imported content of export products.
13. Exemption from payment of registration fees on land and buildings purchased by new industrial enterprises.
14. Leases at preferential rates of land in the vicinity of certain housing estates.
15. The issue of permanent residence permits to promoters and shareholders as warranted by the size of their interest.
16. Completion within 24 hours of Customs inspection of incoming or outgoing commodities.
17. Priority, wherever possible, in the allocation of investment capital by the Development Bank of Mauritius.
18. The services of the Government Foreign Trade Unit to facilitate access to foreign markets and provide market information to exporters.
19. Government contribution to the cost of approved trade missions, trade fairs and collective advertising.
20. Direct negotiation by the Government with shipping and air lines for favourable terms of freight.
21. Exemption from Income Tax on profits earned from foreign investments in Mauritius if those are not transferred but are re-invested in Mauritius.
22. Immediate issue of import licences for machinery and raw and semi-finished materials and of export licences for the finished products.
23. Guarantee against nationalisation (Sessional Paper No. 2 of 1963).
24. Equitable settlement of disputes assured by the Government's adherence to the Convention on the Settlement of Investment Disputes administered under the auspices of the International Bank for Reconstruction and Development.

30. Labour and wage rates

The length of the above list is no doubt impressive and the incentives substantial and encouraging on the whole. But probably even more important an incentive is the labour available in Mauritius for industry. The country disposes of a wealth of resources in its youthful, intelligent and highly adaptable labour. The wage rates are among the lowest in industry throughout the world, as illustrated below: -

<u>Wages and Salaries</u>		<u>Rates</u>
Factory Workers Women -	Rs. 3.36 per day, unskilled,
		Rs. 4.20 upwards per day, semi-skilled
		Rs. 5.40 per day, skilled
	Men -	Rs. 7.00 per day, unskilled
		Rs. 8.50 - 10.20 per day, semi-skilled
		Rs. 10.80 - 17.40 per day, skilled
Clerks (Male and Female)		Rs.250 - Rs.300 per month
Foremen		Rs.350 - Rs.500 per month
Management	Starting salary Rs.1,000 -Rs.1,500 per month. Increasing on basis of professional skill and overall contribution to the firm.

This is not 'cheap' labour in the bad sense of the word. Its ability and productivity has been amply proved on the job in the multifarious aspects of technology already in use. Furthermore, steps have been taken by law to ensure that investors in NEPZ meet their export targets in the best of conditions and at the lowest possible costs. On the question of fringe benefits, a National Pensions Scheme is under consideration by the Government and in the meantime investors in NEPZ are expected to introduce some form of retirement benefit (in consultation with the Ministry of Labour) for the workers. This is the only charge (additional to basic wages) requested of them, but in practice many investors find it to their advantage to introduce a number of other attractions of their own in the form of productivity bonus, canteen and transport facilities, attendance premia etc to keep their labour happy. Naturally, there also exists a 'Workmen's Compensation Ordinance' providing for cases of accident.

31. Industries considered desirable for NEPZ

In order to facilitate the task of potential investors, a list was drawn up, as shown hereunder, as an indication of the types of industries that would be particularly welcome in NEPZ: -

Electronics products and components
Precision machinery and scientific instruments
Optical goods
Handicraft products
Furniture
Assembly of watches, photographic apparatus, etc.
Tools and implements
Electrical appliances and products
Leather products
Toys of all kinds
Yachts and boats
Rubber products
Jewelry
Art Printing
Food Processing
Garments of all kinds
Knitted and woven goods.

It was further stipulated that manufacturers of components for these and other industries would also be welcome. In addition, other labour-intensive industries where foreign markets were available would be favourably considered.

32. A Euroly Mauritian Strategy

The above types of industries reflect the actual philosophy of the scheme. The new orientation was towards the manufacture or part processing or other manipulation of products with a high added value, where the labour costs are a significant proportion of the value added and where the value of the imported materials and exported products is high in relation to their weight/volume. For it cannot be over-emphasized that the most important asset of Mauritius is the availability of adaptable and reasonably priced labour. This comparative advantage coupled with the availability of managerial skill in financial and technical matters had made it imperative for Mauritius to adopt the above course in its export processing activities, bearing in mind the geographical and other constraints (small size of market, distance from developed countries, scarcity of raw materials etc.) This strategy, therefore, has been geared to and dictated by the conditions prevailing in Mauritius. It is an 100 per cent Mauritian solution among others to its economic problems.

33. General view of the Export Processing Zones performance to date

The most significant progress so far has been achieved in the textile field (the manufacture of garments of various kinds) where the value of output for export in 1973 is estimated at over Rs20 million. Proposals exist for the extension of the present forms of textile processing to the establishment of

vertically integrated textile manufacturing enterprises (cotton, synthetic fibre, woollen), provided that infrastructural requirements can be suitably met. A vertical mill for the manufacture of woollen and worsted fabrics from wool tops is already under construction. This integration is necessitated by the rules of origin of the European Economic Community, of which Mauritius is now an associate member [See paragraph 59]. Considerable technological and manual skills have also been demonstrated by the introduction of such advanced processes as gem and diamond cutting and manufacturing. The electronics industry has also now been firmly established in Mauritius. The dexterity of Mauritian hands has been further proved by manufacture of extremely delicate model boats, toys and the more complicated parts of wooden period furniture. 24 export enterprises are now established in the zones in various lines which fall largely within the categories listed in para 31. A list of industries established in MEPZ is given in Appendixes I and II, broken down into various sub-headings of economic interest. Further, a more detailed assessment of the benefits derived from MEPZ is given in the immediately following paragraphs.

IV - DETAILED INVENTORY OF MEPZ: (1970 - 1973)

34. Now that the new strategy for industrial development is in the course of implementation and that MEPZ has been in existence for 34 months, that is just under three years, it may be proper to take stock of what has been actually achieved and to review, as necessary in the light of actual experience, the machinery utilised and the methods and procedures adopted in this experiment.

35. FIRST OF ALL, THE RESULTS. What has been achieved by way of employment creation, foreign exchange earnings and linkage effects in relation to the strategy outlined in the 4-Year Plan? What has been the social and economic impact of this revolutionary change in Mauritian industrial policy? Have the import-substitution industries, including small scale industry and handicraft, benefited from the opening created by these export enterprises and, if so, to what extent?

36. NEXT, THE MEANS. What changes have been brought about in the administrative machinery to face this challenge? What organisation has been set afoot in the Ministry of Commerce and Industry and elsewhere to implement such an ambitious programme successfully? What assistance has been obtained from local and overseas organisations? Have any steps been taken internationally to strengthen the position on overseas markets? Has Mauritius been playing a part in international subcontracting?

37. THE DIFFICULTIES AND PROBLEMS EXPERIENCED. What are the problems encountered in implementing and running MEPZ? In what way have any infra-structural or other weaknesses been met? Have there been any financial constraints? More important still, have there been any business failures? The following paragraphs attempt to provide answers to most, if not all, of these questions.

38. RESULTS

The economic achievements of MEPZ in relation to the 4-year Plan strategy

The following quotation from the 4-year Plan may provide an appropriate starting-point: -

"For the entire Mauritian labour to be gainfully employed by the end of the decade (i.e. by 1980), the main increase in economic activity must come from manufacturing. Because of the limited size of the domestic market, this will be mainly in manufacturing for the export market. The basis for such a development already exists in a labour force well adapted to acquiring mechanical skills. Both the relative costs and the quality of the labour force in Mauritius as compared with those of more highly industrialised countries can be expected to work increasingly to the comparative advantage of Mauritius in the manufacture of comparatively labour intensive products and in labour intensive processes in the production chain".

39. The plan target is the creation of some 42,000 permanent job opportunities in industry during the current decade. This target relates to all fields and categories of industry, whether in MEPZ or outside. In MEPZ itself the target was 2,000 jobs in 1972 and 5,000 jobs by end 1973. By December 1972, 2,200 jobs had been created in MEPZ and at the time of writing, figure approaching 4,000 jobs has been reached, which seems to indicate that this year again the target will be exceeded. (See Appendix I which gives an interesting analysis of the firms operating in MEPZ in terms of capital invested, Mauritian participation, loans, people employed and investment per employee). To-date 46 export enterprises (See Appendix II) and 28 import substitution industries have been approved, with an employment potential of 13,057 and 2,401 respectively. In addition applications from 35 firms for operation in MEPZ and 19 import-substitution industries with an overall employment potential of some 15,000 are being processed. Indeed, even if we assume that

as much as 50% of these projects will not ultimately be implemented, the indications are that employment in MEPZ and in manufacturing as a whole will exceed the 1972 target. Exports of manufactures (excluding bags and sacks) which averaged a little more than a million rupees in the late sixties increased to Rs 9 million in 1971 and further doubled in 1972 to Rs 18 million. Exports of one category of goods only (namely textile manufactures) are likely to exceed this figure in 1973 (being estimated at Rs 20 million) while exports of other goods from MEPZ are likely to reach up to Rs 15 million in the same year, making a total of Rs 35 million for 1973 (i.e. about double the 1972 exports). When we consider that exports of tea (the next most important export after sugar) totalled Rs 20.8 million in 1972, we cannot but conclude that MEPZ has already ousted tea from its runner-up position in the export industries and must from now on be considered the most serious competitor to sugar itself in the coming years. (The sugar exports in 1972 amounted to Rs 540 million). It is quite significant that the overall share of sugar in the gross foreign exchange earnings of Mauritius on current account, which exceeded 70% in the late sixties, dropped to 60% in 1972, in spite of the improvement of sugar prices. Admittedly, besides manufacturing industry, tourism has also played a part in bringing about this change.

40. Linkages with trade and import-substitution industries

The establishment of these MEPZ enterprises has had a great beneficial effect on import-substitution industries, both existing and future. It will be recalled that, with the exiguity of the local market, especially in a stagnant economy, most of these industries were just managing to survive, with rather marginal profitability and much underutilized capacity. Since the implementation of the MEPZ scheme, greater purchasing power had been provided by the employment created, no doubt to the benefit of import substituting industries. Further, the linkages created have transformed many of these industries by opening outlets for their products. Thus the thread industry is now prosperous, after having been in great difficulty, since all the textile factories in MEPZ (and there are many) are now utilising the locally-produced thread. Likewise, knitted fabrics are being supplied to MEPZ firms for garment making. Similarly, cardboard boxes, plastic bags and other packing material are in great demand. In fact, the demand is now fast outstripping local supply and already expansion schemes for the setting up of additional mills are being contemplated.

41. The construction industry has likewise emerged from the past slump into a boom hitherto unequalled in the history of the island. True it is that the tourist industry can claim a share of this expansion, but the construction

of industrial estates and factories has resulted in a bonanza for architects and builders. In the same way it has widened the market for the local industrial manufacturing plant, iron bars, nails, sawn wood, bricks, metallic doors and windows and other building materials. Today these industries are thriving beyond all expectations.

42. Other import substitution industries are now being set up as industries ancillary to those in MEPZ, with a view to providing parts and components for them. Thus it is proposed to manufacture buttons, braids, trimmings, ribbons, zip fasteners etc. for the textile industries. Projects for the manufacture of cement pipes (for water distribution for industry) and cement itself (in view of the increased demand) have also reached approval stage. A full list of the import-substitution industries now operating under a development certificate is given at Appendix III. In the same way, traders are having better returns to the extent that the new machinery and raw material requirements of MEPZ and associated industries have boosted their import trade. In addition, many cases of local sub-contracting have been noted. In short, the whole economy is now benefiting from the stimulation provided by MEPZ.

43. This widening of possibilities for import-substitution industries has stimulated them for bolder action yet and a good number among them have been widening their field of export. Some are even thinking of re-orientating their overall structure and organisation towards exports, whilst continuing to serve the local market. For these industries a new package of incentives is under consideration, the idea being to give them the partial benefit of income tax holiday in relation to their export performance - more or less in accordance with the practice obtaining in Singapore. This new outlook is of considerable significance and testifies to an awakening of interest within the local business community.

44. Mauritian participation in MEPZ industries

The Government is, of course, fully aware of the benefits to be derived from some measure of local participation in industries set up by foreign investors in MEPZ. However, the arrangement is flexible and there is no legal obligation for foreign firms to grant a certain amount of shareholding to Mauritians in their enterprises. Gradually, as new projects came up for consideration, it has been intimated to applicants that some measure of local shareholding is desirable. In most cases this has created no difficulty whatsoever, although in rare cases applicant companies have not accepted the proposal. In such cases, the Government of Mauritius weighs carefully the net economic and other benefits to be derived from the new industries before deciding to approve the grant of the export enterprise certificate. As a rule today,

applicants are told that it is highly desirable that there should be a minimum of 30% local participation. In practice this has been achieved, although in some cases a lesser percentage is accepted.

45. A review of the MEPZ industries to-day shows that, on the whole, the picture has been satisfactory from the point of view of local participation. Although half of the MEPZ firms are completely foreign-owned, the most do involve a fair amount of local equity. There are even a few cases where MEPZ firms are 100% local. The table at Appendix I sets out the situation clearly. And if we include loans from local banks, a still higher percentage of the money invested in MEPZ is found to be local. Occasionally, foreign firms of their own accord allow control to Mauritians by offering them a majority shareholding. Some prefer to have Government participation, in which case it is the Development Bank which puts in equity. In one of the recently approved applications - (processing of jute for export), involving a capital of some Rs 30 million, the Government is to have 45% equity. The foreign exchange and other benefits accruing from such participation need not be spelt out.

46. There are some cases, however, where one has to think twice before seeking to join in financially. For from time to time a subsidiary is created in Mauritius with a view to carrying out subcontracting operations for the main firm abroad. In such cases the market, the raw materials, and the knowhow are entirely in the hands of the foreign firm and it is then doubtful whether the interests of any local partner in such an enterprise could be fully safeguarded.

The impact of MEPZ on Small Scale Industry and Handicraft

47. In our Census of Industrial Production, all 'small establishments' engaging less than 10 persons are classified under the general heading 'Small Scale Industry'. And out of some 3,800 establishments to-day in Mauritius, not less than some 3,550 belong to this category. The bulk of their production (which represents about 15 per cent of the total net output in industry, excluding sugar factories and electricity) is valued at some Rs 33 million, and consists principally of food (Rs 9m), beverages (Rs 9m) footwear and garments (Rs 7m), furniture (Rs 3m), metal and other products (Rs 5m).

48. The impact of MEPZ on our small scale industries has been considerable. Like the import substitution industries operating under development certificates their market has been widened by the increase in purchasing power and by the ancillary products and services required by the industries in MEPZ. Today the

number of people employed in this category is about 11,000. The possibilities of manufacturing components within small scale industries on behalf of new industries, whether in MEPZ or not, is under constant examination. More particularly, the prospects of farming out work from MEPZ to cottage industries in the villages are being closely investigated and already various proposals have been made in this regard to the Ministry of Commerce and Industry. [See Table/ Employment in large Establishments - Appendix IV.]

49. Likewise, Handicraft is being actively developed, especially with the continuing growth of tourism. There again the opening created by MEPZ is fairly substantial. For local handicraft needs to develop designs which are of high quality and necessitates a sound organisation for research, planning, management and marketing. All this is now being brought in by MEPZ where applications exist for a number of handicraft products - quite apart from the already established industry producing model boats, which started as a small handicraft undertaking.

THE MACHINERY BEHIND MEPZ

50. General

To achieve the above results and to prepare for the next stage in the present programme of industrial development geared to exports, the whole machinery had to be re-organised to meet the new exacting demands. In the Ministry itself, a complete overhauling was necessary and this was to be achieved with the help of UN agencies and also bilateral technical assistance. Adequate financing machinery had also to be provided. Further, appropriate action had to be taken on an international level to secure the necessary support and open up markets abroad for the export products. Mauritius had to make some breakthrough in international subcontracting as well, in accordance with its true vocation. Thus a complex machinery was needed, as described in the following paragraphs.

51. Re-organisation of the Ministry of Commerce and Industry

With such an ambitious programme where objectives were re-adjusted and the industrialisation policy re-orientated towards external markets, it was clear that the Ministry of Commerce and Industry would have to be fundamentally restructured and reorganised if it was to play its role successfully as a catalyst for industrial development. Promotional as well as administrative measures of importance were accordingly called for, as stated in the 4-Year Plan : -

(a) Promotion

In the Plan it was recognised that, with the help of UNIDO

and other external assistance, a coordinated and extensive promotional campaign would have to be launched in order to introduce Mauritius to the world business community as a base for export and component manufacturing and marketing. Government machinery both at home and abroad would have to be geared to this task, supplemented as necessary by the services of international consultants. The main features of the co-ordinated promotional campaign were to be:

- (i) distribution of information on facilities, advantages and incentives in the form of brochures, advertising, newspaper and trade magazine articles, displays at selected trade and industrial fairs and talks by Mauritian trade attachés abroad;
- (ii) continued identification of possible projects, including marketing prospects, and publication of Project Proposal Data Sheets;
- (iii) identification of suitable entrepreneurs and private investment organisations and selective individual approaches;
- (iv) organisation of visits to Mauritius of selected entrepreneurs and representatives of private investment organisations.

(b) Administration

According to the 4-Year Plan, the industrial development programme also called for administrative and technical services of a high quality within the Government. The resources of the Ministry of Commerce and Industry would therefore have to be strengthened to ensure the following:

Project Evaluation and Formulation Group

- (i) the speedy processing of applications and other matters connected with the Export Processing Zones Scheme and, of course, the cutting of red tape to the minimum (To facilitate this, a separate administrative unit for the management of MEPZ operations was to be formed and the establishment of an independent Export Processing Zones authority to be studied);
- (ii) the identification of processes in technologically advanced production units proposed, which could be replaced by more labour-intensive methods, and of the possibilities of supplying components from local manufactures either for MEPZ industries or for companies abroad.

Data Collection Group

- (iii) the supply of market and other information to the Project Evaluation and Formulation Group and other Government agencies concerned for existing and prospective projects.

Promotion Group

- (iv) the carrying out, in addition to the promotional work described above, of preliminary negotiations with prospective investors and the organisation of participation in international conferences.

52. Action taken on above recommendations of 4-year Plan

To date, a substantial part of the above programme has been fulfilled and the three above groups (1) Project Evaluation and Formulation, (2) Data Collection and (3) Promotion) are operating satisfactorily in the Ministry, and this, thanks to assistance from UNIDO and bilateral assistance, mainly from U.K. and France. It is regrettable, however, that, whereas expatriate experts have been adequately provided under the above assistance programmes, local counterparts for these experts are still rare. At the time of writing this Report, however, not less than seven counterparts have just been recruited, of whom two are already in post. There has also been some delay in the putting up of a separate building to house the Administrative Unit for MEPZ industries, but construction is now due to start. Finally, it should be specified that, in the Data Collection Group is a Foreign Trade and Market Research Unit, assisted by a Technical Editor.

53. Standards and Quality Control

Action has also been taken with the help of UNIDO to ensure that the quality of industrial products is controlled. A building to be used as Standards Bureau is now being put up.

54. Financing Organisations

Side by side with the administrative machinery, the financing machinery has also been very effective and adequate. The Development Bank has been playing its part by contributing to long-term financing. Besides, Commercial Banks have been providing working capital within the limits authorised by Exchange Control Authorities for foreign-controlled companies registered in Mauritius. (If the control is in Mauritius, there are no such Exchange Control limitations). Commercial banks have also participated in medium term lending and even long-term consortium-lending along with the Development Bank where the amount of the loan sought so warranted. Also, the World Bank has been providing soft loans for the development of a new industrial estate. In other words, finance has been no constraint whatsoever. Mauritius has been lucky in having a favourable balance of payments in recent years (see Appendix V), a situation which has enabled the country to be quite liberal in the granting

of foreign exchange for the importation of machinery, equipment and raw materials to meet the requirements of industry, whether in MEPZ or not. The Bank of Mauritius (which is our Central Bank) has followed an expansionist monetary policy, thereby providing full support for the development in progress. As extract from the Bank of Mauritius first quarterly Review for 1973 reads as follows :

"In the sphere of money and banking, as emphasised in the previous Review, an unusual rise in money supply was a striking feature of the year 1972. For instance, the level of money supply in March, 1973 was higher by more than 18 per cent, as compared with the level a year ago. Among the factors underlying this phenomenon may be mentioned a significant increase in national income, a sizable balance of payments surplus realised in 1972, and an upsurge in credit to the private sector. Some idea of the expansion in credit can be gained from the fact that total credit in March 1973 was higher by about Rs 68 million, as compared with the level a year ago".

The above picture is a reflection of the buoyancy of the economy, as evidenced by another passage from the same bulletin :

"National Income data*, which have now become available, indicate that the national income in 1972 exceeded the level of Rs 4,200 million, that is to say it registered a growth of 20 per cent. Thus, for the second year in succession, the economy achieved a growth rate of more than 10 per cent. From available indications it appears that the year 1973 will also witness a significant growth rate.....

In regard to sectors other than sugar, there are indications that sufficient expansion is taking place particularly in the construction and manufacturing sectors".

55. Assistance from Local and Overseas Organisations

The very willing assistance provided by other bodies inside and outside Mauritius helped to supplement the work performed by the above-mentioned machinery. In the country itself the University has been ever ready to assist with seminars and to cooperate in any other way deemed convenient. In fact the Ministry of Commerce and Industry has worked in close consultation with the University where, at present, the building for the Standards Bureau is being put up. The Mauritius Employers' Federation has also contributed significantly to the development spirit and it is under their sponsorship that has now been created the Mauritius Institute of Management, which works under the aegis of the British Institute of Management. The Mauritius Chamber of Commerce and

* See Appendix VI.
Other economic data are given in Appendices VII to IX.
(Exports, Imports, Revenue, Expenditure).

Industry does also, in parallel with the Ministry of Commerce and Industry, with which it has close liaison, its share of promotion among its members and has in fact always been ready to cooperate with the Ministry.

56. From overseas, U.N. agencies have been providing ready and continuing assistance. This has been going on an increasing scale, quite commensurate with the needs of the occasion. Thanks to UNDP and, in more recent years, also to UNIDO, it has been possible to have technical feasibility studies of a serious nature conducted on various possible industries - cement, vertical textile plants, clay products, agricultural implements, furniture, pharmaceutical products etc. UNCTAD has also helped on various occasions by sending experts and arranging consultancy services. The latest assistance has been in the form of a consultancy study of the transportation problem, especially sea freight, and the report is being awaited. As regards the MEPZ scheme itself thanks to UNDP and more particularly, UNIDO, the Ministry of Commerce and Industry has been able to initiate and start operating a comprehensive Project involving the Co-ordinated operation of various groups in the Ministry as already described at paragraph 51.

57. In addition to the above assistance, we have also been benefiting from bilateral technical and financial assistance from individual countries, mainly United Kingdom, France and India. For example, pending the recruitment of suitable Mauritian cadres to face this situation of heavy demand from industrialists, the U.K. Government has lent us the services of two experienced Civil Servants. Financial assistance for development continues to be received from that country in various forms. France has also lent us highly qualified staff for some time and has even hired a firm of consultants (SOPROGI) to put at our service for attracting French industrialists into MEPZ. Concrete results have already been seen. Experts are also coming from India under technical assistance. More recently, the Government of West Germany has also sent a mission to study inter alia the best ways and means of assisting Mauritius in the identification of suitable subcontracting operations.

58. Last, but not least, is the World Bank, one of whose agencies, I.D.A., has generously lent us large sums, not only for the development of the tea industry, but also for the setting up of a new industrial estate in Mauritius. Missions from the World Bank have been coming to Mauritius in quick succession. In recent years, culminating, a few days ago, in the personal visit of its President, Mr. McNamara.

59. Action taken at International Level

(a) Assurances for Sugar Disposal in E.E.C. after U.K. Entry

In order to ensure successful industrial and economic development and to obtain the necessary safeguards for the future, Mauritius had to be particularly active in seeking the cooperation of other nations. Along with other Commonwealth sugar producing countries, Mauritius has sought and received assurances from the United Kingdom regarding the disposal of its sugar in the enlarged Community, on fair terms, for the quantity covered by the Commonwealth Sugar Agreement (CSA).

(b) Generalised System of Preferences

Further, in so far as the development of manufacturing industry was concerned, Mauritius started boosting its exports by taking advantage of the Generalised System of Preference (GSP) in 1971, when the first individual scheme, that of the European Economic Community, came into operation. Actual exports under the GSP amounted to about Rs 1 million in 1971 and Rs 3.3 million in 1972.

(c) Accession to Yaounde Convention and Associate Membership of the European Economic Community

Mauritius soon realised that the EEC rules of origin vis-a-vis the associated countries were slightly more liberal than those under the GSP. There was also unlimited access to the countries of the Community for the manufactures of an associated country without the imposition of any "ceiling" (under GSP "ceilings" or "tariff quotas" are applied). There were also a number of other advantages in associate status for Mauritius over those conferred by the GSP. Besides the complete duty-free access to the EEC, as opposed to the tariff quotas imposed under the GSP, Mauritian manufactures would not be subject to any quantitative restrictions on export into the EEC (The GSP did not confer this benefit). Moreover, cumulative origin was permissible through association but not under GSP. This meant that if the materials used by a Mauritian manufacturer were wholly imported from a member of the Community (of the Six) or from an associate and were originating products of such member or associate, they would automatically confer Mauritian origin upon the final product even through the manufacturing process did not fully conform with the processing requirements under the Rules of Origin. Another advantage was that Mauritius was to derive financial benefits from association through the European Development Fund and the European Investment Bank, whereas no financial advantage was attached to the GSP. Finally, there was the possibility of improved access to the

markets of other associates, 18 African states in all, through the provisions of the Yaounde Convention. On the other hand, the wider benefits which should theoretically have been available to Mauritius in the markets of North America have in fact not yet materialised through the protracted delays of U.S.A. and Canada in introducing the necessary legislation. Recently, the Government of USA has announced its intention of so doing. Because of all these advantages, Mauritius hastened to become a member of the Yaounde Convention II and, in this way, to become also an associate member of the EEC. It is the only Commonwealth country which has done so and its position as associate member was confirmed on the 1st July this year.

This new position of Mauritius is a real asset for its industrial development, which is becoming increasingly export-oriented. The duty-free and quota-free access to the markets of the Community of the Six (and eventually to the enlarged Community) of the originating products of Mauritius represents a substantial investment incentive which has already attracted a number of manufacturing enterprises, particularly those in the textile field. Under the Community rules of origin, in order that their textile goods should qualify as originating products of Mauritius and thus enjoy the above entry benefits, existing entrepreneurs were faced with making a decision on the size of their investment. They had to decide whether to invest deeply in a vertically-integrated project which would cover the operation from the raw materials to the final product. Or they would be content with the shorter process of just making garments using materials wholly originating in the EEC or an Associate Country. In the meantime Government took steps to protect the interests of those existing textile manufacturers who intended to convert their installations to a vertically integrated operation, thereby enabling them to continue to import raw materials from any source. To this end, the Government sought and obtained a derogation from the Rules of Origin for a broad range of textile goods already produced in Mauritius. These would enjoy duty-free access to the Community of the Six (without having to conform to the Rules of Origin) until end 1974, within certain specified ceilings. This was a happy arrangement which would allow time for the integration process in the textile industry, ^{which} is both time-consuming and capital-intensive. Advantage has already been taken of the grants available from the European Development Fund and E.D.F. missions have been visiting Mauritius of late to study various projects.

(d) Membership of OCAM

Mauritius had, of course, to start becoming a member of OCAM before seeking accession to the Yaounde Convention. For all OCAM members are members of the Convention. In fact Mauritius recently played a leading role as a host country to the OCAM Summit Meeting. Various market research and other studies are now being made to see how bilateral arrangements with OCAM countries can be warranted in order to achieve some positive trade liberalisation.

60. Constant Search for International Subcontracting Opportunities

In view of the vast potential Mauritius has for subcontracting operations on behalf of foreign firms, much of the promotion and project formulation work is being directed to the identification of possibilities in this field. For indeed, Mauritians make ideal international subcontractors, and this by reason of the scarcity of raw materials, the intelligence, dexterity and inexpensiveness of the labour force, and, last but not least, the availability of a competent business community with management knowhow. This was illustrated some good while ago, when Mauritians started to process industrial stones for the Swiss watch industry. The stones, or 'jewels', as they are called in watches, are received by air and sent back by air after processing. In this pioneer activity, Mauritian labour ultimately surpassed European labour in productivity. That was before the MEPZ era. Now, four of the 24 enterprises in MEPZ perform subcontracting operations. This is the case with the three electronic firms which manufacture components involving labour-consuming operations for larger factories abroad to help the latter face the fierce competition in the world. The manufacture of the varved furniture parts is another interesting example. There again, advantage is taken of the skill of Mauritian labour coupled with the fact that it is far cheaper than in the country of furniture manufacture. It is gratifying to note that UNIDO has taken an active interest in this particular area of potential development and has more than once made offers to Mauritius on behalf of foreign firms. More recently, the small size of the local firms has not made it possible to accept large contracts for the supply of various optical goods - which again illustrates that it is within MEPZ, with the help of foreign investors themselves, that such activities can best be undertaken.

PROBLEMS FACED IN IMPLEMENTING AND RUNNING MEPZ

61. The Ministry of Commerce and Industry, on whose shoulders rested the implementation of the MEPZ scheme, found itself confronted with various problems from the very outset, which were mainly of an infrastructural nature and to a lesser extent the result of such a sudden change in attitude to industry. These are listed and explained below:

(a) Infrastructural

(1) Obsolete Legislation

Although specific legislation had been enacted with a view to facilitating and expediting the work of the manufacturers and enabling them to meet their export targets without undue inconvenience, it was soon discovered that there remained in various organisations (Municipalities, Ministry of Works, Development Bank etc.) obsolete legal provisions which sometimes stood in the way of prompt action. These were among the first obstacles to clear.

(ii) High Freight Rates

One real bottleneck soon came to light after the inception of MEPZ. Since Mauritius had not yet built up enough trade to interest shipping companies in regularly providing freight space at competitive rates, especially for shipments to the United States, MEPZ companies were fairly handicapped by the high freight rates claimed because of insufficiency of cargo. The Government tried hard to assist but conference lines were adamant and were not at all ready to introduce a promotional freight rate. Fortunately, the airline companies came to the rescue and, as most manufactures in MEPZ are light relative to their value, commodity air freight rates made it possible for most of the companies to overcome the difficulty. Finally, even some manufacturers of textile products soon found it convenient, although more expensive, to fly their goods out to destination, more particularly as this was much preferred by the importers, in view of the vagaries of fashion. Additional freight costs were to some extent offset by the need to keep less stocks, the less expensive packing arrangements, the reduced chances of pilferage and the prompter payments effected. In the meantime, this sea freight problem is under active study with the help of UNCTAD and consultants hired by them.

(iii) Water

So long as the industries in MEPZ were not water-intensive, water was no problem. Recently, however, following the accession of Mauritius to the EEC as an associate member (para. 59 c) it has become imperative to have vertically integrated textile mills set up in Mauritius in order to enable the numerous garment factories operating in MEPZ to comply with the EEC rules of origin, and this has inevitably posed the problem of more ample water supplies for the dyeing, bleaching and finishing operations. Extensive water supply works are now in hand and it is expected that in 1974 the situation will be considerably eased and the vertical mills will be able to operate without depriving the others of their fair share of water.

(iv) Management

In the larger establishments, management has generally been present at top level and, with few exceptions, at middle level too, but in the smaller ones management problems arose at both top and factory level. For instance, some Chinese industrialists from Hong Kong had to face great language difficulties in driving their message home to the workers. This was because of their poor English which

was not assisted by any French at all. A few other ones arose but, fortunately with the help of an ILO management expert, the situation had been kept under control. It is principally in the import-substitution industries that many middle management deficiencies are acting as bottlenecks. Further assistance is being sought from U.N. agencies to fortify the management position in industry. In the meantime, a Mauritius Institute of Management has been created under the aegis of the British Institute of Management. Further, seminars on various aspects of management are regularly being held.

(v) Scarcity of readily available factory accommodation

The progress made by industry was much more rapid than anticipated and it was soon found that, despite the continuous efforts of the Development Bank in having factories put up, the demand far exceeded the supply. This was all the more so as the builders were flooded with building contracts arising from the simultaneous quick growth of hotels to cope with the development of tourism. As a result, applicants had to queue up and wait for months. This was not very satisfactory. Furthermore, the existing industrial estate of Plaine Lausum was soon fully occupied and the Development Bank was faced with the task of building another industrial estate from scratch. The application for loans from the World Bank to meet the cost of surveying, clearing, laying the infrastructure and finally putting up the factories has taken longer than anticipated and promoters have had to try and put up their own accommodation - with consequential delays.

(vi) Staff inadequate

Perhaps the greatest bottleneck has been the provision of cadres to match the development. For long the Ministry of Commerce and Industry has had to face the music with very little staff, and the strain imposed by missions overseas did little to ease the situation. United Nations assistance was, however, available as well as other technical help under bilateral assistance. The UNDP resident representative was as cooperative as ever and UNIDO experts have been constantly assisting the Ministry in its almost impossible task. Steps have, however, been taken of late and it is now known that before the end of the current year the necessary cadres will be in post as counterparts to the expatriate experts, ready to understudy them and take over.

(b) Quota

(i) Unear caused by low wage rate for girls

In the meantime it was found that some industrialists were paying their workers the bare minimum wage rates (which were quite low for girls) without any fringe benefits, and, in a few cases, even less than this bare minimum. This gave rise to an uproar in the Legislative Assembly and in the press. Fortunately, with competition setting in, the situation is much better now and the number of well-dressed young girls going to work and earning a living from their job is a pleasant sight to see.

(ii) Difficulty in changing attitudes

The change was rather too violent for some people and it took some time before they could gear their thinking and action to the requirements of the occasion. Much chasing had to be done and considerable pressure applied to eradicate red tape and outdated practices.

9(iii) Sudden curtailment of markets

This was perhaps the hardest blow of all at the very beginning of the MEPZ experiment. The first company which had started operating and was very soon employing 300 persons in the production of industrial cotton gloves destined for the U.S. market suddenly found, to its dismay, that the U.S. Government had imposed a quota whereby it could only export a very small fraction of its turnover to the United States. Overnight, the 300 workers found themselves out of job. Government intervened on behalf of the firm but the U.S. Government was only able to make a slight concession. Fortunately in the meantime, by dint of prompt action on the part of the manufacturer, who flew to various countries of Europe and elsewhere, new markets were found and to-day the same enterprise is employing some 500 people and is upable to cope with the flow of orders from everywhere. In another case, fashion changed and the demand for the type of wigs being produced abruptly diminished, with the result that the promoter finally decided to change to some other line of manufacture. Every assistance was given to them by the Government to minimise losses. Luckily enough, these were the only two cases where such tremendous market difficulties created great problems at the start.

(iv) Income Tax Payable in their Country by Investors in MEPZ

Under the MEPZ package of incentives, export enterprises were given an income tax holiday for a minimum period of 10 years and a maximum period of 20 years. So long as investors came from countries

where the corporate Income Tax rate was low (e.g. Hong Kong), there was no problem. The situation is, however, different in the case of investors from U.S.A. and from most West-European countries, where the corporate income tax rates are fairly high. This situation has served to some extent as a brake on investment from these countries and the possibility of double taxation agreements to soften the blow is now being investigated. In the meantime, alternative incentives are being contemplated to compensate any shortfall in benefits resulting from high income tax rates abroad. Furthermore, there is no point in Mauritius foregoing the revenue from the Income tax if it is the country of the investor that will benefit therefrom (see paragraph 66).

V. - THE FUTURE OF MEPZ AND OF INDUSTRY IN GENERAL

63. The Mauritius Export Processing Zones Scheme has, it is true, created a revolution in the concept and trend of industrialisation in Mauritius. Along with the obvious economic benefits, it has brought about a new awareness of the development potential of Mauritius within its limited area. Nonetheless, in addition to the above remedial action certain corrective measures need to be taken after these initial results if the second stage of MEPZ is to benefit from the weaknesses of the first. To start with, there must be a greater diversification of the industries established in MEPZ, and a resolute assault made on more technologically advanced industries. Next, the package of incentives should provide alternative benefits for industries to which the existing package is not as advantageous as intended. Furthermore, some scheme will have to be worked out to encourage the employment of non in industry as a whole. More supporting industries will have to be created and the training programmes will have to be intensified to prepare for the second stage. The creation of a geographical free zone, comprising inter alia a free trade zone, will need to be vigorously pursued to supplement the established structures and stimulate a more active external trade closely linked with sub-contracting, break-bulk, packaging and re-distributing operations.

Diversification of Pattern of Industries

64. As in most other countries which started industrialisation, made up textile goods have played a prominent part in MEPZ. Now, vertically integrated textile factories are in the offing. Electronics has been coming more slowly but there are clear indications that it will also considerably improve its

position, by covering a wider spectrum and involving more complex processes, in Mauritian export industries. As against these two usual fields, there has been a breakthrough in the highly sophisticated process of diamond processing and in the production of elaborate furniture parts on a subcontracting basis. There is, however, ample scope for expansion in these lines, which are considered highly desirable and reflect the skill potential in Mauritian labour. Only one aspect of toy-manufacturing (soft toys) has so far been undertaken, although applications for other types have already been approved. Wooden, metallic, plastic and other hard toys (whether remote-controlled or not) will usefully be manufactured in MEPZ in future, the field in this category being quite vast.

65. Other lines will have to be explored with a view to maximising employment opportunities in even more technologically advanced enterprises. Now that confidence has been created, both at home and abroad, in the capacity of Mauritians to manufacture for export, more particularly in industries requiring a high degree of skill, there is no reason why other lines like the manufacture and assembly of watches and cameras, the manufacture of jewelry, electrical articles of various kinds, souvenir articles, precision machines, scientific instruments and a host of other products could not be covered. A study of sub-contracting possibilities for integration in European industry has already been started and, with UNIDO help, this may well pave the way for a multitude of intermediate processing activities here. With more intensive and varied training opportunities, as already planned, there is hardly any labour-intensive operation with high value added which would not be successfully undertaken.

66. Alternative package of incentives

The present package of incentives has remained unchanged since the creation of MEPZ. In the light of actual experience, it has been found that, for investors from some countries, the benefits are not as substantial as originally planned. For example, to investors coming from countries where the income tax payable by companies is high, the income tax holiday provided for in the package is completely lost. What they do not pay in Mauritius has to be paid in their country of residence, for, as is generally the case, no double-tax agreement exists as yet between Mauritius and these countries. It is, in such cases, entirely pointless for Mauritius to forego the tax, and some alternative package of incentives with less income tax holiday and more other benefits will have to be devised. This will give time to Mauritius to negotiate double tax agreements with other countries. One way of compensating those not actually benefiting from this income tax holiday is, perhaps, to allow them some kind of "training credits" under this scheme, whereby their training expenses could be alleviated by the amounts payable by them in Mauritius as income tax. The period of exemption from payment of dividends could be extended. The whole issue is under careful study.

Incentives for the employment of men.

67. Over 80% of the employment created in MEPZ has been for women. While it is accepted that this had had a beneficial effect in the sense that it has helped to catch up to a large extent in the provision of jobs for women, it is felt that the choice of future industries should, to some extent, be guided by the employment opportunities they offer for men. During the last three years, there has been operating, under the 4-year Plan, concurrently with MEPZ, the Development Works Corporation - an institution created to absorb men into the easier types of constructive work requiring large amounts of male labour, more particularly in connection with the planting of trees, the clearing of land, the building of roads and even schools, etc. This has made possible the employment of men with hardly any skills and has, in the very words of Mr. McNamara, the President of the World Bank, during his recent visit to Mauritius, provided a magnificent vehicle for the training of men at reasonably low cost. However, it would appear that the number of men so employed is fast reaching the limit and that alternative employment opportunities of a more permanent nature will gradually have to be created. Because of this, some incentives will also have to be provided in industry for the employment of men wherever their efficiency can be at least as good as that of women. Hitherto, the minimum wages for women have been well below those of men, and industrialists, in order to keep production costs low, have either selected industries where women were more suitable (e.g. the manufacturing of garments, electronic components etc.) or maximised the employment of women where skills of both men and women were comparable. Some kind of additional benefit (e.g. longer tax holiday, training grants etc.) for the employment of men will have to be considered as it will, at the same time, attract other kinds of industry than those at present in operation. Furthermore, preferential treatment will have to be given to applicants for development and export enterprise certificates in lines requiring male employment (e.g. light engineering, wood-carving etc.).

68. It is also hoped that, as the volume of production increases in MEPZ, the sea freight position will improve, making possible the production of a vast range of heavier goods - which, of course, requires men. At the same time, to help create white-collar jobs for college-leaving young men, computer training should produce 'software' for utilisation in the neighbouring countries. Bearing in mind the high educational level, for Mauritius, this kind of specialisation should be a fitting supplement to the manufacture of goods in industry.

69. Sales to the Local Market

When MEPZ was launched, it was important, from a purely experimental point of view, to stipulate that its benefits would accrue only to companies manufacturing 100% for export. It was imperative to ensure (a) that the

companies that would set in already had their export markets, (b) that there would be no conflict with existing local industries and (c) that thereby the full benefits of exports would be derived in existing or new lines of industrial activity. After this experimental stage, it will certainly be to the advantage of the economy of Mauritius to start authorising sales to the local market from the industries in MEPZ. So far, such sales have only been authorised to enable industrialists to dispose of their "seconds" or some waste products which were not marketable overseas. It can be easily understood that it is an economic waste for a country like Mauritius (which has to import the bulk of its requirements, and this in increasingly difficult circumstances, with freight costs constantly rising) to forbid the disposal on the local market of goods which will thereafter have to be imported at a much higher cost. Further, the increase in employment creation and in foreign exchange savings cannot be overlooked. No doubt, the authorisation of local sales will have to be carried out judiciously, due account being taken of the existence of domestic-oriented industries operating in the same lines. In no case should a major firm manufacturing for export be allowed to compete with a nascent firm struggling to cater for the local market (which, after all, is very exiguous). In lines where manufacturing does not yet take place in the country, it is felt that local sales, after due payment of Customs or Excise duties, will have to be authorised; likewise, this should be encouraged whenever the commodities can be used as inputs in other local industries, although such sales will admittedly increase the burden on the Customs personnel controlling the MEPZ industries.

70. Geographical Free Zone as a corollary to MEPZ

The creation of a geographical free zone in the harbour area has already been planned as a corollary to MEPZ, with British technical and financial assistance. An area under shallow water in the harbour region is now being intensively reclaimed, with a view to making available some 250 acres of valuable additional land. Some anticipated foreign trade operations, not involving full manufacturing but requiring processing, or manipulation connected with the marketing and distribution of goods manufactured elsewhere, may require the facilities of one or more geographical free zones. Such facilities will be conducive to the use of Mauritius as a base for regional distribution and as a point of transshipment in the region. Likewise, they may facilitate the manufacture of components by foreign industries through affiliated plants in Mauritius in view of the freedom of operations offered. For this reason the establishment of such a zone in the harbour area is being considered as well as one at the new international airport which is about to be constructed.

Strengthening of infrastructure

71. The demand for factory accommodation in recent years has exceeded all expectations and proved a real challenge to the Development Bank, which is responsible for the creation of industrial estates and the provision of ready-made factory buildings. The existing industrial estate of Plaine Lauzun is now bursting at the seams. Other (private) sites reserved for industry have been fully occupied. Despite its zeal, the Development Bank has been overtaken in the race by the relentless demand for accommodation. A modern industrial estate is being created at Lower Coronandel, about 3 miles from the Plaine Lauzun industrial estate, with the help of loans from the World Bank. In order to avoid slowing down the pace of industrial development, the Government has taken special steps aimed at decentralising industry and providing alternative sites to industrialists in villages. For example, there are 20 sugar estates scattered all over the island, where infrastructure in the form of tarred roads, water, electricity, telephones etc. is already available - besides labour. The Government has exhorted the sugar estates to use areas adjoining their estates as sites for manufacturing industry. This orientation is now being followed and it is expected that the second stage of MEPZ will, from 1974 onwards, benefit from these sites where ancillary services abound. Further, new sums are being budgeted to expedite the provision of industrial sites in other areas, with facilities for the investors to put up their own factories. Such facilities will also exist in estates where the Development Bank is providing factory accommodation.

72. The need to put up vertically integrated textile mills, inter alia, will strain the water resources of the island to a considerable degree and, in order to meet this contingency, the Government has had a comprehensive water distribution network for industry planned, costing not less than Rs 17 million. The textile mills as well as the other new MEPZ industries will largely benefit from this infrastructural improvement in 1974. The electricity needs are also being met by additions to the existing generating plants. The harbour is being developed to meet foreseeable needs, and a new airport is to be constructed in the north of the island, with complete airfreight facilities to serve industry. Last but not least, adequate training facilities, with U.N. assistance and also bilateral technical assistance, are intensively being developed. Most important among these training facilities is the setting up in the near future of a new Industrial Training centre with many different trades. In the medium term, it is intended to introduce technical and vocational training right from primary school level, and this with a view to creating skills closely related to the expected requirements of industry.

Conclusion

73. The industrial development of Mauritius has so far fulfilled the objectives of the Four-Year Plan. The industries manufacturing essentially for the local market, including small scale industries and handicraft, have been reinvigorated by the new presence of MEPZ industries and both have been operating smoothly side by side. The local investors have been intelligent and realistic enough to understand that, far from competing with them, the export industries with their strong admixture of foreign participation and the influx of knowhow and technology, could only increase their opportunities for development. The population, which was at first sceptical about the success of MEPZ, is still filled with pleasant surprise, not only at the vast numbers going to the factories every day, but also at the fact that Mauritian-made goods, involving high technological skills, and including such articles as "electronic calculators" should be accepted on overseas markets not less sophisticated than the United States and Europe. No doubt, this expansion has brought about some measure of inflation in its train. The greater availability of money in the hands of the working population has created a demand which tends to push prices up. At the same time some agricultural workers tend to shun agricultural work and to turn to industry. This tendency will gradually pave the way for the mechanisation of the sugar and other agriculture-based industries right from the field to the loading of the finished products on the ship - an inevitable process which will help maintain the competitive position of these products on the world markets. On the whole, this industrial revolution is proceeding satisfactorily and there is no reason why the next stage should not be attended with still brighter prospects for Mauritius.

APPENDIX I

Analysis of the 21 Industries in Operation in IEPZ*

INDUSTRIES	Total Permanent Capital	% Mauritius Equity	Long Term Loans	Total Fixed Assets	Investment per Employee	Total Work Force
I. Textile						
Knitwear (Pullovers) 2 mills	5,400,000	64%	2,900,000	3,000,000	2,200	1,200
Industrial Gloves	1,560,000	Nil	250,000	1,690,000	3,400	500
Trousers & Suits	1,400,000	20%	600,000	1,900,000	10,000) 2,500)	110
Knitwear	1,200,000	Nil	Nil	860,000	2,500	337
Gloves	539,000	Nil	-	350,000	1,350	260
Shirts	500,000	Nil	-	480,000	4,600	106
Garments (various)	500,000	-	-	640,000	11,000	57
Shirts	213,000	100%	-	350,000	3,000	125
Yarn Processing	-	-	-	480,000	30,000	16
Garments (various kinds)	1,750,000	11%	-	2,659,000	3,000	900
II. Electronics						
Electronic Calculators & parts	2,000,000	Nil	Nil	2,420,000	5,000	500
Electronic Components	344,000	-	-	566,000	2,200	259
-do-	100,000	47%	100,000	340,000	5,400	53
III. Diamonds						
Synthetic Diamond	800,000	Nil	Nil	460,000	15,000	36
Diamond Cutting & Polishing	565,000	100%	115,000	482,000	4,000	120
IV. Furniture etc.						
Antique Furniture parts	160,000	5%	-	370,000	7,115	52
Rattan Furniture	104,000	Nil	-	52,500	1,625	30
Models of Boats	50,000	-	-	82,000	845	37
V. Food: Delicatessen	360,000	50%	210,000	397,000	2,500	10
VI. Toys: Soft Toys	1,300,000	15%	400,000	1,000,000	4,000	100

MAURITIUS

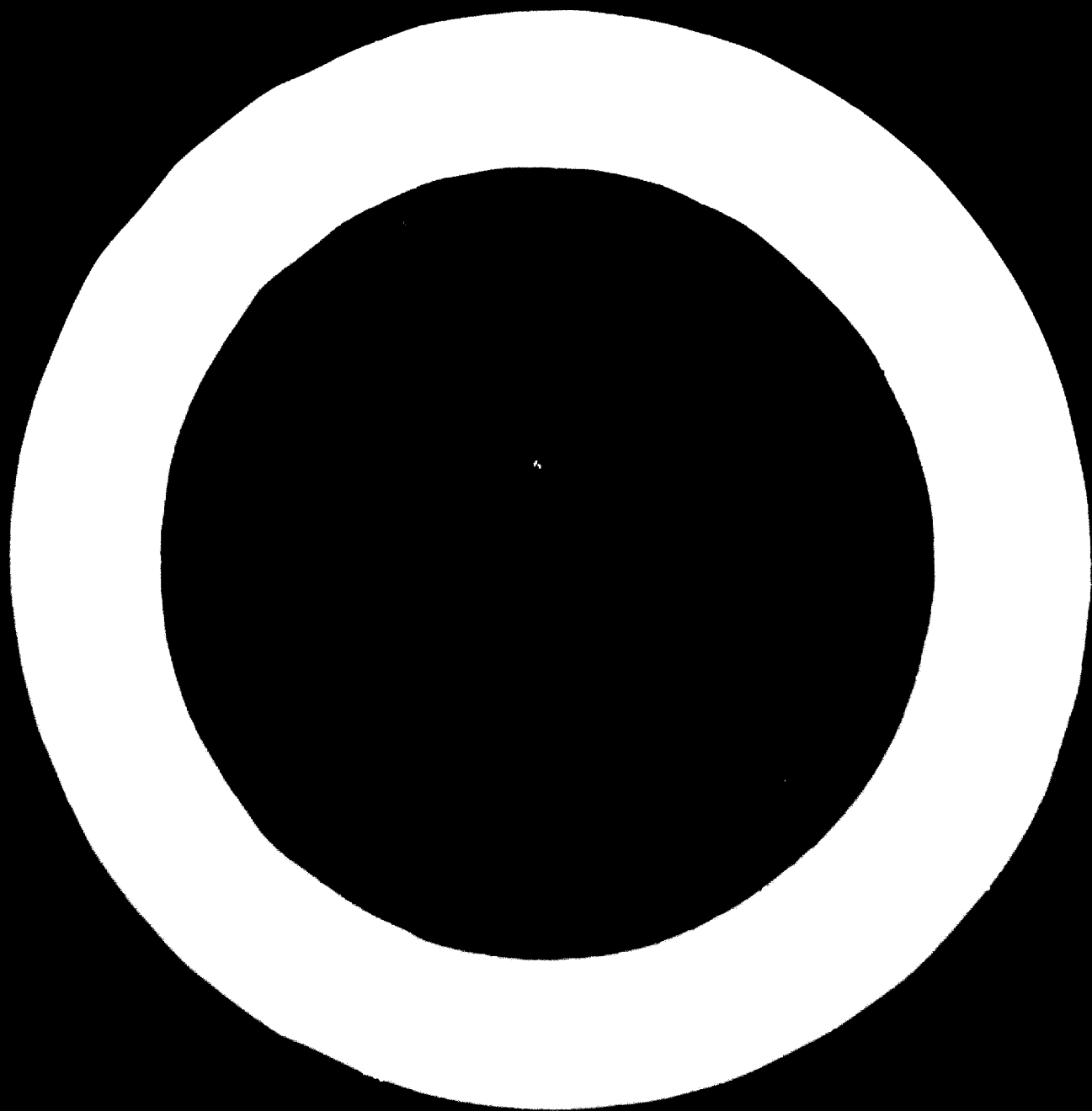
List of industries established in MEPZ
and projects under consideration, October 1973

Type of Industry	No. of Enterprises already Established	No. of Enterprises to operate shortly	No. of Projects Approved	Total	Projects under Consideration
1. Diamond cutting and polishing	1	-	-	1	
2. Gloves	2	-	-	2	3
3. Reduced models of boats	1	-	-	1	
4. Garments (excluding knitwear)	5	9	2	16	4
5. Toys & Games	1	-	1	2	1
6. Knitwear	3	4	3	10	4
7. Vegetable preparations	1	-	-	1	
8. Antique Furniture	1	-	-	1	
9. Electronics	3	-	1	4	1
10. Wigs	1	-	-	1	
11. Yarn & Fabrics (vertical mills) including yarn processing	1	3	2	6	4
12. Synthetic diamond abrasive grit	1	-	-	1	
13. Rattan Furniture	1	-	-	1	2
14. Edible Peanut Flour	1	-	-	1	
15. Processing of shark's fin & marine products	1	-	-	1	
16. Water treatment equipment	-	1	-	1	
17. Day old chicks	-	1	-	1	
18. Watches	-	1	-	1	1
19. Baker's yeast	-	1	-	1	
20. Jewellery	-	1	1	2	

Type of Industry	No. of Enterprises already Established	No. of Enterprises to operate shortly	No. of Projects Approved	Total	Projects under Consideration
21. Furniture made of wood	-	-	1	1	
22. Alcoholic Drinks	-	-	1	1	1
23. Electrical Goods	-	-	1	1	1
24. Shoes	-	1	-	1	
25. Sausage Casings	-	1	-	1	
26. Buttons & Slides	-	-	-	-	1
27. Decorative Plastic Goods	-	-	-	-	2
28. Watch cases	-	-	-	-	1
29. Iron & Steel products	-	-	-	-	1
30. Paper	-	-	-	-	1
31. Cotton denim & wiping cloth	-	-	1	1	
32. Cotton Fabrics (other)	-	-	1	1	
33. Wood processing	-	-	-	-	1
34. Paper Cartons	-	-	-	-	1
35. Dry Cells	-	-	-	-	1
36. Flowers	-	-	-	-	1
37. Dummies	-	1	-	1	
38. Retreaded Tyres	-	1	-	1	
39. Steel Pipes	-	1	-	1	1
40. Spectacle Frames	-	1	-	1	
41. Towels	-	1	-	1	1
42. Carnival Articles	-	1	-	1	1
43. Perfumes	-	-	1	1	

INDUSTRIAL OPERATIONS BY COUNTRY IN DEVELOPING COUNTRIES

- Beer, ale and stout
- Bituminous minks, re cold emulsion, P.V.A. paints and oil paints of all shades, distemper and cement paint.
- Timber for buildings joinery, furniture and cabinet making, impregnated timber.
- Metal boxes.
- Underground water for agriculture, industrial and domestic purposes.
- Mirrors, coloured stained glass, furniture.
- Galvanised and plastic coated fencing wire.
- Wire nails, metal door and window frames and hot dip galvanizing.
- Tanned Hides and skins.
- Plastic, rubber and leather footwear.
- Dry cleaning.
- Laundry soap and soap of all types.
- Development of local shipping.
- Fresh and frozen poultry rabbits and games.
- Aluminium Structures.
- Continuous Stationery.
- Sugar Confectionery.
- Coir fibre, springs cushions and mattresses.
- Detergents.
- Ham, bacon and Sausages.
- Biscuits.
- Antifoulings and Boottopping.
- Brassware articles i.e. water taps, valves etc.
- Processing & Preservation of foods including fruits and vegetables.
- Dry cells.
- Tuna fishing and canning.
- Sewing thread.
- Plastic goods.
- Expanded plastic.
- Fibre glass products.
- Steel wool.
- Retreading of tyres.
- Processing of synthetic stones.
- Toothpaste, perfumery and cosmetics.
- Exercise books, register writer pads, cheque books, etc.
- Vegetable oil.
- Margarine and Allied products.
- Beds, metal mattresses and component parts.
- Sanitary towels, toilet paper etc.
- Production, treatment and packing of plants and blooms.
- Batching and Premixing of concrete.
- Pharmaceutical products.
- Reinforcement bars and rolling mills.
- Annealing of shafts, chains and other metal.
- "Lucas" batteries.
- Optical lenses
- Agarbatti.
- Razor blades.
- Corrugated carton boxes.
- Crown corks.
- Terrazo tiles, steel rolling shutters and barbed wire.
- Industrial Chemicals products.
- Mosquito coils.
- Gloves, suitcases, handbags leather and plastic goods.
- Particle boards.
- Industrial and surgical gloves, toys ballons etc.
- Gin, vodka, brandy, whisky, fruit juices and high grade wines and rum.
- Garments of all kinds.
- Aluminiumware and stainless steelware.
- Carbon Dioxide.
- Ice Cream lollies and other.
- Frozen Confectioneries.
- Gold Store.



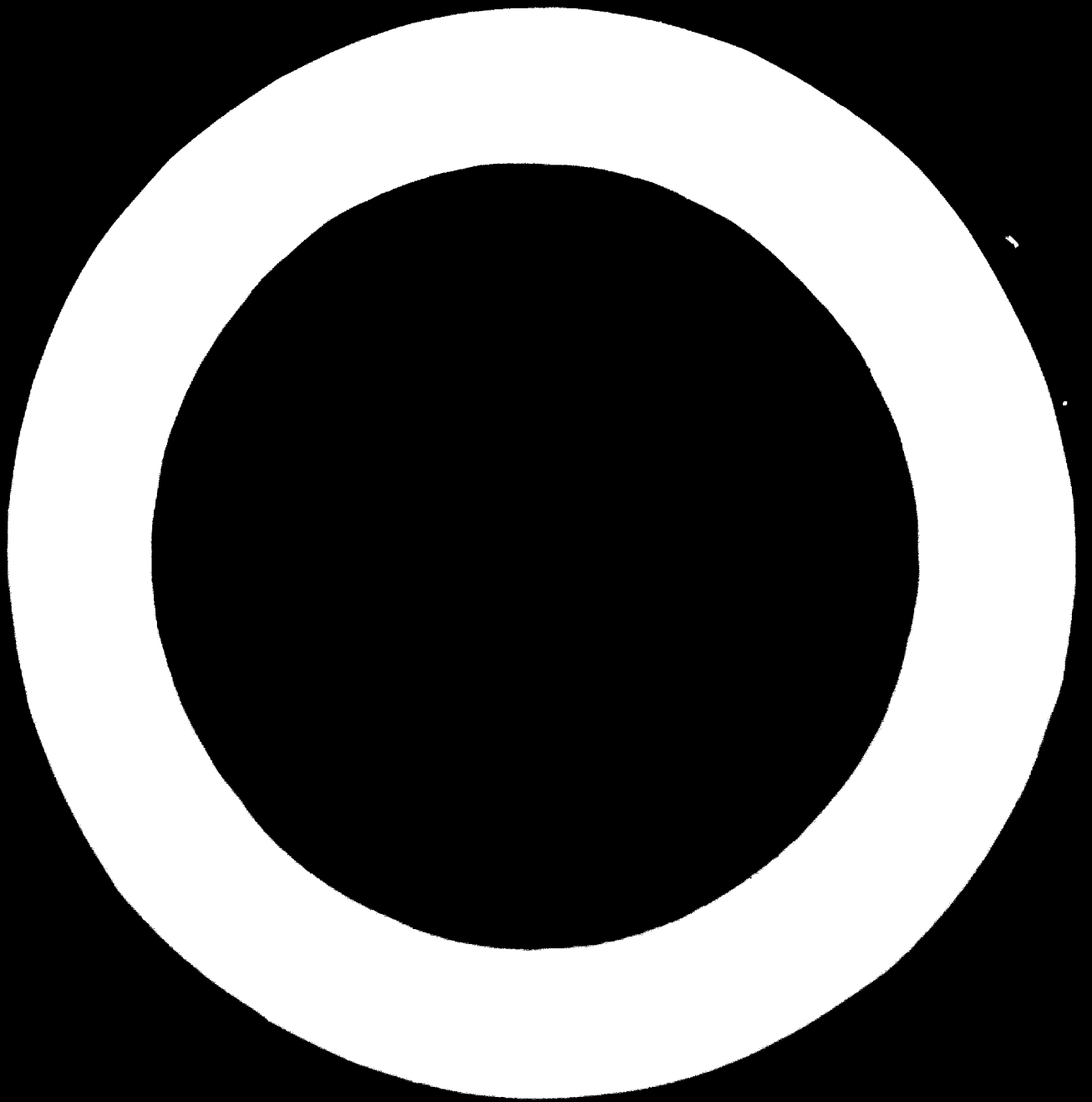
EMPLOYMENT AND WAGES

The figures of employment apply to large establishments only - those being defined as :

- (i) Sugar cane plantations where 25 acres or more were harvested;
- (ii) Tea plantations of 5 acres or more;
- (iii) All 'flue cured' tobacco establishments, irrespective of acreage;
- (iv) Non-agricultural establishments employing at least 10 persons on the day of the survey;
- (v) All central and local government departments.

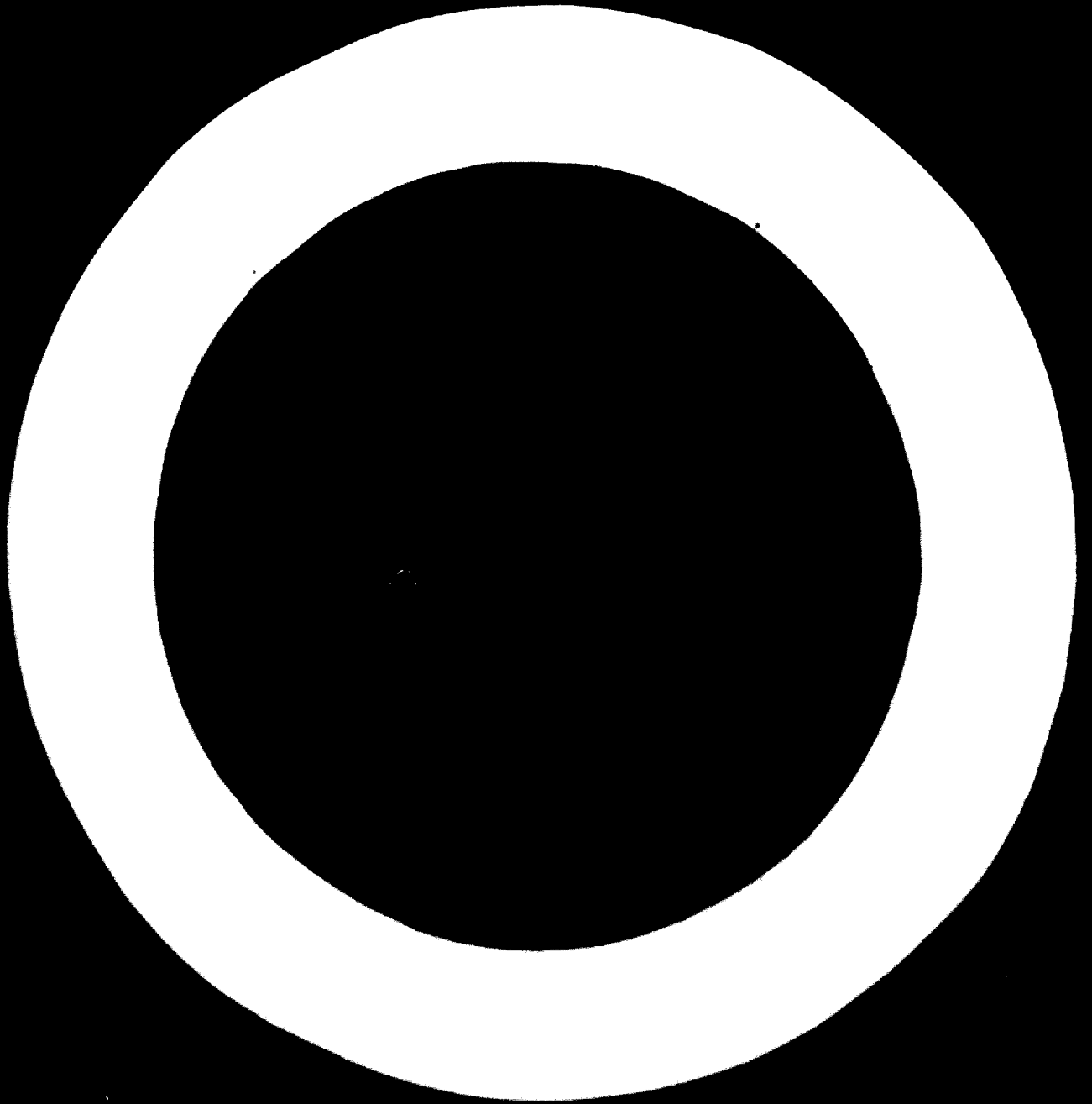
Employment in Large Establishments by Major Industrial Groups

Industrial group	Total no. of persons employed	
	September 1971	September 1972
Agriculture, hunting, forestry and fishing	59,842	61,924
Sugar	51,758	54,010
Tea	3,320	6,110
Other	1,764	1,804
Mining and quarrying	165	146
Manufacturing	9,775	11,636
Electricity, gas and water	1,293	1,338
Construction	2,226	3,003
Wholesale and retail trade & restaurants and hotels	4,693	5,264
Transport, storage and communication	6,568	6,836
Financing, insurance, real estate and business services	1,755	1,940
Community, social and personal services:	35,500	36,976
Government:		
(a) Central	27,523	28,406
(b) Local	3,243	3,371
Other	4,734	5,199
Total (excluding relief/development workers)	121,817	129,113
Relief/development workers	19,897	17,767
(a) Government	16,691	11,564
(b) Development Works Corporation	3,206	6,203
GRAND TOTAL	141,714	146,880



SUMMARY OF THE BALANCE OF PAYMENTS:1970 - 72

	1970	1971	1972 (Preliminary estimates)
Net goods and services	+ 21	- 55	+ 27
Net transfer payments	+ 21	+ 25	+ 42
Net Long-term capital	+ 8	+ 4	+ 29
Allocation of SDRs	+ 15	+ 13	+ 13
Other capital, errors and omissions	+ 8	- 1	+ 14
Basic balance of payments	+ 73	- 14	+125



GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN

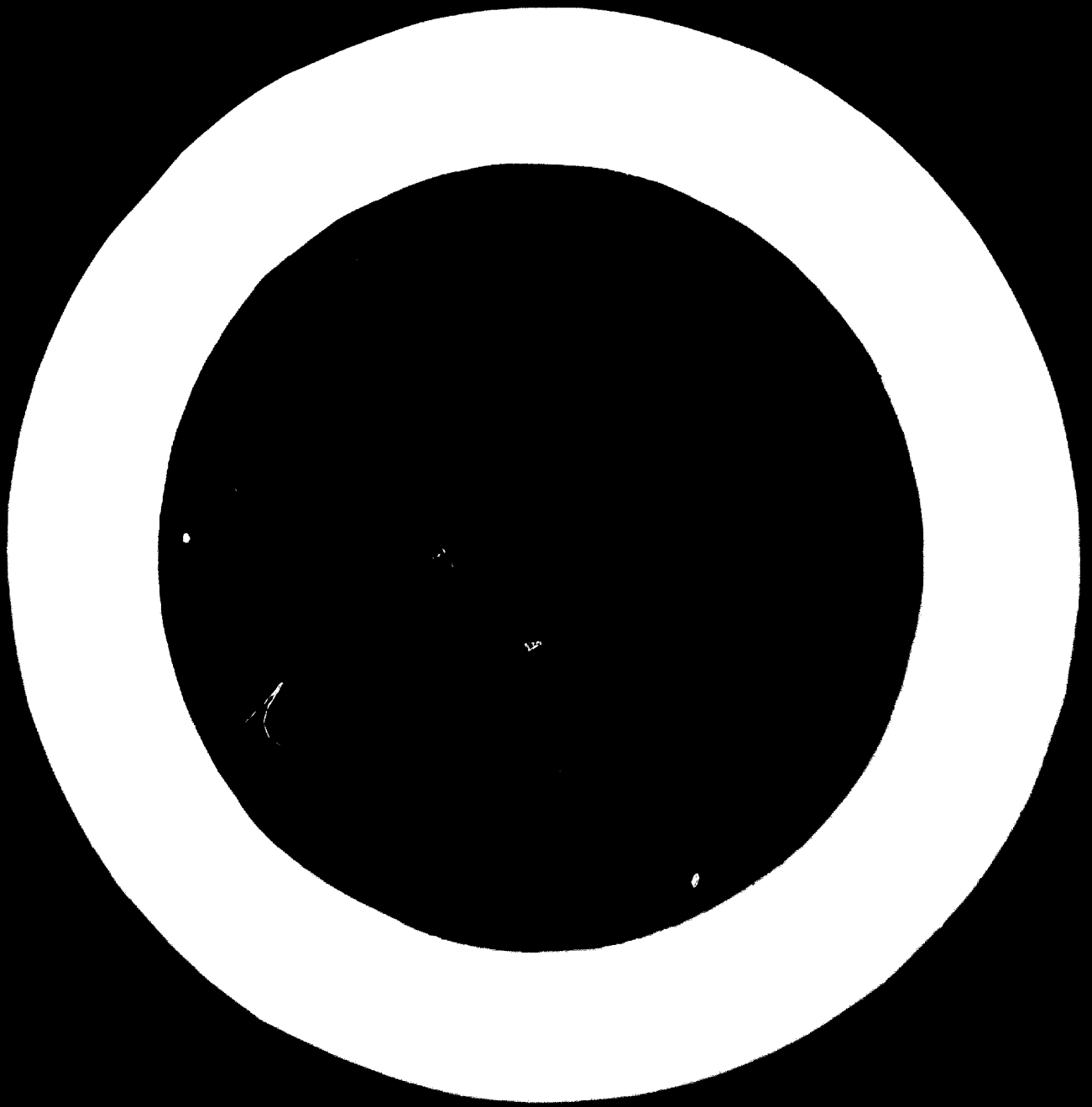
(at current factor cost)

Rs million

	1968	1969	1970	1971	1972 [†]
1. Agriculture, forestry, hunting and fishing	193	224	209	247	335*
2. Mining and quarrying	1	1	1	1	1
3. Manufacturing	124	142	141	162	200
4. Construction	49	46	48	60	70
5. Electricity, storage and sanitary services	30	30	29	34	38
6. Transportation, storage and communication	102	105	108	114	131
7. Wholesale and retail trade	92	91	91	94	113
8. Banking, insurance and real estate	16	18	20	13	20
9. Ownership of dwellings	66	68	70	71	73
10. Public administration and defence	44	46	51	53	62
11. Services	110	116	126	141	159
GROSS DOMESTIC PRODUCT AT FACTOR COST	827	887	894	995	1,202
Net factor income from the rest of the world	- 3	+ 1	+ 7	+ 7	+ 3
GROSS NATIONAL PRODUCT AT FACTOR COST	824	888	901	1,002	1,205
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
Per capita gross national product at factory cost (Based on mid-year population)	1,046	1,112	1,111	1,218	1,448

[†] Estimates

* The high figure is due to an all-time record sugar crop plus unusually high prices.

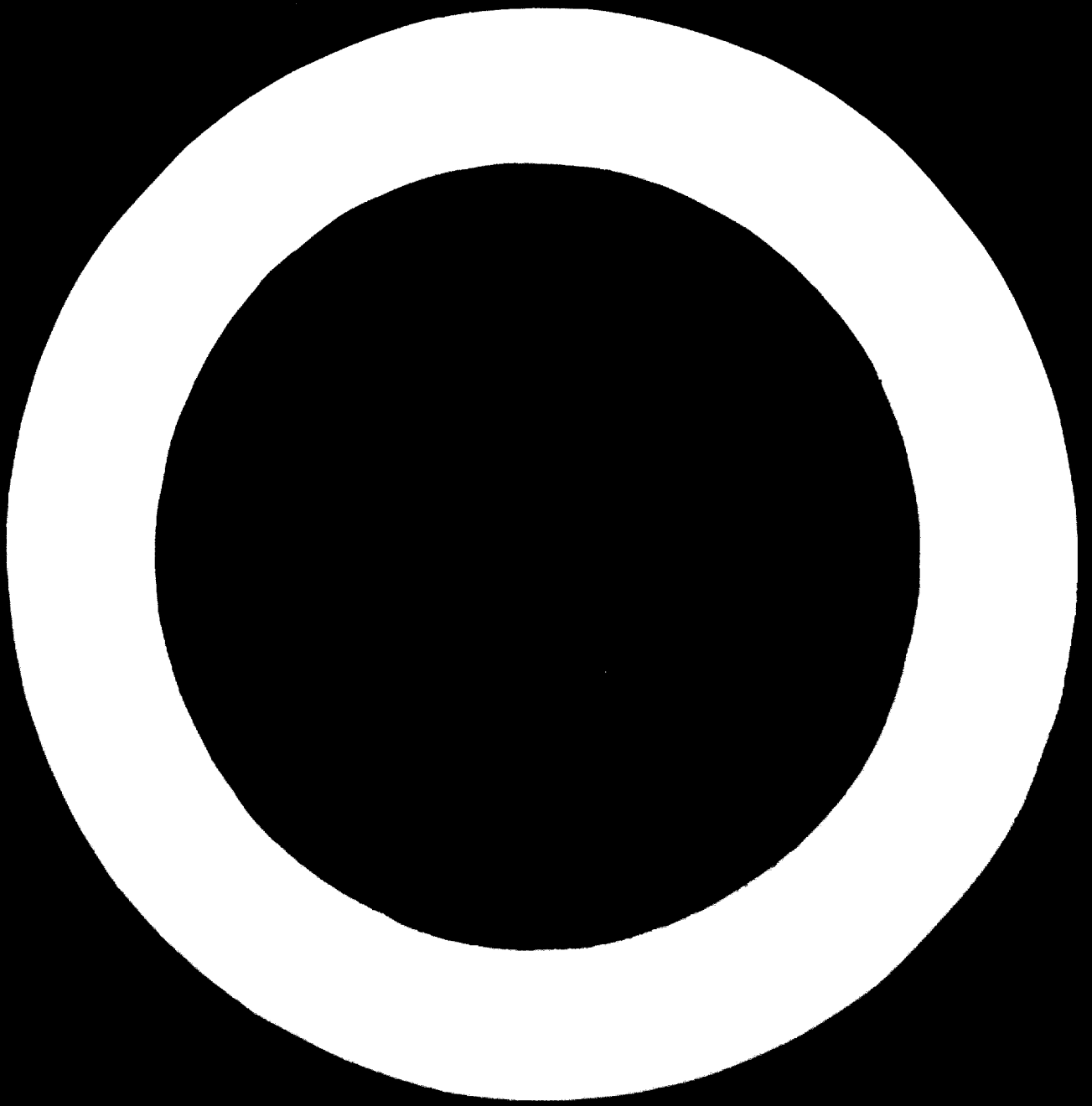


E X P O R T S

Value: Rs. million (f.o.b.)

Period	Total Value	Re-exports Value	D O M E S T I C E X P O R T S				
			Total Value	Sugar Value	Molasses Value	Tea Value	Other Value *
1968	354.0	7.7	346.3	320.7	11.9	9.6	4.0
1969	365.2	7.0	358.2	326.0	10.1	14.6	7.6
1970	384.5	8.2	376.3	341.2	10.6	14.1	10.4
1971	360.8	6.0	354.8	313.4	8.3	17.0	16.0
1972	573.8	7.7	566.1	507.6	14.2	20.8	23.5

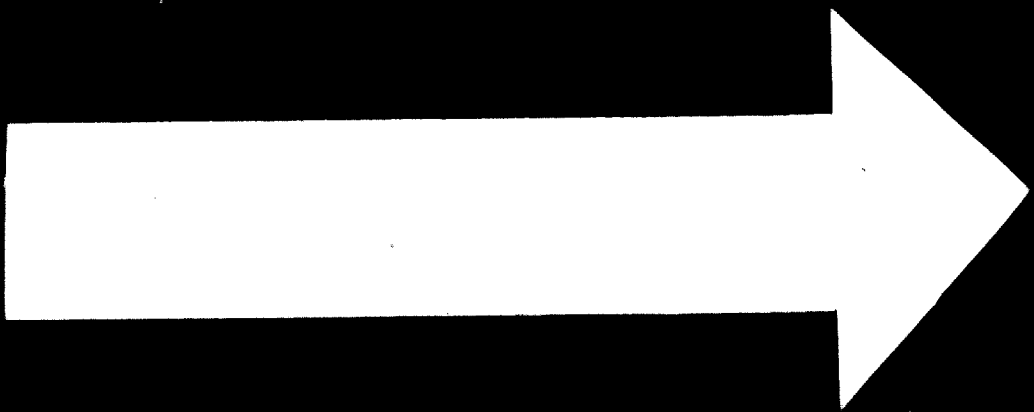
*Mostly manufactured goods.



IMPORTS : VALUES BY S.I.T.C. SECTIONS

Rs million (c.i.f.)

Period	All Sections	Food	Beverages and Tobacco	Crude materials inedible, except fuels	Mineral fuels, lubricants, etc.	Animal and vegetable oils and fats	Chemicals	Manufactured goods classified chiefly by material	Machinery and transport equipment	Miscellaneous manufactured articles	Miscellaneous transactions and commodities n.e.s.
1968	421.1	135.5	5.7	7.8	35.9	18.5	49.0	77.6	56.5	34.6	0.1
1969	376.0	132.6	5.3	5.6	31.7	12.5	43.0	72.4	44.7	27.9	0.2
1970	419.9	124.3	5.2	6.3	29.7	21.0	47.6	95.3	55.7	30.5	0.2
1971	461.6	121.6	6.1	11.7	29.7	28.9	49.7	104.0	77.5	32.1	0.3
1972	635.8	159.0	7.9	11.1	50.7	25.1	70.4	153.4	111.2	46.6	0.1



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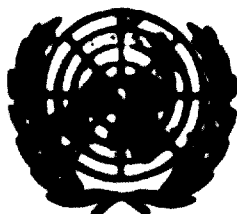
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CENTRAL GOVERNMENT REVENUE AND EXPENDITURERs. million

Financial Year	Revenue			Expenditure			Surplus (+)
	Recurrent	Capital	Total	Recurrent	Capital	Total	Deficit (-)
1969-70	228.0	66.0	294.0	227.3	57.2	284.5	+ 9.5
1970-71	259.7	99.2	358.9	254.5	94.4	348.9	+ 20.0
1971-72	294.1	130.3	424.4	285.2	100.8	386.0	+ 40.4
1972-73	310.7	158.4	469.1	318.2	207.7	525.9	- 56.8



06151

Distr.
LIMITEDID/WG.165/16 Summary
14 November 1973

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Meeting on Industrial Development Strategies
and Policies in Small Countries

Vienna, 26-30 November 1973

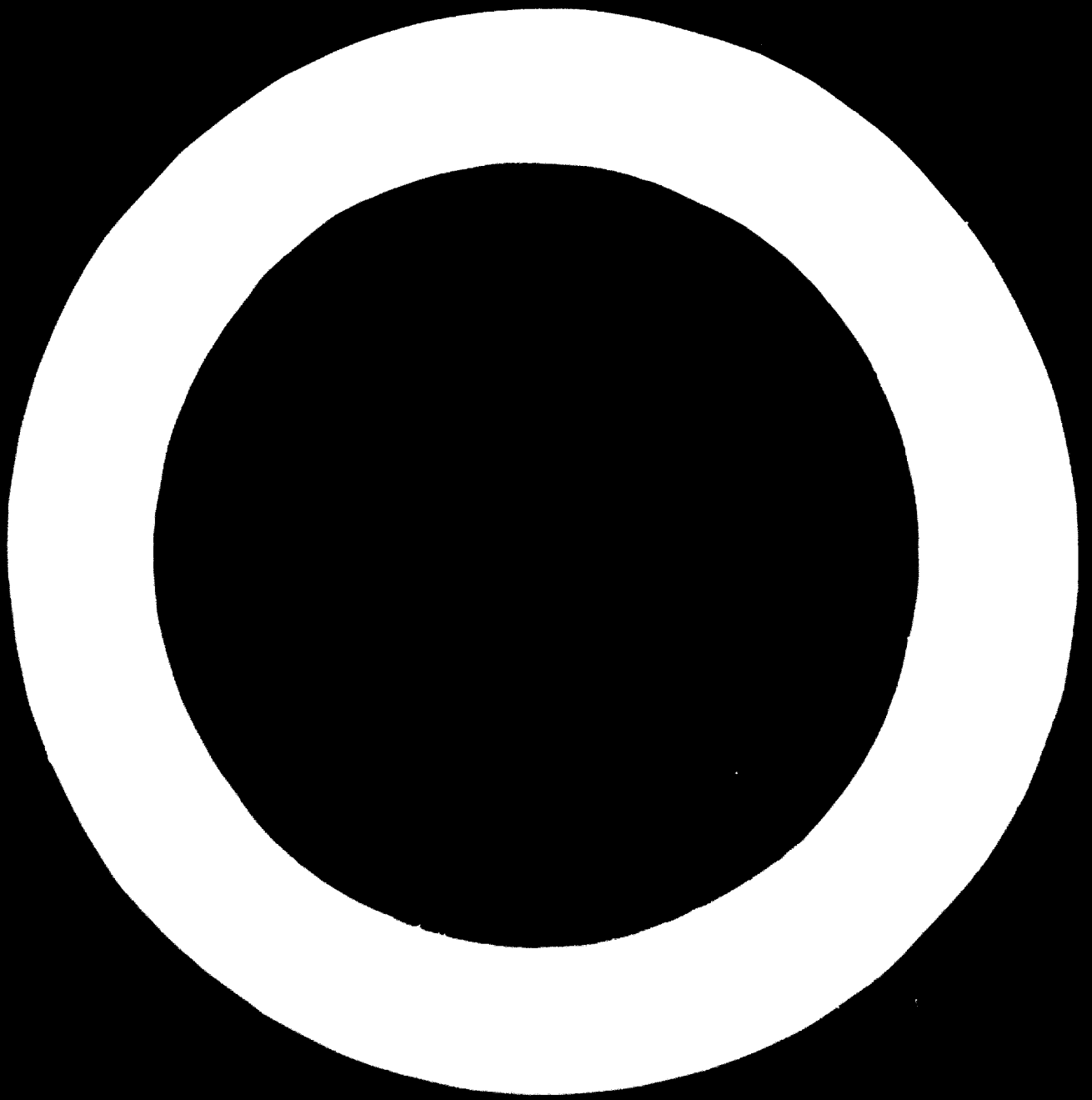
**INDUSTRIAL DEVELOPMENT STRATEGIES AND POLICIES:
THE EXPERIENCE OF MAURITIUS, 1950-72**

Benoit Arauff *

SUMMARY ✓

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✓ This summary has been prepared by the secretariat of UNIDO on the basis of the original paper submitted by the author. The views and opinions expressed are those of the author and do not necessarily reflect the views of the secretariat of UNIDO. This document has been reproduced without formal editing.



I. Basic Considerations

1. Mauritius is a small island (720 square miles) lying in the Indian Ocean off the east coast of Africa with a multi-racial population of 870,000. The island has few mineral resources, and until the 1960's the economy depended almost exclusively on the growing of sugar for export; some tea is grown but most of the limited arable land available is required to grow food. Therefore in the last decade the development strategy has looked to tourism and industry to broaden the economy and provide jobs for the island's fast-growing labour force.
2. In establishing an image of a place congenial to tourists and industrials, Mauritius starts with several advantages. The author says that due to its dual colonial heritage and multi-racial society its people are bilingual, tolerant of the outsider and receptive to new ideas. The island is beautiful and has a sub-tropical climate. It is well located, lying at the crossroads of three oceans and on the shipping route between Europe and Asia since the Suez Canal was closed.
3. Industrial development is reviewed by the author in three distinct phases: the period up to 1963; the period 1963 to 1970; and the period 1971 to 1973. He notes that the year 1970 saw a complete revolution in the outlook of Mauritius towards industrialization; after a tour to study the experience of Taiwan, Hong Kong, Singapore and Puerto Rico led by the Minister of Commerce and Industry, Mauritius announced its intention to establish an Export Processing Zone. The last sections of the author's paper therefore deal with the results of pursuing an export-oriented strategy of industrialization since 1970.
4. Additional foreign exchange earnings have been required to finance the larger volume of imports of machinery and equipment needed for industrial development in the last two years. Fortunately for Mauritius, sugar prices on the free market have risen and export earnings increased sharply in 1972; by 1973 exports of manufactured goods were substantial and are expected to increase steadily in the 1970's.

II. Industrial Development up to 1962

5. Sugar has long been the principal industry in Mauritius. The island produces 700,000 metric tons of sugar a year; all of the sugar but 30,000 tons is exported. Over half the output has been sold to the United Kingdom under a long-term contract at a fixed price. Sugar is produced on 21 estates employing 6,000 workers; it is used to produce molasses and alcohol (both for local consumption and industrial use); bagasse is mainly burned as fuel, but it also serves as raw material for particle board.

6. Tea production assumed commercial importance in the 1950's; by 1972, when 4,700 tons were produced in eight tea factories, direct and indirect employment had reached 5,000. Cigarettes are manufactured from locally-grown tobacco. Aloe fibre is grown locally (over 1,500 tons annually) and converted to sacks at a Government plant; together these activities employ over 1,000 persons.

7. These agro-based industries were the principal sources of industrial employment in the 1950's. Job opportunities did not keep pace with rapid growth of population (3.6 per cent per annum). By 1963 unemployment was rampant. Fortunately, the 1963 sugar crop was a record. To attract the resulting savings to investment in manufacturing, the Government launched an industrial development campaign.

III. The First Industrial Development Campaign, 1963-1969

8. A new industrial policy was announced; Mauritius would continue to rely on private initiative; the Government did not intend to nationalise industry, and foreign investors would be guaranteed free repatriation of capital and dividends. The following new investment incentives were provided:

- a) protective import duties and quota protection for up to 80 per cent of local market requirements;
- b) import duty concessions on imports of machinery, equipment and raw materials;
- c) an initial depreciation allowance of 40 per cent on machinery and 20 per cent on industrial buildings;
- d) a five-year exemption from taxation of profits and dividends based on a "Development Certificate";
- e) loans at favourable rates of interest for up to 50 per cent of the capital costs of a project from a newly established Development Bank;
- f) standard factories leased at rental rates subsidised by the Government.

9. For three years the programme met resistance from traders (who built up large stocks in anticipation of import quotas) and consumers (who continued to show a strong preference for imported goods). Gradually traders took on the distribution of locally manufactured products and consumers became more tolerant. By 1970 about 40 per cent of the local demand for consumer goods was satisfied by Mauritian industries; manufacturing industry (excluding sugar) employed 18,000 persons in 1970 compared with 11,300 in 1964; value added rose in this period from Rs. 126 million to Rs.200 million.

10. Industries Established by End 1970

By the end of 1970 the Government had issued development certificates to 110 industries out of which 70 had gone into production. This date is quoted because it will mark the introduction of a drastic change in the industrial development strategy. Among the industries established by that date (mostly under development certificates) were beer, stout, gin, jam, pickles, spaghetti, vermicelli, margarine, vegetable oil, dehydration of vegetables, paints and varnishes, carbon dioxide, cement bulk handling and bagging, concrete products, nails, oxygen, acetylene, floor tiles, shutters, candles, garments, metal furniture, spring mattresses, mirrors, soap, cosmetics, razor blades, rubber gloves, polishes, fibre glass, reinforced plastic products,

metal springs, woodworking, packaging materials of paper and paperboard, foam plastic, processing of industrial jewels, saw mill work, metal doors and windows, metallic structures, wire fencing, wire products and rolled steel products. Two important projects had also been approved by that date: a plant for the manufacture of 100,000 tons chemical fertilizers per annum and a particle board plant of a capacity of 5,000 tons p.a., using bagasse as the basic raw material - both plants having to export considerable quantities to achieve full capacity utilization. The chemical fertilizer plant is now nearing completion whereas the particle board plant is already in operation.

11. The small local market made it difficult for local industries to achieve full capacity utilization even on a one-shift basis. Exports were no solution because prices were too low and the domestic market was too small a base on which to launch export sales. Most of the industries established in the 1960's relied heavily on imported materials and components and value-added averages 30 to 40 per cent; for some industries such as furniture, it reaches 50 per cent. Working capital requirements have been equal to fixed capital invested, which has averaged Rs.12,000 per employee.

IV. The New Outlook, 1970 to 1972, and the Mauritius Export Processing Zone (MEPZ)

12. The amount of new employment created by industrialization in the late 1960's was a disappointment. Population growth had slowed down; the number of entrants to the labour force, however, was still growing rapidly. The Coalition Government formed after Independence in 1969 embarked on the struggle for economic independence with the motto "develop or die".

13. The Government realised that Mauritius' one real asset was its young well-educated labour force. Swiss manufacturers, who had begun to send industrial stones to Mauritius to manufacture bearings for watches, found labour productivity higher than expected. Both the business community and the Government were ready to attempt an export-oriented strategy of industrialization. In December 1970 the Export Processing Zone Act was passed.

14. The need to create jobs was too urgent to allow time to develop new and separate infrastructure facilities; the island was small; the road network was good; the water and electricity available at most sites were sufficient for most manufacturing processes. The MEPZ was therefore conceived not as one fenced-in area, but as a series of industrial zones scattered throughout the island where labour was readily available. A system of "bonded factories" was established to ensure that products did not find their way to the domestic market.

15. A really attractive package of incentives was provided to attract industry to Mauritius (see Annex 1); they were generous because the magnet had to be powerful enough to overcome risks as judged by prospective investors who did not know Mauritius. Although labour costs were low^{2/}, it was the adaptability and intelligence of labour that was stressed. The Government listed the type of industries it wanted to attract and set about promoting them.

16. A target was established to create 42,000 new permanent jobs in industry by 1980 (compared with about 9,000 employed in the manufacturing sector in 1970). The number of industries attracted so far has exceeded these expectations; up to October 1973, 46 export industries providing over 13,000 jobs and 28 industries providing 2,400 jobs had been approved. In addition, applications from 35 firms for operation in the MEPZ and 19 other industries were then to be processed; these would create a further 15,000 jobs. New plants in operation at the end of 1972 provided additional 2,200 jobs; by the end of 1973 the number should exceed 5,000.

of Female labour: Rs. 3.36 per day, unskilled
Rs. 5.40 per day, skilled
Male labour: Rs. 7.00 per day, unskilled
Rs. 10.80 to Rs. 17.40, skilled

(Rs. 5.60 = US\$ 1.00)

17. The type of industries established or under discussion are listed in Annex D. Exports of the garment industry should reach Rs.20 million in 1973. Other industries such as cutting of diamonds and other gems, assembly of electronics components and the manufacture of model boats and toys have proved the high productivity of local labour.

18. These industries have stimulated existing industries supplying raw materials and packaging. The small-scale industry sector and the construction industry have also benefitted. Indeed the whole economy has gained momentum from the rapid expansion of the manufacturing sector.

19. Policy on ownership of MEPZ industries has been flexible. About half the plants established so far are 100 per cent foreign-owned; these are mainly enterprises undertaking subcontracted work for the foreign owner. However, as a general rule, the Government asks for 30 per cent local ownership; this has been provided by local capital or by the Development Bank investing in the enterprises equity. MEPZ incentives are open to enterprises with majority Mauritian control and several have been established.

20. To implement the MEPZ programme, major changes in the organisation and procedures of the Ministry of Commerce and Industry were required. This was achieved with assistance from the United Nations (UNIDO and UNCTAD) and bilateral sources. Particular emphasis was given to identifying potential industries, the promotion of these and the investment climate in Mauritius in general, and to the speedy processing of applications to invest. With help from UNIDO, staff of the Ministry has been organised into three groups: a Promotion Group, a Data Collection Group and a Project Evaluation Group. The location of these services in a separate building is planned for the future.

21. Major improvements in the physical infrastructure and training of labour have hardly kept pace with the unexpectedly rapid development described above. A new industrial estate is being developed with help from the World Bank Group and a single free zone unit of 250 acres on land adjacent to the main harbour is being planned with British assistance.

22. The long-term goal is to broaden the pattern of industries established by attracting industries based on more sophisticated labour skills. Opportunities to broaden the range of subcontracting operations are being explored with UNIDO assistance.

23. Their further development will depend on securing ready access to markets in Europe and elsewhere. Mauritius has already made use of the Generalised System of Preferences Scheme offered by the EEC, and Rs. 3.3 million of its exports benefitted in 1972. However, less restricted access to the EEC market can be derived from an association agreement; Mauritius was the first Commonwealth developing country to sign such an agreement on 1 July 1973. Production of cotton and woollen cloth is being considered so that garment exports meet "rules of origin" requirements for entry to the European Economic Community.

MAURITIUS

Incentives provided to attract industries in the MEPZ

1. Complete exemption from payment of import and excise duty on capital goods (i.e. machinery, equipment and spare parts);
2. Complete exemption from payment of import and excise duty on raw materials, components and semi-finished goods (except spirits, tobacco and petroleum products);
3. Corporate Income Tax holiday for a minimum of ten years, and a maximum of 20 years depending on the merits of each case;
4. Exemption from payment of income tax on dividends for a period of 5 years;
5. Free repatriation of capital and remittance abroad of profits and dividends to companies with an approved status;
6. Electric power at preferential rates;
7. Loans at preferential rates (from commercial banks) for the importation of raw materials;
8. Provision of reinforced labour buildings for use by industrialists;
9. Loans of up to 50% of total building costs for a ten year period;
10. Favourable labour legislation to assist export industries to meet their export objectives;
11. Export finance at preferential rates of interest from commercial banks;
12. Exemption from payment of crane and other harbour handling dues chargeable by government on the imported content of export projects;
13. Exemption from payment of registration fees on land and buildings purchased by new industrial enterprises;
14. Leases at preferential rates of land in the vicinity of certain housing estates;
15. The issue of permanent residence permits to promoters and shareholders as warranted by the size of their interest;

16. Completion within 24 hours of customs inspection of incoming or outgoing commodities;
17. Priority, wherever possible, in the allocation of investment capital by the Development Bank of Mauritius;
18. The services of the Government Foreign Trade Unit to facilitate access to foreign markets and provide market information to exporters;
19. Government contribution to the cost of approved trade missions, trade fairs and collective advertising;
20. Direct negotiation by the Government with shipping and airlines for favourable terms of freight;
21. Exemption from income tax on profits earned from foreign investments in Mauritius if these are not transferred but are re-invested in Mauritius;
22. Immediate issue of import licences for machinery and raw and semi-finished materials and of export licenses for the finished products;
23. Guarantee against nationalisation (Sessional Paper No. 2 of 1963);
24. Equitable settlement of disputes assured by the Government's adherence to the Convention on the Settlement of Investment Disputes administered under the auspices of the International Bank for Reconstruction and Development.

MAURITIUS

ANNEX C

List of industries established in MFZ
and projects under consideration, October 1972

Type of Industry	No. of Enterprises already Established	No. of Enterprises to operate shortly	No. of Projects Approved	Total	Projects under Consideration
1. Diamond cutting and polishing	1	-	-	1	
2. Gloves	2	-	-	2	3
3. Reduced models of boats	1	-	-	1	
4. Garments (excluding knitwear)	5	9	2	16	4
5. Toys & Games	1	-	1	2	1
6. Knitwear	3	4	3	10	4
7. Vegetable preparations	1	-	-	1	
8. Antique Furniture	1	-	-	1	
9. Electronics	3	-	1	4	1
10. Yigs	1	-	-	1	
11. Yarn & Fabrics (vertical mills) including yarn processing	1	3	2	6	4
12. Synthetic diamond abrasive grit	1	-	-	1	
13. Rattan Furniture	1	-	-	1	2
14. Edible Peanut Flour	1	-	-	1	
15. Processing of shark's fin & marine products	1	-	-	1	
16. Water treatment equipment	-	1	-	1	
17. Day old chicks	-	1	-	1	
18. Watches	-	1	-	1	1
19. Baker's yeast	-	1	-	1	
20. Jewellery	-	1	1	2	

Type of Industry	No. of Enterprises already Established	No. of Enterprises to operate shortly	No. of Projects Approved	Total	Projects under Consideration
21. Furniture made of wood	-	-	1	1	
22. Alcoholic Drinks	-	-	1	1	1
23. Electrical Goods	-	-	1	1	1
24. Shoes	-	1	-	1	
25. Sausage Casings	-	1	-	1	
26. Buttons & Slides	-	-	-	-	1
27. Decorative Plastic Goods	-	-	-	-	2
28. Watch cases	-	-	-	-	1
29. Iron & Steel products	-	-	-	-	1
30. Paper	-	-	-	-	1
31. Cotton denim & wiping cloth	-	-	1	1	
32. Cotton fabrics (other)	-	-	1	1	
33. Wood processing	-	-	-	-	1
34. Paper Cartons	-	-	-	-	1
35. Dry Cells	-	-	-	-	1
36. Flowers	-	-	-	-	1
37. Bunnies	-	1	-	1	
38. Retreaded Tyres	-	1	-	1	
39. Steel Pipes	-	1	-	1	1
40. Spectacle Frames	-	1	-	1	
41. Towels	-	1	-	1	1
42. Carnival Articles	-	1	-	1	1
43. Perfumes	-	-	1	1	



LS151



Distr. LI TTER

ID/WG.165/16 RESUME
14 novembre 1973

FRANCAIS

Original : ANGLAIS

Organisation des Nations Unies pour le développement industriel

Réunion sur les stratégies et les politiques
de développement industriel dans les petits pays

Vienne, 26-30 novembre 1973

RÉSUMÉ

STRATÉGIE ET POLITIQUES DU DÉVELOPPEMENT INDUSTRIEL

L'expérience de Maurice, 1950-1972¹

par
Benoit Arcouff*

I. Données de base

1. Maurice est une petite île (1 865 km²). Située dans l'océan Indien, au large de la côte orientale de l'Afrique, elle compte 870 000 habitants, d'origines diverses. Ses ressources minérales sont peu importantes et jusqu'aux années 60 l'économie reposait presque essentiellement sur la culture de la canne à sucre et la fabrication de sucre de canne pour l'exportation. On y cultive un peu de thé, mais les terres cultivables, assez peu étendues, sont consacrées essentiellement à des cultures vivrières. C'est pourquoi, au cours de la décennie écoulée, la stratégie du développement a été orientée vers le tourisme et les activités industrielles, comme moyens de diversifier l'économie et de fournir des emplois à une main-d'œuvre qui grossissait rapidement.

¹ Le présent résumé a été préparé par le Secrétariat de l'ONUDI sur la base du document original présenté par l'auteur. Les opinions exprimées sont celles de l'auteur et ne reflètent pas nécessairement les vues du Secrétariat de l'ONUDI.

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2. Résolue à se donner l'image d'un pays accueillant pour les touristes et les industriels, Maurice bénéficie au départ de plusieurs avantages. L'auteur fait valoir que les Mauriciens doivent à leur double héritage colonial et au caractère multi-racial de leur société d'être bilingues, tolérants envers les étrangers et ouverts aux idées nouvelles. L'île est belle et jouit d'un climat subtropical. Elle est bien située, au point de rencontre de trois océans et sur la route maritime qui relie l'Europe à l'Asie depuis la fermeture du Canal de Suez.

3. L'auteur distingue trois phases d'industrialisation : la période antérieure à 1963, la période comprise entre 1963 et 1970 et la période qui va de 1971 à 1973. En 1970, Maurice a modifié radicalement son attitude à l'égard de l'industrialisation. A la suite d'une mission placée sous la direction du Ministre de l'industrie et du commerce à Taïwan, Hong-kong, Singapour et Porto Rico pour y étudier la situation, le Gouvernement mauricien a annoncé son intention de créer une zone franche industrielle. Les derniers chapitres du document sont consacrés aux résultats obtenus depuis 1970 dans l'application d'une stratégie d'industrialisation orientée vers l'exportation.

4. Ces deux dernières années, Maurice a eu besoin de recettes plus importantes en devises pour financer les fortes importations de machines et de matériel indispensables pour son industrialisation. Heureusement, les prix du sucre étaient en hausse sur le marché libre et les recettes d'exportation ont fortement augmenté en 1972, dès 1973 les exportations de produits manufacturés ont été importantes et elles devraient augmenter régulièrement au cours des années 70.

II. Le développement industriel jusqu'à 1963

5. Depuis longtemps, l'industrie sucrière, qui produit 700 000 tonnes de sucre par an, occupe la première place à Maurice; la consommation intérieure absorbe 30 000 tonnes et tout le reste est exporté. Plus de la moitié de la production est vendue à prix fixe au Royaume-Uni sur la base d'un contrat à long terme. La canne à sucre est cultivée dans 21 plantations employant 6 000 salariés; elle sert à produire de la mélasse et de l'alcool (pour la consommation locale et les utilisations industrielles); la bagasse sert surtout de combustible, mais aussi de matière première pour fabriquer des panneaux agglomérés.

6. Dans les années 50, la production de thé s'est industrialisée; en 1972, huit fabriques de thé employant directement ou indirectement 6 000 personnes produisaient 4 700 tonnes de thé. Le tabac cultivé dans l'île sert à fabriquer des cigarettes. La culture de l'aloès fournit annuellement 1 500 tonnes de fibres, utilisées par une usine du secteur public pour fabriquer des sacs, ces diverses activités occupent au total plus de 1 000 personnes.

7. Au cours des années 50, la main-d'oeuvre industrielle était employée pour l'essentiel dans les agro-industries. Les offres d'emplois n'ont pas suivi l'accroissement rapide de la population (3,6 % par an). Le chômage a commencé à sévir dès 1963. Heureusement, la récolte de canne à sucre de 1963 a été exceptionnelle. Pour inciter l'épargne qui avait pu alors se constituer à s'investir dans l'industrie manufacturière, le gouvernement a lancé une campagne d'industrialisation.

III. La première campagne d'industrialisation, 1963-1969

8. Le gouvernement a annoncé qu'il adoptait une nouvelle politique industrielle; il continuerait de faire confiance à l'initiative privée et n'avait pas l'intention de nationaliser les entreprises industrielles, les investisseurs étrangers pourraient librement rapatrier capitaux et dividendes. En vue d'encourager les investissements, les mesures suivantes ont été adoptées :

- a) Droits protecteurs à l'importation et contingents à concurrence de 80 % de la consommation intérieure,
- b) Concessions tarifaires à l'importation pour les machines, le matériel et les matières premières;
- c) Provision initiale pour amortissement de 40 % sur les machines et de 20 % sur les bâtiments industriels;
- d) Exonération de l'impôt sur les bénéfices et les dividendes pendant cinq ans, accordée aux entreprises dont la contribution au développement était reconnue (development certificate);
- e) Prêts accordés à des taux d'intérêts favorables par une banque de développement nouvellement créée, jusqu'à concurrence de 50 % des dépenses d'investissement d'un projet,
- f) Usines standard louées à des taux subventionnés par le gouvernement.

9. Pendant trois ans, le programme s'est heurté à la résistance des commerçants (qui ont constitué des stocks importants pour se prémunir contre les contingents) et des consommateurs (qui ont continué à manifester leur préférence pour les produits importés). Peu à peu, les commerçants ont commencé à distribuer des produits fabriqués sur place et les consommateurs se sont montrés plus tolérants. En 1970, près de 40 % des biens de consommation consommés à Maurice étaient fabriqués par les industries mauriciennes. L'industrie manufacturière (non compris le secteur sucrier) employait 18 000 personnes en 1970 contre 11 000 en 1964, au cours de cette période la valeur ajoutée est passée de 126 millions de roupies à 200 millions de roupies.

10. Création d'entreprises - situation à la fin de 1970

À la fin de 1970, le gouvernement avait accordé des "Development certificate" à 110 entreprises industrielles, dont 70 étaient entrées en exploitation. Cette date mérite d'être mentionnée parce qu'elle marque l'amorce d'un changement radical dans la stratégie du développement industriel. Les entreprises créées jusqu'à cette date (dans la plupart des cas sous le régime des "Development certificate") fabriquaient notamment les produits suivants : bière, stout, vin, confitures, pickles, spaghetti, vermicelles, margarine, huiles végétales, légumes déshydratés, peinture et vernis, gaz carbonique, ciment en vrac et en sac, éléments en béton, clous, oxygène, acétylène, carrelages de parquets, rideaux de fermeture, bougies, vêtements, meubles métalliques, matelas à ressorts, miroirs, savons, articles cosmétiques, lames de rasoir, gants en caoutchouc, cirages, encaustiques et brillants, fibres de verre, matières plastiques renforcées, ressorts métalliques, bois travaillé, matériaux d'emballage en papier ou carton, mousses de matière plastique, pierres travaillées à usage industriel, sciages, portes et fenêtres métalliques, éléments de construction métalliques, clôtures en fil métallique, profilés et laminés d'acier. À cette date, deux autres projets importants avaient été approuvés : une usine pouvant produire 100 000 tonnes d'engrais chimiques par an et une fabrique de panneaux agglomérés à base de bagasse, d'une capacité de 5 000 tonnes par an. Ces deux entreprises devront exporter une grosse partie de leur production pour utiliser à plein leur capacité. L'usine d'engrais chimiques est presque terminée et la fabrique de panneaux est déjà en service.

11. Le marché mauricien étant peu important, les entreprises industrielles ont difficilement pu utiliser à plein leur capacité de production, même en travaillant à une seule équipe. Les exportations n'ont pas permis de remédier à cette situation du fait que les prix sur les marchés étrangers étaient trop bas et que le marché intérieur n'offrait pas une base suffisante pour servir de tremplin aux exportations. La plupart des entreprises industrielles créées dans les années 60 dépendaient dans une grande mesure de matières premières et de demi-produits importés. La valeur ajoutée est en moyenne de 30 à 40 % mais dans certains secteurs, comme celui du meuble, elle atteint 50 %. Les ressources affectées au fonds de roulement étaient aussi importantes que le coût des immobilisations qui s'élevaient en moyenne à 12 000 roupies par personne employée.

IV. Perspectives nouvelles de 1970 à 1972 - Zone franche industrielle de Maurice

12. Le nombre d'emplois nouveaux créés par l'industrialisation à la fin des années 60 était décevant. La croissance démographique s'était ralentie, mais la main-d'œuvre continuait de s'accroître rapidement. Le gouvernement de coalition constitué après l'indépendance, en 1969, a alors engagé la lutte pour l'indépendance économique avec pour devise "le développement ou la mort".

13. Le gouvernement s'est rendu compte que la seule véritable ressource de l'île, c'était sa main-d'œuvre jeune et qualifiée. Des industriels suisses, qui avaient commencé d'expédier à Maurice des pierres d'horlogerie pour la taille de pivots de montre, ont découvert que la productivité de la main-d'œuvre était plus élevée qu'ils ne le pensaient. Les milieux d'affaires et le gouvernement étaient prêts à lancer une stratégie d'industrialisation orientée vers l'exportation. La loi instituant une zone franche industrielle a été adoptée en décembre 1970.

14. Il fallait créer d'urgence des emplois nouveaux, et l'on n'avait pas le temps d'implanter une infrastructure nouvelle. L'île était peu étendue mais possédait un bon réseau routier et il y avait presque partout suffisamment d'eau et d'électricité pour les activités industrielles. Dans ces conditions, la zone franche industrielle a été conçue non pas comme une enclave unique mais comme une série de zones industrielles éparpillées dans l'île, à proximité de la main-d'œuvre. On a institué un système d'usines exercées pour éviter que la production ne soit pas écoulee sur le marché intérieur.

15. Pour attirer les industriels dans l'île, le gouvernement a adopté un train de mesures d'encouragement véritablement séduisantes (voir annexe B); en effet, les avantages devaient contrebalancer les risques pour des investisseurs éventuels qui ne connaissaient pas l'aurice. Le coût de la main-d'oeuvre était bas*, mais l'on a surtout mis l'accent sur l'intelligence et les facultés d'adaptation de la main-d'oeuvre. Le gouvernement a établi une liste des industries qu'il souhaitait attirer et a pris des dispositions pour favoriser leur implantation.

16. On s'est fixé pour objectif de créer 42 000 nouveaux emplois permanents dans l'industrie pour 1980 (contre 9 000 personnes employées dans le secteur manufacturier en 1970). Le nombre d'entreprises industrielles attirées jusqu'ici dans l'île a dépassé tous les espoirs jusqu'en octobre 1973, 45 entreprises exportatrices occupant plus de 13 000 personnes et 26 entreprises occupant 2 400 personnes avaient été autorisées à s'installer. Il restait à examiner les demandes de 35 firmes qui souhaitaient s'installer dans la zone franche industrielle et celles de 19 autres entreprises industrielles, soit au total 15 000 emplois supplémentaires. A la fin de 1972, les nouvelles usines entrées en exploitation occupaient 2 200 personnes de plus, ce nombre devrait dépasser 5 000 à la fin de 1973.

17. Les entreprises industrielles créées ou dont la création est envisagée sont énumérées dans l'annexe D. Les exportations du secteur de la confection devraient atteindre 20 millions de roupies en 1973. La productivité élevée de la main-d'oeuvre locale a été confirmée dans d'autres activités industrielles telles que la taille de diamants et d'autres pierres, l'assemblage de composants électroniques et la fabrication de jouets et de modèles réduits de bateaux.

* Main-d'oeuvre féminine : sans qualification, 3,36 roupies par jour
qualifiée, 5,40 roupies par jour

Main-d'oeuvre masculine : sans qualification, 7 roupies par jour
qualifiée, de 10,80 à 17,40 roupies par jour.

(1 dollar des Etats-Unis = 5,60 roupies mauriciennes).

18. La création de ces entreprises a eu un effet d'entraînement sur les entreprises industrielles existantes qui fournissaient des matières premières et des emballages. La petite industrie et la construction en ont aussi bénéficié. En fait, l'expansion rapide du secteur manufacturier a accéléré le développement de toute l'économie.

19. On a adopté une politique de souplesse à l'égard des investissements étrangers dans la zone franche industrielle. Près de la moitié des usines installées jusqu'ici appartiennent à 100 % à des étrangers, il s'agit surtout d'entreprises effectuant des travaux sous-traités pour le compte de leur propriétaire étranger. Mais les pouvoirs publics demandent généralement à l'investisseur étranger d'accepter une participation locale de 30 % au capital social de ces entreprises, ces participations sont prises par des investisseurs mauriciens ou par la Banque de développement. Les mesures d'encouragement aux investissements dans la zone franche industrielle peuvent être invoquées par des entreprises dont le capital est en majorité mauricien et plusieurs entreprises de ce type ont été créées.

20. Pour mettre en oeuvre le programme relatif à la zone franche industrielle, il a fallu apporter à l'organisation du Ministère du commerce et de l'industrie et aux méthodes de travail appliquées par ce Ministère d'importantes modifications qui ont été opérées avec l'assistance fournie par les Nations Unies (ONUDI et CNUCED) et par des sources bilatérales. On s'est particulièrement efforcé d'identifier les entreprises industrielles qui pourraient s'établir dans la zone, de les encourager à le faire en créant un climat favorable aux investissements et d'accélérer l'examen des demandes d'investissement. Avec l'aide de l'ONUDI, on a créé au sein du Ministère trois services chargés respectivement des tâches suivantes : promotion, rassemblement des données et évaluation des projets. On prévoit d'installer ces services dans un bâtiment séparé.

21. Des progrès importants ont été réalisés en matière d'infrastructure et de formation de la main-d'oeuvre, mais il a été difficile de suivre dans ce domaine le rythme de l'évolution extrêmement rapide dont on vient de parler. Une nouvelle zone industrielle est en cours d'installation avec l'aide du Groupe de la Banque mondiale et, avec l'assistance britannique, on procède à l'aménagement dans le cadre de la zone franche d'un terrain, de 100 hectares, d'un seul tenant, situé à proximité immédiate du port principal.

22. A long terme, on vise à diversifier la structure de l'industrie en attirant des entreprises utilisatrices d'une main-d'oeuvre plus qualifiée. On étudie actuellement, avec l'assistance de l'ONUDI, la possibilité d'étendre les opérations de sous-traitance.

23. Le développement de ces opérations ne sera possible que si les marchés d'Europe et d'ailleurs s'ouvrent aux exportations mauriciennes. Maurice a déjà invoqué le système généralisé de préférences offert par la Communauté européenne et en 1972 ses exportations en ont bénéficié à concurrence de 3,3 millions de roupies. La signature d'un accord d'association peut ouvrir plus largement le marché de la CEE; Maurice a d'ailleurs été le premier pays en voie de développement du Commonwealth à signer un accord de ce genre le 1er juillet 1973. On envisage d'entreprendre dans l'île la fabrication de tissus de coton et de laine pour que les articles de confection exportés soient conformes aux règles d'origine qui régissent l'entrée des marchandises dans la Communauté économique européenne.

Renseignements relatifs aux 21 entreprises industrielles installées dans la zone franche industrielle de Maurice

<u>Secteur d'activités</u>	<u>Montant total des capitaux permanents</u>	<u>Pourcentage de la participation mauricienne au capital social</u>	<u>Emprunts à long terme</u>	<u>Total des immobilisations</u>	<u>Investissement par personne employée</u>	<u>Nombre total de personnes employées</u>
<u>Textile</u>						
Bonneterie (pull-overs)	5 400 000	54 %	2 900 000	3 000 000	2 200	1 200
2 usines	1 560 000	Nul	250 000	1 690 000	3 400	500
Gants à usages industriels	1 400 000	20 %	600 000	1 900 000	10 000)	110
Pantalons et costumes					2 600)	
Bonneterie	1 200 000	Nul	Néant	860 000	2 500	307
Gants	538 000	Nul	-	380 000	1 350	280
Chemises	500 000	Nul	-	480 000	4 800	106
Vêtements (divers)	500 000	-	-	640 000	11 000	57
Chemises	213 000	100 %	-	380 000	3 000	125
Traitement de fils textiles	-	-	-	480 000	30 000	16
Vêtements (divers)	1 750 000	11 %	-	2 659 000	3 000	800
<u>Electronique</u>						
Calculateurs électroniques et élément de calculateurs	2 000 000	Nul	Néant	2 490 000	5 000	500
Composants électroniques	344 000	-	-	566 000	2 200	259
Composants électroniques	100 000	47 %	100 000	340 000	5 400	63
<u>Diamants</u>						
Diamants synthétiques	800 000	Nul	Néant	460 000	13 000	36
Taille et polissage de diamants	565 000	100 %	115 000	482 000	4 000	120
<u>Mobilier</u>						
Éléments de meubles anciens	160 000	5 %	-	370 000	7 115	52
Mobilier en rotin	104 000	Nul	-	32 500	1 625	20
Modèles réduits de bateaux	50 000	-	-	82 000	845	97
<u>Produits alimentaires</u>						
Aliments préparés	360 000	50 %	210 000	397 000	2 500	16
<u>Jouets :</u>						
Jouets en matières scuples	1 300 000	15 %	400 000	1 000 000	4 000	230
						<u>Total</u> 4 894

ANNEXE B

MAURICE

Mesures d'encouragement pour inciter les entreprises industrielles à s'installer dans la zone franche industrielle de Maurice

1. Exonération totale du paiement des droits et des taxes à l'importation et des droits indirects frappant les biens d'investissement (machines, matériel et pièces détachées).
2. Exonération totale du paiement des droits et taxes à l'importation et des droits indirects frappant les matières premières, les éléments et les produits semi-finis (à l'exception des spiritueux, du tabac et des produits pétroliers).
3. Trêve fiscale pour le revenu des sociétés pendant 10 ans au moins et 20 ans au plus, la durée étant déterminée en fonction de l'intérêt que présente le projet considéré.
4. Exonération pendant cinq ans de l'impôt sur les dividendes.
5. Liberté de rapatriement des capitaux et de versement à l'étranger des bénéfices et des dividendes pour les sociétés autorisées.
6. Fourniture d'énergie électrique à un tarif préférentiel.
7. Possibilité d'emprunter à des taux avantageux (auprès des banques commerciales) en vue d'importer des matières premières.
8. Fourniture de locaux industriels en béton armé.
9. Prêt d'une durée de 10 ans à concurrence de 50 % du montant total des frais de construction.
10. Législation du travail favorable pour aider les exportateurs à atteindre leurs objectifs d'exportation.
11. Financement des exportations par les banques commerciales à des taux d'intérêt favorables.

12. Exonération des droits de manutention et autres taxes portuaires perçus par l'Etat sur les éléments importés destinés aux entreprises exportatrices.
13. Exonération des droits d'enregistrement sur les terrains et bâtiments achetés par les nouvelles entreprises industrielles.
14. Location, à des conditions avantageuses, de terrains situés à proximité de certains ensembles d'habitation.
15. Octroi d'autorisations permanentes de résider aux promoteurs ou actionnaires lorsque l'importance de leurs investissements le justifie.
16. Accomplissement en 24 heures des formalités douanières à l'entrée et à la sortie des marchandises.
17. Priorité, dans toute la mesure du possible, pour l'octroi par la Banque de développement de Maurice, de capitaux à investir.
18. Assistance des services du commerce extérieur qui fournissent aux exportateurs des renseignements sur les marchés étrangers et leur en facilitent l'accès.
19. Contribution de l'Etat aux dépenses occasionnées par l'envoi de missions commerciales autorisées, par la participation aux foires et la publicité collective.
20. Négociation directe entre les pouvoirs publics, les sociétés de navigation et les compagnies aériennes en vue d'obtenir des taux de fret avantageux.
21. Exonération de l'impôt sur les revenus des capitaux étrangers investis à Maurice, s'ils ne sont pas transférés mais réinvestis dans l'île.
22. Octroi immédiat de licences d'importation pour les machines, les matières premières et les produits demi-finis et octroi immédiat de licences d'exportation pour les produits finis.
23. Garantie contre les nationalisations (Sessional Paper No 2 de 1963).
24. Règlement équitable des différends, le Gouvernement mauricien étant partie à la Convention sur le règlement des différends relatifs aux investissements, dont l'application s'effectue sous les auspices de la Banque internationale pour la reconstruction et le développement.

ANNEXE C

MAURICE

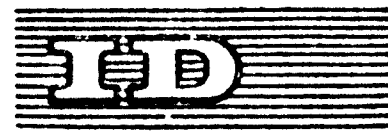
Liste des entreprises installées dans la zone franche industrielle et projets à l'étude, octobre 1973

<u>Type d'activité</u>	<u>Nombre d'entreprises déjà installées</u>	<u>Nombre d'entreprises devant entrer prochainement en activité</u>	<u>Nombre de projets approuvés</u>	<u>Total</u>	<u>Projets à l'étude</u>
1. Taille et polissage des diamants	1	-	-	1	
2. Gants	2	-	-	2	3
3. Modèles réduits de bateaux	1	-	-	1	
4. Vêtements (sauf bonneterie)	5	9	2	16	4
5. Jeux et jouets	1	-	1	2	1
6. Bonneterie	3	4	3	10	4
7. Préparations de légumes	1	-	-	1	
8. Meubles anciens	1	-	-	1	
9. Electronique	3	-	1	4	1
10. Perruques	1	-	-	1	
11. Fils et tissus (métiers verticaux) y compris le traitement du fil	1	3	2	6	4
12. Diamants synthétiques - poudre abrasive	1	-	-	1	
13. Meubles en rotin	1	-	-	1	2
14. Farine comestible d'arachide	1	-	-	1	
15. Préparations à base d'aïleron de requin et d'autres produits de la mer	1	-	-	1	
16. Matériel pour le traitement de l'eau	-	1	-	1	
17. Poussins d'un jour	-	1	-	1	
18. Montres	-	1	-	1	1
19. Levure de boulanger	-	1	-	1	
20. Bijoux	-	1	1	2	

<u>Type d'activité</u>	<u>Nombre d'entreprises déjà installées</u>	<u>Nombre d'entreprises devant entrer prochainement en activité</u>	<u>Nombre de projets approuvés</u>	<u>Total</u>	<u>Projets à l'étude</u>
21. Meubles en bois	-	-	1	1	
22. Boissons alcooliques	-	-	1	1	1
23. Matériel électrique	-	-	1	1	1
24. Chaussures	-	1	-	1	
25. Boyaux pour charcuterie	-	1	-	1	
26. Boutons et coulants	-	-	-	-	1
27. Articles de décoration en matière plastique	-	-	-	-	2
28. Boîtiers de montres	-	-	-	-	1
29. Produits sidérurgiques	-	-	-	-	1
30. Papier	-	-	-	-	1
31. Tissus de coton (sergés et tissus utilisés pour le nettoyage)	-	-	1	1	
32. Tissus de coton (autres)	-	-	1	1	
33. Transformation du bois	-	-	-	-	1
34. Emballages en papier	-	-	-	-	1
35. Piles sèches	-	-	-	-	1
36. Fleurs	-	-	-	-	1
37. Immeubles	-	1	-	1	
38. Pneus rechapés	-	1	-	1	
39. Tuyaux d'acier	-	1	-	1	1
40. Montures de lunettes	-	1	-	1	
41. Serviettes de toilette	-	1	-	1	1
42. Articles de cotillon	-	1	-	1	1
43. Parfums	-	-	1	1	



05151



Distr. LIMITADA

ID/WG.165/16 SUMMARY
14 noviembre 1973

ESPAÑOL
Original: INGLÉS

Organización de las Naciones Unidas para el Desarrollo Industrial

Reunión sobre las estrategias y políticas de
desarrollo industrial en países pequeños

Viena, 26 - 30 noviembre 1973

ESTRATEGIA Y POLITICAS DE DESARROLLO INDUSTRIAL: LA
EXPERIENCIA DE MAURICIO, 1950-1972

por

Benoit Arouff²

RESUMEN^{1/}

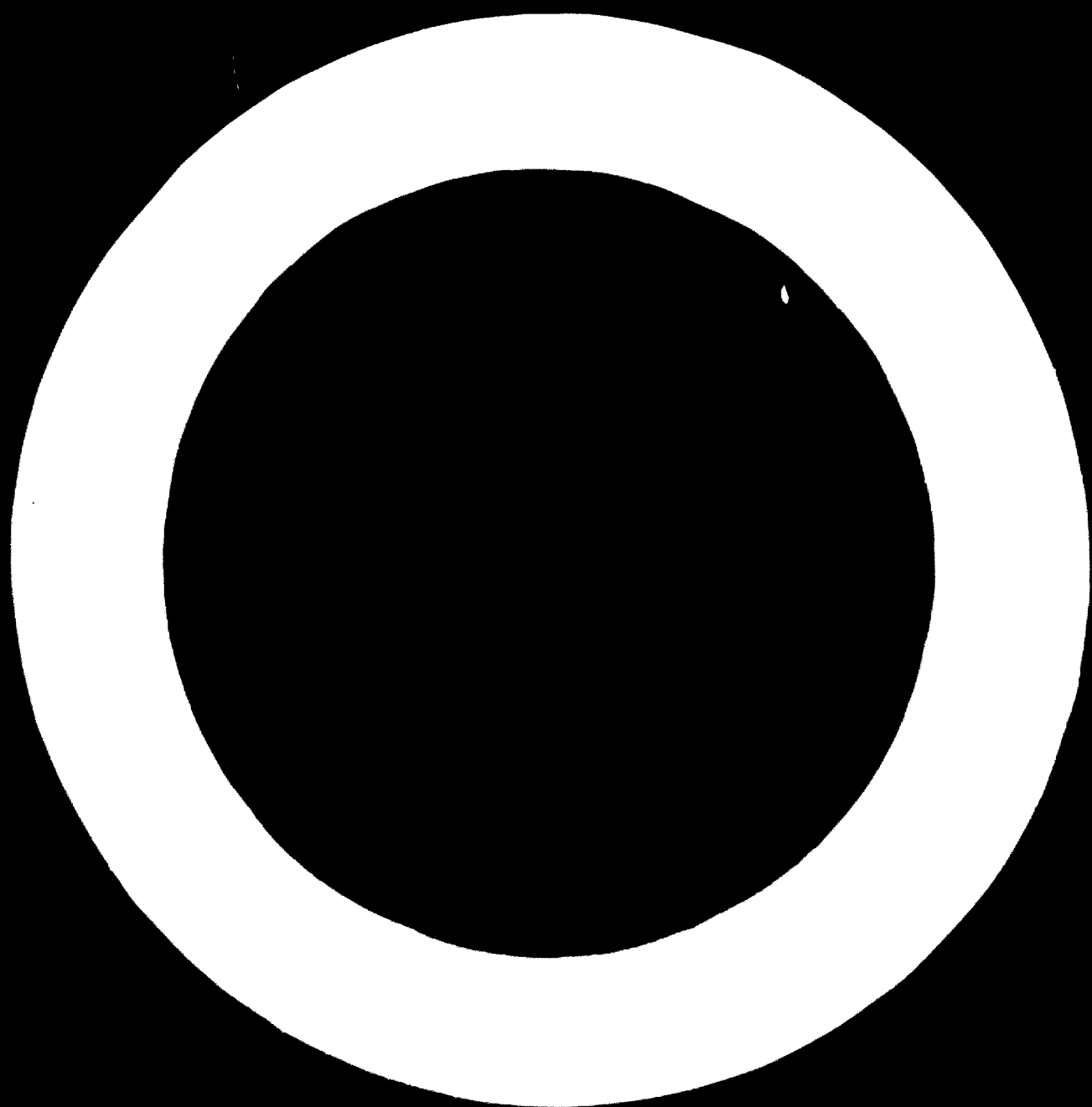
I. Consideraciones básicas

1. Mauricio es una isla pequeña (1.865 km²) situada en el Océano Indico, frente a la costa oriental de Africa; su población, compuesta por varias razas, es de 870.000 habitantes. La isla tiene pocos recursos minerales y, hasta los años 60, la economía dependió casi exclusivamente de la elaboración del azúcar con miras a la exportación; se cultiva cierta cantidad de té, pero la mayor parte de la escasa tierra de cultivo disponible se necesita para cultivar alimentos. Por consiguiente, durante el último decenio, la estrategia de desarrollo se ha orientado hacia el turismo y la industria con el fin de diversificar la economía y proporcionar empleos para la mano de obra, en rápido crecimiento, de la isla.

² Secretario de Desarrollo Industrial del Ministerio de Industria y Comercio de Mauricio.

^{1/} El presente resumen ha sido preparado por la Secretaría de la ONUDI basándose en el trabajo presentado por el autor. Las opiniones que éste expresa no reflejan necesariamente las de la Secretaría de la ONUDI. El presente documento no ha pasado por los servicios de edición de la Secretaría de la ONUDI.

id.73-7546



2. Para crear la imagen de un lugar conveniente para los turistas y los industriales a la vez, Mauricio cuenta con varias ventajas iniciales. Según el autor, como resultado de la herencia colonial y de la diversidad de razas que la forman, la población de la isla es bilingüe, tolera bien al forastero y es receptiva para las nuevas ideas. La isla es bella y tiene un clima subtropical. Está bien situada, pues se encuentra en el cruce de tres océanos y sobre la ruta marítima de Europa a Asia desde que se cerró el Canal de Suez.

3. El autor examina el desarrollo industrial del país, dividiéndolo en tres etapas distintas: el período que va hasta 1963, el período comprendido entre 1963 y 1970; y el período que va de 1971 a 1973. Observa que en 1970, el enfoque de las cuestiones de industrialización de Mauricio se modificó radicalmente; después de que una comisión, encabezada por el Ministro de Comercio e Industria, hubo efectuado un viaje para estudiar la experiencia de Taiwán, Hong Kong, Singapur y Puerto Rico, el Gobierno de Mauricio anunció su intención de crear las "Zonas para la Producción Exportable". Por consiguiente en las últimas secciones del trabajo aquí resumido tratan de los resultados obtenidos a partir de 1970 mediante la prosecución de una estrategia de industrialización orientada hacia la exportación.

4. Ha habido que aumentar los ingresos de divisas para financiar el mayor volumen de las importaciones de maquinaria y equipo requeridas para el desarrollo industrial en los últimos dos años. Afortunadamente para Mauricio, los precios del azúcar en el mercado libre han subido, con lo cual los ingresos obtenidos mediante la exportación aumentaron considerablemente en 1972; en 1973, las exportaciones de manufacturas ya eran notables y se prevé que seguirán creciendo regularmente durante los años 70.

II. El desarrollo industrial hasta 1963

5. El azúcar es, desde hace mucho tiempo, la principal industria de Mauricio. La isla produce al año 700.000 toneladas métricas de azúcar, que se exportan todas, con la excepción de 30.000 toneladas. Más de la mitad de la producción se vende al Reino Unido, en virtud de un contrato a largo plazo, a precio fijo. El azúcar se produce en 21 ingenios que emplean a 6.000 trabajadores; se utiliza para producir melazas y alcohol (ambos productos destinados al consumo local y a la industria); la mayor parte del bagazo se utiliza como combustible, pero también sirve como materia prima para tableros de partículas.

6. La producción de té adquirió importancia comercial durante los años 50; en 1972, se producían 4.700 toneladas de té en ocho fábricas, que empleaban directa o indirectamente

a 6.000 personas. Se fabrican cigarrillos a partir de tabaco cultivado en el país. También se producen fibras de alva (más de 1.000 toneladas anuales), que se transforman en sacos en una planta estatal. En conjunto, estas actividades emplean a más de 1.000 personas.

7. Estas industrias basadas en la agricultura fueron las principales fuentes de empleo industrial durante los años 60. Las oportunidades de empleo no aumentaban al mismo ritmo, muy rápido, de crecimiento de la población (3,2% anual). En 1963, el desempleo se había extendido muchísimo. Afortunadamente, la cosecha de azúcar de 1963 fue enorme. A fin de canalizar los ahorros resultantes hacia las inversiones en la industria, el Gobierno lanzó una campaña de industrialización.

III. La primera campaña de industrialización, 1963-1969

8. Se anunció la aplicación de una nueva política industrial: Mauricio iba a seguir dependiendo de la iniciativa privada; el Gobierno no se proponía nacionalizar la industria; y se garantizaría a los inversionistas extranjeros la libre repatriación de capital y dividendos. Se prescribieron nuevos incentivos a la inversión, a saber:

- a) establecimientos de unos derechos y cuotas de importación proteccionistas con respecto a una cantidad equivalente al 80% de las necesidades del mercado local;
- b) concesiones arancelarias con respecto a las importaciones de maquinaria, equipo y materias primas;
- c) cuota inicial de depreciación del 40% para la maquinaria y del 20% para los edificios industriales;
- d) exención de impuestos sobre utilidades y dividendos por un período de 5 años, basada en un "Certificado de Desarrollo";
- e) préstamos de un Banco de Desarrollo recién creado, a tipos de interés favorables, que pueden representar hasta el 50% de los costos de capital de un proyecto;
- f) acogida en fábricas normalizadas a cambio del pago de un alquiler subvencionado por el Estado.

9. Durante tres años, el programa tuvo que hacer frente a la resistencia de los comerciantes (que acumularon grandes cantidades de existencias en previsión de las cuotas de importación) y de los consumidores (que siguieron demostrando una fuerte preferencia por los artículos importados). Poco a poco, los comerciantes empezaron a distribuir los productos de fabricación nacional y los consumidores se volvieron más tolerantes. En 1970, un 40% de la demanda nacional de bienes de consumo estaba cubierto por las industrias de Mauricio; la industria manufacturera (excluido el azúcar) empleaba a 18.000 personas en 1970, contra 11.300 en 1964; durante este mismo período, el valor agregado pasó de 126 millones de rupias a 200 millones de rupias.

10. Industrias creadas al término de 1970

Al término de 1970, el Gobierno había emitido certificados de desarrollo a 110 industrias, de las cuales 70 ya habían iniciado la producción. Se cita esta fecha porque marcará la introducción de un cambio radical en la estructura de desarrollo industrial del país. Entre las industrias que se habían creado hasta esta fecha (principalmente en virtud de certificados de desarrollo) figuran las de elaboración de los productos siguientes: cervezas, ginebra, mermeladas, encurtidos, pastas alimenticias, margarina, aceites vegetales, verduras y mortilizadas deshidratadas, pinturas y barnices, anhídrido carbónico, productos de cemento armado y manufactura y envasado de cemento a granel, clavos, oxígeno, acetileno, baldosas, postigos, candelas, prendas de vestir, muebles metálicos, colchones de muelles, espejos, jabón, cosméticos, hojas de afeitar, guantes de caucho, encáusticos, fibra de vidrio, productos de plástico reforzado, muebles metálicos, manipulados de papel y de cartón para envasado, plástico alveolar, diamantes y rubíes industriales, puertas y ventanas metálicas, estructuras metálicas, cercas de tela metálica, productos de alambre y productos de acero laminado, así como elaboración primaria y secundaria de la madera. En esta fecha también se habían aprobado dos proyectos importantes: una planta de fertilizantes químicos, con una capacidad de producción de 100.000 toneladas anuales, y una planta de tableros de partículas con una capacidad de producción de 5.000 toneladas anuales, que utiliza el bagazo como principal materia prima; ambas tendrán que exportar cantidades considerables para conseguir utilizar plenamente su capacidad de producción. La planta de fertilizantes químicos está a punto de terminarse, mientras que la de tableros de partículas ya está funcionando.

11. Debido a lo reducido del mercado nacional, las industrias locales tuvieron dificultades en conseguir la plena utilización de su capacidad de producción, incluso trabajando en un solo turno. Las exportaciones no constituyen una solución porque los precios eran demasiado bajos y el mercado interno demasiado reducido para servir de base de lanzamiento de las ventas de exportación. En la mayor parte de las industrias creadas durante el decenio de 1960 -que habían de recurrir en medida considerable a materiales y componentes importados- y la tasa de valor agregado alcanza un promedio de 30 - 40%; para algunas industrias, como la de los muebles, llega a ser del 50%. Las necesidades en materia de capital de explotación han sido iguales al capital fijo invertido, es decir unas 12.000 rupias por empleado, como término medio.

IV. El Nuevo Enfoque (1970 a 1972) y las "Zonas para la Producción Exportable" (ZPE)

12. El escaso volumen del empleo creado por la industrialización a finales de los años sesenta fue una desilusión. Aunque el crecimiento de la población había aflojado, seguía aumentando rápidamente el número de personas que pasaban a engrosar la fuerza de trabajo. El Gobierno de coalición constituido en 1969 a raíz de la independencia entabló una batalla inspirada en el lema "desarrollarse o morir", para ver de lograr la independencia económica del país.

13. El Gobierno echó de ver que el recurso principal de Mauricio era su fuerza de trabajo, joven y bien preparada. Los fabricantes suizos que habían empezado a enviar a Mauricio piedras industriales con las que fabricar pivotes para relojes se encontraron con que la productividad era superior a lo que esperaban. Tanto los medios comerciales e industriales como las autoridades estaban dispuestos a intentar una estrategia de industrialización orientada hacia la exportación. En diciembre de 1970 se promulgó una ley encaminada al establecimiento de unas zonas en las que transformar productos destinados a la exportación (Ley sobre Zonas para la Producción Exportable).

14. La necesidad de crear puestos de trabajo era tan urgente que no hubo tiempo de desarrollar servicios de infraestructura nuevos y separados; la isla era pequeña, la red viaria era buena; y en la mayoría de los lugares se disponía de agua y electricidad suficientes para la mayoría de los procesos de fabricación. Por consiguiente, al implantar el régimen ZPE no se pensó en establecer una zona aparte, aislada de su entorno, sino en crear una serie de zonas industriales, dispersas por toda la isla, situadas en aquellos lugares en que se dispusiera con facilidad de la mano de obra necesaria. Para que los productos así fabricados no se filtraran al mercado interno, se estableció un sistema de "fábricas con régimen de zona franca".

15. Para atraer a la industria a Mauricio se concedieron incentivos verdaderamente atractivos (véase el Anexo B); los incentivos eran generosos porque el imán había de ser lo suficientemente fuerte para contrarrestar el factor riesgo, tal como podrían verlo quienes pensasen en invertir en Mauricio y no conociesen la situación del país. Aunque los costos de mano de obra eran bajos^{3/}, se hizo hincapié principalmente en la adaptabilidad y en la inteligencia de la mano de obra. El Gobierno publicó una lista del tipo de industrias que se deseaba atraer y empezó a promoverlas.

^{3/} Mano de obra femenina: jornal de 3,35 rupias para el personal no calificado.
jornal de 5,40 rupias para el personal calificado.
Mano de obra masculina: jornal de 7,00 rupias para el personal no calificado.
jornal de 10,80 a 17,40 rupias para el personal calificado.

(1 dólar EE.UU. = 5,60 rupias mauricianas).

16. Se fijó el objetivo de crear 42.000 nuevos puestos permanentes de trabajo en la industria para 1980, (frente a unos 9.000 empleados en el sector manufacturero en 1970). El número de industrias atraído hasta ahora ha excedido esas esperanzas; hasta octubre de 1973, se habían aprobado 46 industrias de exportación, que proporcionaban más de 13.000 puestos de trabajo, y otras 28 industrias, que proporcionaban 2.400 puestos de trabajo. Además, estaban pendientes de tramitación solicitudes de 35 empresas que se interesaban por participar en el régimen ZPE, y de otras 19 industrias más; estas industrias crearían 15.000 nuevos puestos de trabajo. Las nuevas fábricas que ya estaban en funcionamiento a fines de 1972 proporcionaron 2.200 puestos de trabajo más; para fines de 1973 el número pasará probablemente de 5.000.
17. El tipo de industrias establecidas o en estudio se indica en el Anexo D. Las exportaciones de la industria de confección de prendas de vestir llegarán probablemente a alcanzar un valor de 20 millones de rupias en 1973. Otras industrias, tales como la talla de diamantes y de otras piedras preciosas, el montaje de componentes de aparatos electrónicos y la fabricación de modelos de embarcaciones y otros juguetes han probado la elevada productividad de la mano de obra local.
18. A su vez, la creación de estas industrias ha estimulado la actividad de las industrias existentes que los proporcionan materias primas y se ocupan del envasado. También el sector de la pequeña industria y el ramo de la construcción han notado los efectos beneficiosos de la nueva industria. En efecto, cabe decir que toda la economía ha cobrado impulso como consecuencia de la rápida expansión del sector manufacturero.
19. En cuanto a la propiedad de las industrias acogidas al régimen ZPE, se ha seguido una política muy flexible. La mitad de las fábricas establecidas hasta ahora, son de propiedad totalmente extranjera; se trata principalmente de empresas que trabajan para un propietario extranjero mediante acuerdos de subcontratación. Sin embargo, como regla general, el Gobierno exige que un 30% de la propiedad sea autóctona; esto se ha conseguido gracias al capital local o a las aportaciones del Banco de Desarrollo, que adquiere participación en el capital social de las empresas. Los incentivos del sistema ZPE se ofrecen también a las empresas con control mauriciano mayoritario, de las cuales también se han establecido algunas.
20. Para aplicar el programa ZPE fue necesario introducir cambios de importancia en la organización y en los procedimientos del Ministerio de Industria y Comercio. Esto se logró con asistencia de las Naciones Unidas (ONUDI y UNCTAD) y de fuentes de ayuda bilateral. Se prestó especial atención a la identificación de industrias con grandes posibilidades; a la promoción de estas industrias y de un ambiente propicio a la inversión en Mauricio, en general; y a la agilización de los trámites aplicables a las

solicitudes de inversión. Con ayuda de la ONUDI, se ha organizado al personal del Ministerio en tres grupos: un Grupo de Promoción; un Grupo de Reunión de Datos; y un Grupo de Evaluación de Proyectos. Para el futuro se tiene previsto que cada uno de estos servicios tenga edificio propio.

21. La introducción de mejoras considerables en la infraestructura física y en la capacitación de la mano de obra no ha podido seguir el vivísimo paso marcado por el desarrollo, inesperadamente rápido, a que ya nos hemos referido. Se está creando un nuevo parque industrial, con ayuda del grupo del Banco Mundial, y se está planeando, con asistencia británica, la creación de una zona franca, de unas 100 hectáreas, en terrenos contiguos al puerto principal.

22. El objetivo que se persigue a largo plazo es el de ampliar la estructura industrial existente atrayendo industrias que requieran aptitudes profesionales más especializadas. Con ayuda de la ONUDI, se está estudiando la posibilidad de ampliar la gama de operaciones de subcontratación.

23. La evolución ulterior dependerá de que se pueda o no conseguir fácil acceso a los mercados de Europa y de otras regiones. Mauricio se ha acogido ya al Sistema Generalizado de Preferencias que ofrece la Comunidad Económica Europea, y a este programa se acogieron sus exportaciones en 1972, por un volumen de 3,3 millones de rupias. Sin embargo, mediante un acuerdo de asociación se puede obtener un acceso más fácil al mercado de la Comunidad Económica Europea; Mauricio fue el primer país en desarrollo del Commonwealth que firmó uno de estos acuerdos, el 1º de julio de 1973. Se está estudiando la posibilidad de producir telas de algodón y de lana a fin de que las exportaciones de prendas de vestir cumplan las reglas sobre "país de origen" establecidas para la entrada en la Comunidad Económica Europea.

ANEXO A

Análisis de las 21 industrias acogidas al régimen ZPE*

Industrias	Capital permanente total	Porcentaje de capital mauriciano	Préstamos a largo plazo	Capital fijo total	Inversión por empleado	Fuerza de trabajo total
Textil						
Céneros de punto (jerseys), 2 fábricas	5.400.000	64%	2.900.000	3.000.000	2.200	1.200
Cuantes industriales	1.560.000	Nulo	250.000	1.690.000	3.400	500
Pantalones y trajes	1.400.000	20%	600.000	1.900.000	10.000)	110
					2.600)	
Céneros de punto	1.200.000	Nulo	Nulo	360.000	2.800	307
Cuantes	538.000	Nulo	-	380.000	1.350	280
Camisas	500.000	Nulo	-	480.000	4.800	106
Prendas de vestir (diversas)	500.000	-	-	640.000	11.000	57
Camisas	213.000	100%	-	380.000	3.000	125
Elaboración de hilados	-	-	-	480.000	30.000	16
Prendas de vestir (diversos tipos)	1.750.000	11%	-	2.659.000	3.000	800
Electrónica						
Computadoras electrónicas y piezas	2.000.000	Nulo	Nulo	2.490.000	5.000	500
Componentes electrónicos	344.000	-	-	566.000	2.200	259
idem	100.000	47%	100.000	340.000	5.400	63
Diamantes						
Diamantes sintéticos	800.000	Nulo	Nulo	460.000	13.000	36
Talla y pulimento de diamantes	565.000	100%	115.000	482.000	4.000	120
Mobiliario, etc.						
Componentes de mobiliario antiguo	160.000	5%	-	370.000	7.115	52
Mobiliario de roten	104.000	Nulo	-	32.500	1.625	20
Modelos de embarcaciones	50.000	-	-	82.000	845	97
Alimentación						
Alimentos preparados	360.000	50%	210.000	397.000	2.500	16
Juguetería	1.300.000	15%	400.000	1.000.000	4.000	230
Juguetes sencillos						
					Total	4.894

ANEXO B

MAURICIO

Incentivos utilizados conforme a la ley NPE
para atraer industrias

1. Exención completa del pago de derechos de importación o de contribuciones indirectas sobre los bienes de capital (maquinaria, bienes de equipo y recambios);
2. Exención completa del pago de derechos de importación y de contribuciones indirectas sobre materias primas, componentes y artículos semiacabados (exceptuados las bebidas alcohólicas, el tabaco y los productos del petróleo);
3. Exención completa del impuesto sobre sociedades anónimas por un período mínimo de 10 años y máximo de 20 años, según las circunstancias que se den en cada caso;
4. Exención del pago del impuesto sobre la renta para los dividendos durante un período de 5 años;
5. Libertad para las empresas aprobadas de repatriar su capital y de enviar utilidades y dividendos al extranjero;
6. Tarifas preferenciales en el suministro de energía eléctrica;
7. Préstamos a interés preferencial (de los bancos comerciales) para la importación de materias primas;
8. Entrega de edificaciones reforzadas para alojamiento de trabajadores de empresas industriales;
9. Préstamos de hasta un 50% del costo total de construcción por un período de 10 años;
10. Legislación laboral favorable destinada a ayudar a las industrias de exportación a cubrir sus objetivos de exportación;
11. Financiación para la exportación a tipos de interés preferenciales concedida por bancos comerciales;
12. Exención del pago de los derechos de manutención -por grúa y otros dispositivos portuarios- en relación con las cantidades que el Gobierno puede cobrar por ese concepto, en lo que respecta a las importaciones destinadas a proyectos generadores de exportaciones;

ANEXO 2 (cont.)

13. Exención del pago de los derechos de inscripción en el catastro de terrenos y edificaciones adquiridos por nuevas empresas industriales;
14. Alquileres preferenciales para el arriendo de terrenos en la vecindad de determinadas urbanizaciones;
15. Concesión de permisos de residencia permanente a los promotores y accionistas conforme a su participación en el negocio;
16. Ultimación en 24 horas de las formalidades de inspección de aduana para artículos que entren o salgan del país;
17. Prioridad, siempre que resulte posible, en la asignación de capital de inversión por el Banco de Desarrollo de Mauricio;
18. Disponibilidad de los servicios del Organismo de Comercio Exterior del Gobierno para facilitar el acceso a mercados extranjeros y para proporcionar información sobre mercados a los exportadores;
19. Contribución gubernamental al costo de las misiones y ferias comerciales, y de la publicidad colectiva, que cuenten con aprobación oficial;
20. Negociación directa por el Gobierno con líneas aéreas y con navieras para la obtención de fletes favorables;
21. Exención del impuesto sobre la renta para las utilidades dimanadas de inversiones extranjeras en Mauricio, siempre que no se transfieran al exterior sino que se reinviertan en Mauricio;
22. Concesión inmediata de licencias de importación para maquinaria y materias primas y semiacabadas, y de licencias de exportación para los productos acabados;
23. Garantía contra la nacionalización (Sessional Paper No 2, 1963);
24. Solución en justicia de las disputas garantizada por la adhesión del Gobierno al Convenio sobre Arreglo de Diferencias entre Estados y Nacionales de Otros Estados Relativas a Inversiones Administrado bajo el patrocinio del Banco Internacional de Reconstrucción y Fomento.

ANEXO C

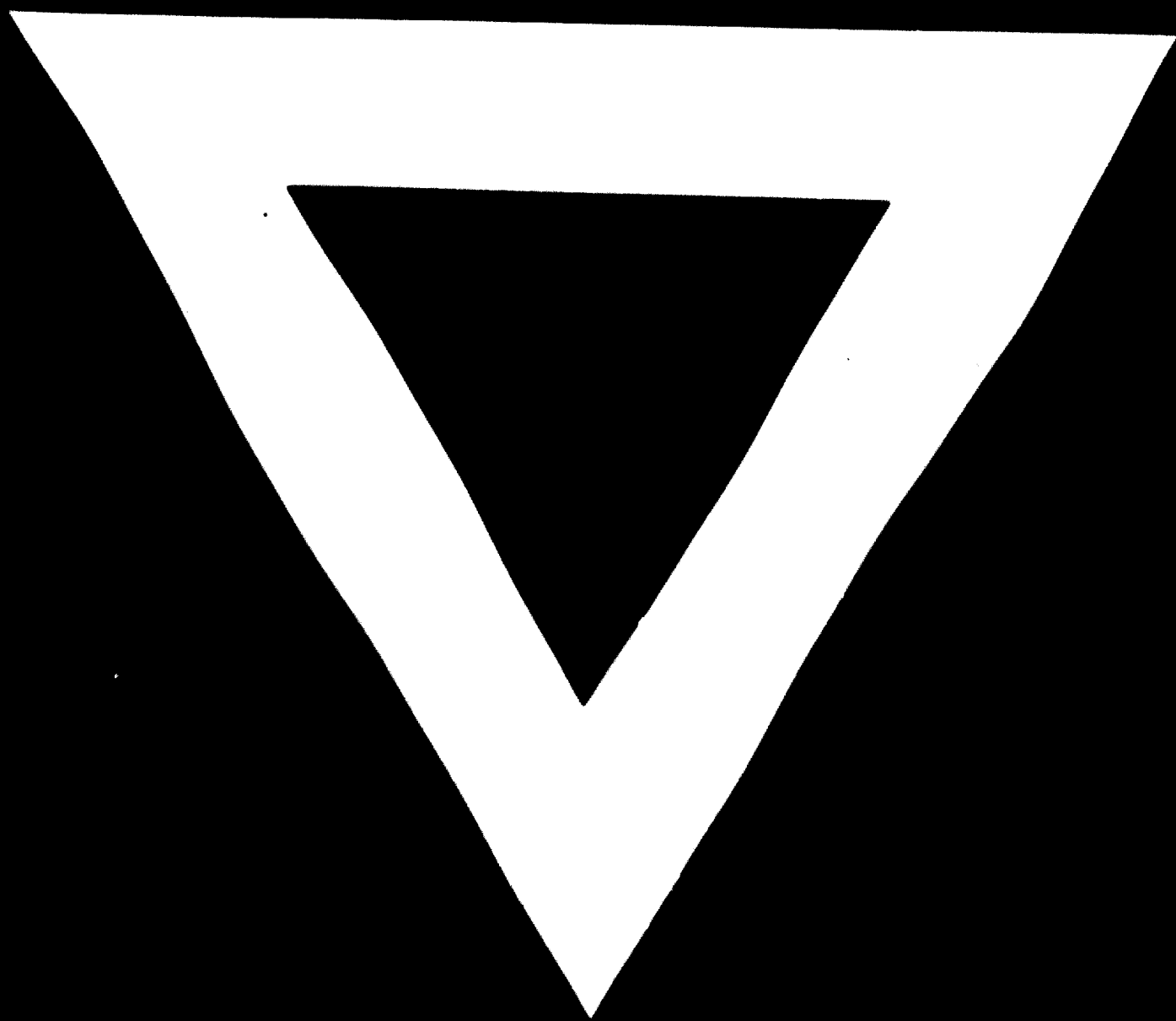
MANIFIESTO

Lista de industrias acogidas al régimen ZFE
y proyectos en estudio, octubre de 1973

<u>Tipo de industria</u>	<u>Nº de empresas establecidas</u>	<u>Nº de empre- sas que fun- cionarán en breve</u>	<u>Nº de proyec- tos aprobados</u>	<u>Total</u>	<u>Proyectos en estudio</u>
1. Talla y pulimento de diamantes	1	-	-	1	
2. Guantes	2	-	-	2	3
3. Modelos reducidos de naves	1	-	-	1	
4. Prendas de vestir (con exclusión de los géneros de punto)	5	9	2	16	4
5. Juegos y juguetes	1	-	1	2	1
6. Géneros de punto	3	4	3	10	4
7. Preparados vegetales	1	-	-	1	
8. Muebles antiguos	1	-	-	1	
9. Electrónica	3	-	1	4	1
10. Pelucas	1	-	-	1	
11. Hilados y tejidos (empresas verticales), incluida la elaboración de los hilados	1	3	2	6	4
12. Gránulos abrasivos de dia- mantes sintéticos	1	-	-	1	
13. Muebles de rotán	1	-	-	1	2
14. Marina de marf comestible	1	-	-	1	
15. Elaboración de aletas de tiburón y otros productos marinos	1	-	-	1	
16. Equipo para tratamiento de aguas	-	1	-	1	
17. Polluelos de un día	-	1	-	1	
18. Relojes	-	1	-	1	1
19. Levadura de panadería	-	1	-	1	

ANEXO C (cont.)

Tipo de industria	Nº de empresas		Nº de proyectos aprobados	Total	Proyectos en estudio
	establecidas	que funcionarán en breve			
20. Joyería	-	1	1	2	
21. Muebles de madera	-	-	1	1	
22. Bebidas alcohólicas	-	-	1	1	1
23. Artículos eléctricos	-	-	1	1	1
24. Zapatos	-	1	-	1	
25. Tripas para embutidos	-	1	-	1	
26. Botones y cierres	-	-	-	-	1
27. Artículos decorativos de plástico	-	-	-	-	2
28. Cajas de reloj	-	-	-	-	1
29. Productos siderúrgicos	-	-	-	-	1
30. Papel	-	-	-	-	1
31. Mezcilla y trapos de limpieza de algodón	-	-	1	1	
32. Tejidos de algodón (distintos de los interiores)	-	-	1	1	
33. Elaboración de la madera	-	-	-	-	1
34. Envases de cartón	-	-	-	-	1
35. Pilas secas	-	-	-	-	1
36. Flores	-	-	-	-	1
37. Maniqués	-	1	-	1	
38. Neumáticos recauchutados	-	1	-	1	
39. Tuberías de acero	-	1	-	1	1
40. Monturas para gafas	-	1	-	1	
41. Toallas	-	1	-	1	1
42. Artículos para carnaval	-	1	-	1	1
43. Perfumes	-	-	1	1	



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