Mauritius

1. Introduction

Mauritius, a volcanic island of lagoons and palm-fringed beaches in the Indian Ocean and east of Madagascar, has a reputation for stability and racial harmony among its mixed population of Asians, Europeans and Africans. The country's official languages are English and French but the lingua franca is Mauritian Creole; Hindi is also spoken by 22% of the population.

Mauritius was uninhabited when the Dutch took possession of it in 1598. Abandoned in 1710, it was taken over by the French in 1715 and seized by the British in 1810. It gained independence, as a constitutional monarchy, in 1968, with executive power nominally vested in the British monarch. The country only became a republic in 1992. The island of Rodrigues and other smaller islets also form part of Mauritius.

Home to some of the world's rarest plants and animals, human habitation and the introduction of non-native species have threatened Mauritius's indigenous flora and fauna. This impact is illustrated best by the dodo, a flightless bird and the national symbol, which was hunted into extinction in the 17th century.

Some basic facts about Mauritius are as follows[1]:

- Population: 1.2 million (UN, 2005)
- Capital: Port Louis
- Area: 2,040 square kilometres
- Major religions: Hinduism, Christianity, Islam
- Life expectancy: 69 years (men), 76 years (women) (UN, 2005)
- Monetary unit: 1 Mauritian rupee (Rs) = 100 cents
- Main exports: Sugar and clothing
- GNI per capita: US$4,640 (World Bank, 2005)
- Internet domain: .mu
- International dialling code: +230

The three main political parties in Mauritius are the Labour Party (PTR), the Mauritian Militant Movement (MMM) and the Mauritius Socialist Militant (MSM). The former Prime Minister, Navin Ramgoolam, of the PTR, returned to power after winning the elections in July 2005. He formed a coalition with several smaller political parties. The new government is called the Social Alliance and the majority of its members are from the PTR.

[1] http://www.bbc.co.uk/1/hi/world/africa/country-profiles/1063172.stm, based on United Nations and World Bank figures.

2. Economy

Mauritius has long depended for its economic expansion on the trade preferences granted to it by developed nations. For instance, under the Lomé Convention and, more recently, Cotonou Agreement, Mauritius received a guaranteed price for its exports of sugar to the European Union and, more importantly, at a price which was always above the world price. Mauritius benefited, too, from duty free exports to the EU for its clothing exports. Subject to the African Growth and Opportunity Act's rules of origin, Mauritius also exports clothing to the United States on preferential terms.

Sugar and clothing are the two most important contributors to the Mauritian economy's exports, foreign exchange earnings and employment levels. However, with the dismantling of the Multi-Fibre Agreement, which decreased export earnings, the Minister of Finance adopted a more proactive and courageous budget for 2006-2007

Table 1: Macroeconomic indicators: 2000-2005

	2000	2001	2002	2003	2004	2005
GDP growth at basic price	9.7	5.2	1.8	4.4	4.7	2.5
GDP per capita growth	8.6	4.1	1.2	3.1	3.8	1.6
Unemployment (%)	6.7	6.9	7.3	7.7	8.5	9.6
Inflation	4.2	5.4	6.4	3.9	4.7	4.9
Savings to GDP ratio	26.3	28.4	27.4	25.1	22.6	16.6
Budget deficit to GDP ratio	6.7	6.0	6.2	5.4	5.0	
Current account to GDP ratio[1]		3.6	5.9	2.5	1.0	3.8
Net FDI flows (Rsm)	5,443	1,458	+2,244	964	-887	
US$ exchange rate	26.26	29.07	29.96	28.38	27.75	29.23

[2] Current account data are for the financial year and GDP data are for the calendar year. For example, for the year 2001, current account data are for 2000-2001 and GDP data are for 2001.

Generally, the economic objectives and aims of the Mauritian government include the following:[3]

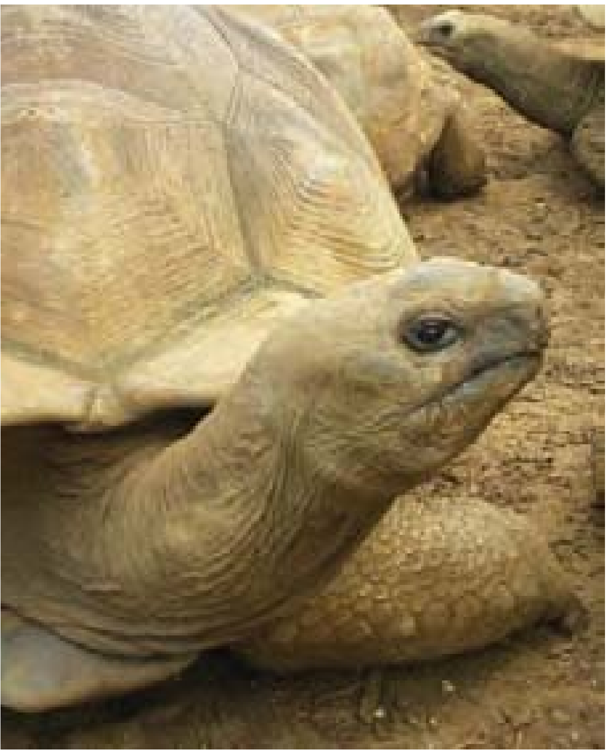
- To facilitate investment in the economy through government-introduce measures that allow entrepreneurs, particularly those within micro-enterprises and small and medium Enterprises (SMEs), to initiate new activities within three working days rather than within the current average of 46 days.[4] Exceptions to this policy include specific regulated activities, such as gambling and liquor sales.
- To open the economy by attracting both foreign investment[5] within selected sectors, in order to absorb unemployment, and participation by the Mauritian Diaspora in the country's development. The latter will be achieved by taxing Mauritians on income remitted, rather than for world-wide income earned, and facilitating their return with a concessionary duty for automobiles.
- To link wages to productivity so that firms can maximise the number of people they employ and, by raising the average wage, give workers an incentive to improve their efficiency levels.
- To achieve fiscal consolidation and restore discipline through the enforcement of the following fiscal rules: limiting government borrowing to the financing of investment; ensuring that the net public debt ratio to GDP is on a downward track; and requiring that total expenditure remains constant after adjusting for inflation.
- To broaden the circle of opportunities through the establishment of an innovative and comprehensive Economic Empowerment Programme; radically improving the support framework available to new entrepreneurs and SMEs; and expanding the range of financing instruments provided to micro-enterprises and SMEs.
- To restructure existing sectors, particularly the sugar and textile sectors. The textile and clothing sectors will be completely reengineered, as will the sugar cane cluster. The government will reform, diversify and consolidate the tourism and financial sectors so that they are on a more solid base for further development.

[3] These elements were outlined in the Minister of Finance's budget speech which can be accessed, via the Ministry of Finance's website, at http://www.gov.mu/portal/site/MOFSite/menuitem.5b1d751c6156d7f4e0aad110a7b521ca/?content_id=646739f4fb4bb010VgnVCM1000000a04a8c0RCRD (Last accessed on 22 October 2006)

[4] At times, it would take up to two years before a new business began operating. To reduce bureaucratic procedures, among other things, prior health, fire and police clearances for businesses have been abolished. Trade licences, which normally take weeks, sometimes even months, to obtain, will be transformed into a simple municipal fee that is paid after, instead of before, business operations commence.

[5] A long list of the facilities and conditions for attracting foreign investment in Mauritius, including obtaining residence permits, are mentioned in the budget speech. The speech can be accessed at http://www.gov.mu/portal/site/MOFSite (Last accessed on 22 October 2006).

- To create more economic pillars within the economy. The four traditional pillars do not reduce sufficiently the economy's vulnerability to external shocks. More economic pillars are needed, some of which need to be expanded while others need to be established. To unlock the potential of the Information and Communications Technology (ICT) sector, and for it to create well-paid jobs, the Mauritian government is formulating a National ICT Strategic Plan. That plan will outline its strategy for transforming Mauritius into a cyber-island. The government is encouraging the development of additional pillars such asa seafood and aquaculture hub, property development, a land-based ocean industry, a knowledge hub, a medical hub, a pharmaceutical cluster and the expansion of the tourism industry to include the hospitality and leisure sectors.



Having outlined briefly the Mauritian government's key economic aims and objectives, this review will focus on the country's economic situation as it stood in 2005 and as compared to data for the previous five years.

Table 1 shows that real GDP grew at 2.5% in 2005 compared to 4.7% in 2004. The decline in real GDP growth was mainly attributable to a decline in the growth of the Export Processing Zone sector, which experienced a drop of 13%, and a 9.1% decline in the growth in the sugar sector. Dry weather conditions experienced in November 2005 led to a decrease in cane productivity levels. The total area harvested in 2005 stood at 68,351 hectares (ha), representing a decrease of 1,317 ha, compared to 2004's totals[6]. The decline in the EPZ sector was largely due to the impact of phasing out the MFA from 31st December 2004 onwards.

Between 2000-2005, the highest unemployment rate was experienced in 2005 when a number of firms in the textile sector shut down, largely in anticipation of the phasing out of the MFA. In December 2005, the number of firms in the sector stood up at 257 with 55,984 people employed therein. When compared to 2000, the number of firms had decreased by 10% and the number of jobs had fallen by a staggering 31%.

The Bank of Mauritius's monetary policy objectives are to safeguard the internal and external value of the currency and its internal convertibility, and to keep general price levels low. In the review period,

[6] http://www.mchagric.org/ (Last accessed on 22 October 2005).

the average inflation rate was recorded at 5%, despite inflationary pressure from oil prices. The fiscal policy objective of the current government, just like that of the previous government's, is to bring down the level of the budget deficit. Table 1 shows that since 2000, the ratio of the budget deficit to GDP has been declining.

Regarding the balance of payments account, there were huge foreign direct investment (FDI) inflows in 2000, largely due to the share participation, equivalent to Rs7,204-million, of France Telecom in Mauritius Telecom. For 2002-2003, high FDI inflows could be explained by the fact that foreign inward investment was coupled with a major disinvestment of Rs704m in the banking sector's direct investment abroad. In 2004-2005, inflows of FDI were mainly within the banking sector and the ICT sector. However, this investment was not enough to offset the disinvestment underway in both the textile sector, principally due to the MFA phase out, and the tourism sector. The rupee vis-à-vis the US dollar has been depreciating and continues to do so.

3. Structure and patterns of trade

3.1 Trade balance

Mauritius's overall trade balance, as shown in Table 2, was negative for the entire review period of 2001-2005, with the highest trade deficit registered in the latter year. Despite a decline in wearing apparels and clothing accessories, which was the main exporting product, the total value of exported goods increased to Rs59,236m, which was a 12.4% increase from the previous year's total. The phasing out of the MFA quotas certainly had an impact on sectoral exports. Almost all foreign-owned clothing firms, especially those from Hong Kong, which, in the 1980s, either located or relocated their clothing firms to Mauritius to take advantage of MFA quotas, had subsequently relocated to Madagascar, Hong Kong and China.

As can be seen from Tables 2a, since 2001, the number of firms decreased. Between 2000- 2005, the number of firms in the textile and wearing apparel sector fell from a total of 420 to 260.

Table 2b indicates the employment levels in the textile and clothing sector for the same period. The closure of firms in this sector had a dramatic effect on the number of employees. Across the same period, the number of employees in that sector fell from 82,020 to 55,990, representing an annual compounded decline of 7.4%. More and more firms are in the process of closing down and that translates into more job losses in the near future.

Compared to 2000, the data for 2005 implies that the number of firms in the textile and clothing sector fell by 7% whereas the number of jobs fell by 17%. The irony is that the unemployed are now reluctant to work in this sector, which has led to firms relying on imported labour. For instance, by December 2004, the level of employment in the sector was recorded at 67,249 workers with slightly more than 20% of whom were expatriates.

Table 2: Mauritius trade balance with the world, with South Africa and with the rest of the Southern African Development Community (RoSADC): 2001-2005 (Rsm).

	2001	2002	2003	2004	2005	Growth rate (%)
Exports to world	45,574	51,677	50,974	52,696	59,236	5.59
Imports from world	57,939	64,603	65,939	76,556	93,326	11.89
Trade balance	-12,365	-12,926	-14,965	-23,860	-34,090	
Exports to South Africa	359	576	773	775	796	20.78
Imports from South Africa	8,027	8,116	8,068	8,563	8,001	0.47
Trade balance	-7,668	-7,540	-7,295	-7,788	-7,205	
Exports to SADC	681	1,027	1,065	1,225	1,022	10.38
Imports from SADC	8,583	8,921	8,681	9,521	9,118	1.88
Trade balance with SADC	-7,902	-7,894	-7,616	-8,296	-8,097	

Table 2a: Number of textile and clothing firms: 2000-2005

	March 2000	March 2001	March 2002	March 2003	June 2004	June 2005
Textile	65	62	59	57	43	41
Wearing apparel	355	341	328	313	222	219

Source: Central Statistics Office, Mauritius

Table 2b: Employment level in the textile and clothing sector: 2000-2005

		March 2000	March 2001	March 2002	March 2003	June 2004	June 2005
Textile	Male					2,785	2,836
	Female					1,564	1,429
	Total	9,210	8,180	7,995	7,784	4,349	4,265
Wearing apparel	Male					17,932	18,049
	Female					37,100	33,676
	Total	72,810	75,766	69,982	68,344	55,032	51,725

Source: CSO data

The decrease in exports in the clothing sector was offset by firstly, the increase in sugar exports, which is the second main exported product in terms of foreign exchange earnings, and secondly, an increase in exports of fish and fish preparations. While sugar exports increased by 5.7%, fish and fish products exports increased by 44.3%. The large increase in exports of fish and fish products is well in line with the governmental policy of making Mauritius a seafood hub.

Imports increased throughout the period 2001-2005 and the annual average rate of growth of imports, of 11.89%, was much higher than the annual average increase, of 5.59%, for exports for that same period. Consequently, the trade deficit widened. The increase in imports value in 2005 was mainly due to a sharp rise, of approximately 52%, in the import bill for petroleum products, a result of high oil prices in the world market, and the depreciation of the rupee against the US dollar.

With regard to regional merchandise trade, exports to South Africa grew at a yearly, compounded, average rate of 22% during the period 2000-2005, whereas imports from South Africa declined at a yearly rate of 0.08% for the same period. Starting with a trade deficit of Rs7.7m in 2000, the trade deficit with South Africa narrowed slightly to Rs7.2m in 2005. The large growth in exports over the period 2000-2004 was attributable to the increase in the exports of textiles (or Chapter 11) products and pearls and precious stones (or Chapter 14 products). In particular, the following should be noted:

- Exports of knitted or crocheted apparels (H61) increased by more than 100% annually.
- Exports of non-knitted or non-crocheted apparels increased by 51% annually.
- Exports of non-industrial diamonds worked, but not mounted or set (H71023900), increased by 139% annually. However, in 2004, exports in this cluster to South Africa fell by around 50%.

The increased exports of apparel to South Africa was a consequence of Mauritian apparel producers' decision to exploit the regional market because exports of lower-end apparel products, destined for to the international market, had become far more competitive.

Imports from the SADC increased at a yearly average of about 1.88% while exports to the SADC increased by around 10.38%. In absolute terms, though, the value of imports exceeded the value of exports by a factor of nine.

3.2 Exports and imports by region

Among the top 10 countries to which Mauritius exported its products, six were European Union countries, as is shown in Table 4. The EU was, therefore, the main importer of Mauritian products by region and that was consistent with the terms of the Lomé Convention and Cotonou Agreement under which Mauritius exports almost all of its sugar production, at a guaranteed price, and its clothing products duty free.

Table 3: Exports and imports by region: 2005

Region	Exports value (Rsm)	Exports (%)	Imports value (Rsm)	Imports (%)
SADC	1,022	1.72	9,118	9.77
European Union	37,534	63.36	28,578	30.62
MERCOSUR	18	0.03	1,541	1.65
Rest of Africa	5,924	10.00	2,168	2.32
Oceania	141	0.24	3,654	3.92
Rest of Americas	142	0.24	125	0.13
Rest of Asia	7,158	12.08	32,308	34.62
Rest of Europe	754	1.27	1,182	1.27
Eastern Asia	694	1.17	12,507	13.40
Other regions	19	9.88	2,141	2.29

Regional imports data show that the main regions from which Mauritius sourced its imports were Asia and the EU. The products in which these countries have comparative advantages are very different from the products in which Mauritius has such advantages. The Mauritian clothing sector is very important and contributed a large share to the country's GDP: 22.4% in 2002. However, the Mauritian textile sector is still underdeveloped. Consequently, a large proportion of textile products were imported from Asia, especially China.

France, Finland and Germany were among the top 10 countries from which Mauritius sourced its imports, which means that the EU region was a very important trading partner for Mauritius during the period under review. The SADC region, especially South Africa, was another important source of Mauritian imports, as is shown in Table 3.

3.3 Top 10 sources of imports and destinations for exports

China, South Africa, France and India were the four man sources of imports for Mauritius. Prior to 2000, Mauritius's main source of imports was France. However, after the formation of the SADC Free Trade Area (FTA) in 2000, South Africa became its main import source, a situation which lasted until 2004; after which, from 2005 onwards, China replaced South Africa as the principal source from which products were imported.

Table 4: Top 10 sources of imports and destinations for exports: 2005

	Exports			Imports		
	Country	Value (Rsm)	Share of total (%)	Country	Value (Rsm)	Share of total (%)
1	United Kingdom	18,933	31.96	China	9,167	9.82
2	France	8,677	14.65	South Africa	8,001	8.57
3	United States	5,715	9.65	France	7,021	7.52
4	United Arab Emirates	5,097	8.60	India	6,461	6.92
5	Madagascar	3,381	5.71	Bahrain	4,875	5.22
6	Italy	3,349	5.65	Finland	4,485	4.81
7	Spain	1,650	2.79	Germany	3,799	4.07
8	Reunion	1,566	2.64	Saudi Arabia	3,619	3.88
9	Belgium	1,555	2.62	United Arab Emirates	3,588	3.84
10	Germany	1,067	1.80	Japan	3,340	3.58

Two patterns could be noted: certain imported Chinese products increased by a very large extent and some new categories of imported products were added. For example, in 2004, there were no imports of Portland cement, other than of white cement (HS 25232900), yet in 2005, the same product accounted for 1.2% of the total imports from China. Imports of Chinese apparatus of all kinds increased, too. For example, imports of other transmission apparatus, incorporating reception apparatus (HS 85252090), increased by more than 330%.

Mauritius had a comparative advantage in articles of apparel, as shown in Table 16, and a simultaneous comparative disadvantage in textile products. Therefore, one would expect Mauritius to have imported textiles. In 2005, most of the textiles imported into the country were from China but also from Taiwan and France.

The main imports from South Africa were iron and steel (HS 72) and minerals fuels and oils (HS 27). The main commodities imported from France were fish (HS 03) and pharmaceutical products (HS 30).

Except for South Africa, no other SADC country was a major source of imports for Mauritius, despite a SADC FTA being in place.

The main reason for this absence was that the products in which Mauritius had a comparative production-side disadvantage, and thus which constitute its imports, were not produced in the SADC region.

On the export side, the UK, France and the US were the three main destinations for Mauritian products. The UK imported most of Mauritius's produced sugar under the Lomé Convention.

All three of the aforementioned countries were major consumers of Mauritian wearing apparel products. The UK and France imported Mauritian apparels under the Lomé Convention-Cotonou Agreement whereas the US imported these products under the Africa Growth and Opportunity Act (AGOA).

Among the top 10 importers of Mauritian products, and with the exception of Madagascar and Reunion Island, none were SADC members. It should be noted that in 2004, South Africa was among the top 10 importers on Mauritian products.

3.4 Fastest growing import and export partners

Table 5 indicates which countries were Mauritius's fastest growing trade partners on both the import and export sides. Only countries with trade values greater than US$20m are included in Table 5.

On the imports side, four of the 10 leading importers were the fastest growing import partners. They were China, Bahrain, Finland, and Saudi Arabia. The implication of that is that if this trend continues, Bahrain, Finland and Saudi Arabia will soon displace South Africa, France and India as leading importers and will be among the upper half of Mauritius's main import sourcing countries.

Table 5: Fastest growing trade partners: 2001-2005

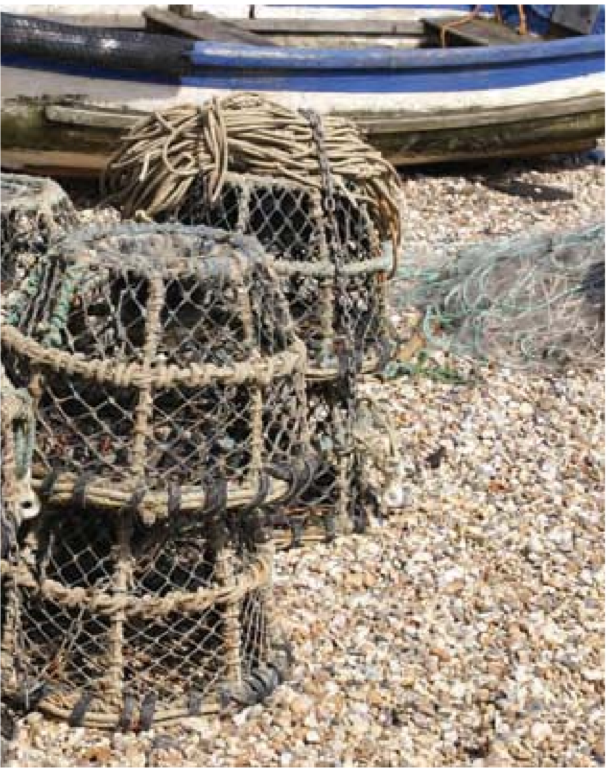
Imports			Exports		
Country	**Value 2004 (Rsm)**	**Average growth 01-05 (%)**	**Country**	**Value 2004 (Rsm)**	**Average growth 01-05 (%)**
Finland	4,485	188.11	United Arab Emirates	5,097	225.78
Hungary	2,141	148.52	Reunion	1,566	23.91
Bahrain	4,875	57.33	Belgium	1,555	21.05
Denmark	1,010	43.64	Spain	1,650	20.94
United Arab Emirates	3,588	27.86	South Africa	796	20.78
Saudi Arabia	3,619	26.04	Italy	3,349	15.47
Egypt	630	22.25	Switzerland	643	9.74
China	9,167	20.36	United Kingdom	18,933	6.91
Belgium	1,488	17.73	Madagascar	3,381	6.91
New Zealand	823	16.46	France	8,677	-0.67

The African countries which appeared among the 10 fastest growing importers of Mauritian goods were South Africa, Madagascar and Reunion Island. That was in line with the Mauritian government's vision of securing more export opportunities in the regional market, especially given that Mauritian wearing apparels were traditionally exported to developed markets. Further, a strategy of diversifying exports would also partially absorb the shock that a fall in sugar prices would bring.

The UAE and Belgium appeared to be growing partners, both on the export and import sides. An agreement on the Reciprocal Promotion and Protection of Investments (IPPA) between Mauritius and the Belgium-Luxembourg Economic Union was signed in Belgium on 30 November 2005. The agreement aimed to strengthen bilateral and economic ties between the countries and to provide for an enabling environment for investment and mutual trade. Other issues of cooperation were discussed including the provision of development aid to Mauritius, through an economic resilience index; investment in sub-sectors such as development of a bio-fuels sector; and assistance in the training and specialisation of medical practitioners[7].

Imports from the UAE to Mauritius in 2003 amounted to AED69.4m, while exports to the UAE grew by 20% to AED1.94-m, compared to AED1.61m in 2002. That growth was backed by strong growth in key categories such as textiles, sugar, cut flowers and stationery. Imports from the UAE consisted mainly of foodstuff, electrical products, photographic films, textiles and household items. For the second consecutive year, in 2004 Mauritius participated at the International Autumn Trade

[7] http://www.gov.mu/portal/site/Mainhomepage/?content_id=9615d575d1a8801 0VgnVCM100000ca6a12acRCRD (Last accessed on 20 July 2006).



Fair (IATF) in an attempt to facilitate exponential growth in trade in that region. That helped Mauritius forge ties with exporters in Dubai, which was in line with its drive to diversify from its traditional industries, such as sugar, textiles and tourism, which peaked in terms of their ability to stimulate growth in the Mauritian economy. Mauritius attracted tremendous business interest during its first year's participation in the IATF. In fact, Mauritian enterprises made interesting contacts and struck some good deals at the show, especially for products such as paint, gift items and ship models. Encouraged by this response, one of the paint companies that exhibited previously at the show decided to, and subsequently did, open a brand office in Dubai. The country's participation in the IATF also sought to gain it entry into a burgeoning market for natural products in the Middle East and European regions. Mauritius produces herbal cosmetics from tropical fruits, cocoa butter and lemon grass (neem) oil[8].

3.5 Commodity composition of trade

Mauritius's imports from the world, South Africa and the rest of SADC (RoSADC) differed markedly from each other. The products that constituted the main imports from South Africa were metal (or Chapter 15) products, mineral (or Chapter 5) products, chemicals (or Chapter 6 products) and prepared foods (or Chapter 4 products). Significantly, South Africa had a high revealed comparative advantage in the exports of these products. Mineral products were also one of the main imports from the world and the rest of SADC (RoSADC). The main imports from the RoSADC and the world, besides mineral products, were textile (or Chapter 11) products. This was because Mauritius had a comparative disadvantage in the production of these products while simultaneously enjoyed a high comparative advantage in the trade of wearing apparels within which textiles are major inputs. Textiles imported into the country were mainly sourced from Asia, China and Taiwan in particular, but

8 http://www.ameinfo.com/49152.html (Last accessed on 20 July 2006).

also from the rest of SADC because inputs of wearing apparels had to come from either qualifying sub-Saharan African (SSA) countries or the US if they were to qualify for exportation under AGOA. Given that these rules of origin restrictions were not imposed on wearing apparels exported to the EU, Mauritius imported its textiles and textile products mainly from India, Taiwan and China.

As noted earlier, Mauritius's two main exports were sugar and wearing apparels. In Table 7, it is evident that prepared foodstuffs and textile and textile articles were highly traded products exported to the world, South Africa and the SADC region. Sugar was exported mainly to the EU and wearing apparels to the EU and the US. Exports to South Africa and the RoSADC were largely constituted by textile and textile products. Exports of machinery to the RoSADC accounted for a large share in total exports from Mauritius to that region and approximately 55% of which went to Seychelles and 30% to Tanzania. The main product exported to Seychelles was electrical machinery (HS 85), specifically radio telephony apparatus used on ships.

Table 6: Commodity composition of imports: 2004

Product	Share of total imports from world (%)	Share of total imports from South Africa (%)	Share of total imports from RoSADC (%)
C01: Animals (live) and animal products; Section I	7.51	4.67	6.71
C02: Vegetable products; Section II	3.88	4.23	0.71
C03: Fats and oils (animal or vegetable); Section III	1.03	1.14	0.00
C04: Prepared foodstuffs, beverages and tobacco; Section IV	4.38	11.57	21.06
C05: Mineral products; Section V	17.97	13.35	36.91
C06: Chemical products; Section VI	6.29	10.25	0.05
C07: Plastics and rubber; Section VII	3.72	8.09	0.02
C08: Leather products; Section VIII	0.35	0.09	0.10
C09: Wood products; Section IX	0.96	1.42	0.88
C10: Paper products; Section X	2.25	5.54	0.08
C11: Textile products; Section XI	10.29	2.72	29.53
C12: Footwear, headgear and umbrellas; Section XII	0.48	0.06	0.08
C13: Stone, cement and glass products; Section XIII	1.37	1.07	0.12
C14: Pearls and precious stones; Section XIV	2.93	1.22	0.12
C15: Metal products; Section XV	5.51	20.13	2.06
C16: Machinery; Section XVI	22.76	6.59	0.44
C17: Vehicles, aircraft and vessels; Section XVII	5.24	5.94	0.00
C18: Photographic instruments, clocks and musical instruments; Section XVIII	1.56	0.98	0.00
C19: Arms and ammunition; Section XIX	0.01	0.01	0.00
C20: Furniture, toys and other products; Section XX	1.51	0.93	1.14

Table 7: Commodity composition of exports: 2004

Product	Share of total exports to world (%)	Share of total exports to South	Share of total exports to RoSADC (%)
C01: Animals (live) and animal products; Section I	4.33	1.47	1.83
C02: Vegetable products; Section II	0.68	0.04	2.77
C03: Fats and oils (animal or vegetable); Section III	0.06	0.16	0.00
C04: Prepared foodstuffs, beverages and tobacco; Section IV	24.20	1.27	6.85
C05: Mineral products; Section V	0.13	0.03	0.01
C06: Chemical products; Section VI	1.23	2.86	2.44
C07: Plastics and rubber; Section VII	1.05	5.13	4.31
C08: Leather products; Section VIII	0.43	0.02	0.52
C09: Wood products; Section IX	0.12	0.16	0.07
C10: Paper products; Section X	1.06	5.62	24.85
C11: Textile products; Section XI	40.81	50.71	24.15
C12: Footwear, headgear and umbrellas; Section XII	0.18	0.00	0.14
C13: Stone, cement and glass products; Section XIII	0.54	0.47	0.12
C14: Pearls and precious stones; Section XIV	4.46	11.48	0.00
C15: Metal products; Section XV	1.56	3.23	5.69
C16: Machinery; Section XVI	15.73	12.78	23.65
C17: Vehicles, aircraft and vessels; Section XVII	0.60	0.76	1.68
C18: Photographic instruments, clocks and musical instruments; Section XVIII	1.95	2.23	0.08
C19: Arms and ammunition; Section XIX	0.00	0.00	0.00
C20: Furniture, toys and other products; Section XX	0.83	1.57	0.79
C21: Works of art and antiques; Section XXI	0.02	0.01	0.04

Data from Table 7 clearly indicates that Mauritius had highly concentrated exports for the period under review.

3.6 Fastest growing import and export commodities

3.6.1 Fastest growing export commodities

Table 8 indicates that the Mauritian economy continued to diversify its exports. Only trade greater than US$5-m is reported on in this section. The fastest growing exports to the world were not its major export products. A matter of concern about its exports activities was that of the top five fastest growing exports to the world, Mauritius had a revealed comparative disadvantage in three of those categories, specifically the H39, H34 and H42 categories. Clothing exports did not appear among the top 20 fastest growing export commodities. Significantly, until the late 1990s, this sector was a booming one in Mauritius. As stated earlier, the sectoral decline was attributable to the MFA phase out process. Also important in Table 7 is the appearance of H16 products, or meat, fish and seafood preparations, as a fastest growing commodity, a trend which was in line with the government's active policy to make Mauritius a seafood hub.

Table 9 shows which commodities were the fastest growing exports to South Africa. Articles of apparel, which had a trade value in excess of US$5-m, were the fastest growing export products sent to the South African market.

3.6.2 Fastest growing import commodities

Among the fastest growing imports for Mauritius, H03 and H10 products, or fish and crustaceans and cereals, respectively, were the two products with quite considerable trade values. Previously, as reported in an earlier review, textile products happened to be the fastest growing imports for Mauritius. This was because of the comparative disadvantage that Mauritius had in the production of textiles. Textile products, though, are major inputs in the production of clothing products and the latter was a major export sector for the country. However, as is evident in Table 10, imports of textile products are not listed there.

Among the fastest growing imports from South Africa, the two products with considerable value were H72 or iron and steel products and H27 products or mineral fuels. These products were also the main imports from South Africa. The fastest growing imports from the rest of SADC were of negligible amounts..

Table 8: Fastest growing exports to the world:2001-2005

Product	Value 2004 (Rsm)	Growth rate (%)
H03: Fish, crustaceans, molluscs, aquatic invertebrates n.e.s.	1,640	117.84
H39: Plastics and articles thereof	559	41.62
H34: Soaps, lubricants, waxes, candles, modelling pastes	148	39.88
H01: Live animals	880	33.42
H42: Articles of leather, animal gut, harness, travel goods	249	23.57
H23: Residues, wastes of food industry, animal fodder	325	14.60
H16: Meat, fish and seafood food preparations n.e.s.	3,204	13.16
H22: Beverages, spirits and vinegar	186	6.81
H17: Sugars and sugar confectionery	10,359	4.52
H11: Milling products, malt, starches, inulin, wheat gluten	190	-0.90

Table 9: Fastest growing exports to South Africa: 2001-2005

Product	Value 2005 (Rsm)	Growth rate (%)
H61: Articles of apparel, accessories, knit or crochet	212	94.69

Table 10: Fastest growing imports from the world: 2001-2005

Product	Value 2005 (Rs-m)	% growth
H03: Fish, crustaceans, molluscs, aquatic invertebrates n.e.s.	4,023	17.63
H17: Sugars and sugar confectionery	505	17.24
H15: Animal, vegetable fats and oils, cleavage products, etcetera	965	13.42
H01: Live animals	346	13.07
H10: Cereals	2,224	10.97
H07: Edible vegetables and certain roots and tubers	533	10.10
H02: Meat and edible meat offal	791	9.33
H04: Dairy products, eggs, honey, edible animal product n.e.s.	1,816	7.61
H08: Edible fruit, nuts, peel of citrus fruit, melons	484	6.60
H16: Meat, fish and seafood food preparations n.e.s.	447	5.47

The trade intensity index between Mauritius and the SADC region shows the importance of trade between the country and this specific regional market. When the trade intensity index value is above unity, it indicates a more intense trade relationship in place. The export intensity index for that specific market suggests that compared to the world, either Mauritian exporters preferred trading with the SADC or consumers in the SADC region preferred Mauritian as opposed to the world's products. That preference, however, continued to fall from 2000 onwards. The 2003 import intensity index, which reflects Mauritian consumers' preference for SADC products or SADC producers' preference for Mauritian markets, had decreased from its 2002 level. It should be noted that a large share of Mauritian imports originated from South Africa. Table 4 shows that the highest share of imports in 2003 came from South Africa and it was this which was the driving force for the high trade intensity for imports from the SADC region.

Table 11: Fastest growing imports from South Africa: 2001-2005

Product	Value 2005 (R m).	% growth
H01: Live animals	218	38.64
H72: Iron and steel	1,175	19.92
H17: Sugars and sugar confectionery	332	18.79
H39: Plastics and articles thereof	577	11.95
H38: Miscellaneous chemical products	272	4.81
H08: Edible fruit, nuts, peel of citrus fruit, melons	277	3.97
H48: Paper and paperboard, articles of pulp, paper and board	416	3.79
H84: Nuclear reactors, boilers, machinery, etcetera	354	3.34
H73: Articles of iron or steel	256	1.80
H27: Mineral fuels, oils, distillation products, etcetera	1,045	-19.28

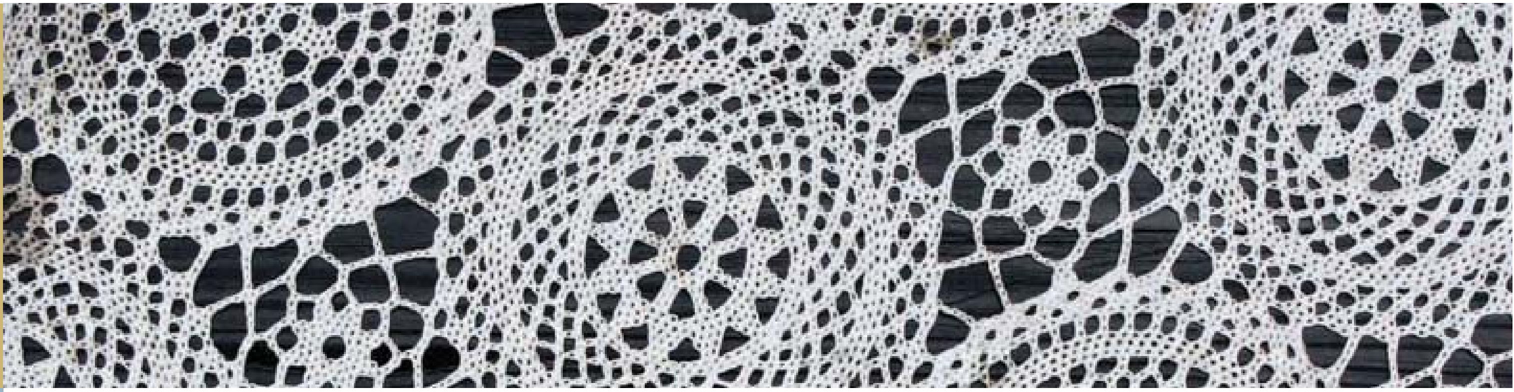
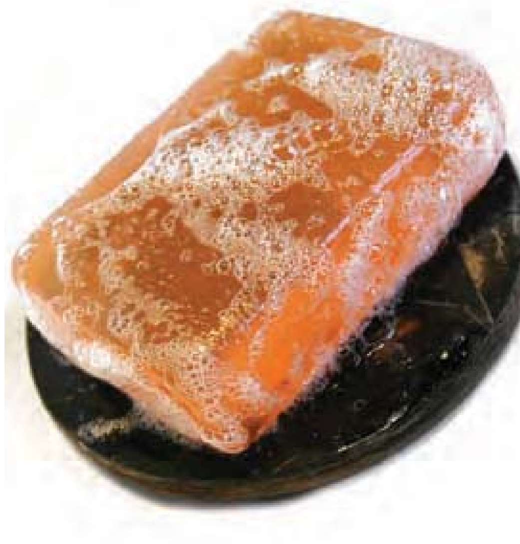


Table 12: Fastest growing imports from the RoSADC: 2001-2005

Product	Value 2005 (Rs-m)	% growth
H52: Cotton	323	14.01
H21: Miscellaneous edible preparations	175	2.12
H27: Mineral fuels, oils, distillation products, etcetera	412	0.00

On the exports side, preference for trade with the SADC region was due to the preference for trade with Madagascar and Reunion Island; these two countries are the only countries that appear in Table 4's list of Mauritius's 10 top destinations of exports. In a previous review, South Africa was the only SADC country which appeared to be among the top 10 countries to which Mauritian products were exported. That has obviously changed for this period under review.

The trade complementarity (TC) index shows how well the structures of a country's imports and exports match. If the index is zero, then no goods are exported by one country or imported by the other; if the index equals unity, then the export and import shares match exactly. The TC index provides useful information on the prospects for intra-regional trade. In the period 2002-2003, the TC index was stagnant at 0.84 and was higher than for 2001 when the index was calculated at 0.77, implying that Mauritius's exports and imports shares for the SADC region were converging towards the same share levels.



The Hirschmann concentration index[9] shows the degree of concentration or specialisation of a country's foreign trade. According to the United Nations Conference on Trade and Development's (UNCTAD) calculation, and based on 1998 data, transition economies have an average index of 0.16 while developed economies have an average index of 0.17[10].

Table 14 considers three markets for Mauritian imports and exports: the world market, the SADC regional market and the South African market. On the world market, the concentration of Mauritian exports were stagnant at the 10% level since 2000. On the imports side, Mauritian imports from the world had a concentration ratio of 2%. This reflected the fact that Mauritius was not a major player in the world

[9] Hirschman concentration index is calculated as follows: $HIx = \sum(X_i/X)^2$ and $HIx = \sum(M_i/M)^2$, where I is the number of product groups, X_i and M_i stand for exports and imports of product I respectively; and X and M represent total exports and total imports to and from the market under study. The index varies from 0 to 1, with lower values indicating lower concentration.

[10] Voinea, L. (2002). *Escaping periphery through trade: a tale about Romania's convergence to the EU*. IES Proceeding 1.1. November 2002.

Table 13: Trade intensities for exports and imports in 2004

	2000	2001	2002	2003
Export intensities	1.57	1.40	1.49	0.90
Import intensities	1.53	1.89	2.15	1.47
Complementarity index	0.88	0.77	0.84	0.84

Table 14: Hirschmann indices: 2000-2004

	2000	2001	2002	2003	2004
Exports to world	0.097	0.098	0.091	0.095	0.100
Imports to world	0.019	0.018	0.017	0.017	0.021
Exports to SADC	0.132	0.100	0.141	0.173	0.074
Imports from SADC	0.091	0.052	0.021	0.015	0.015
Exports to SA	0.142	0.129	0.103	0.071	0.088
Imports from SA	0.162	0.155	0.138	0.156	0.160

market. Over the five years for which data are reported, on average, Mauritian exports to the SADC region were concentrated at 12% yet were on the rise. . SADC exports to Mauritius, though, were concentrated at a very low level, with an average of 4%, and exhibited a declining trend. Based on that data, it would seem that the creation of the SADC FTA increased the trade share of Mauritius in the SADC, a trend which was in line with the government's policy of diversifying the country's trading markets, but did not increase the trade share of the SADC into Mauritius. Although exports concentration to the SADC did increase, exports concentration to South Africa declined, falling from 14% in 2000 to 8% in 2004. Iimports concentration from South Africa, calculated at 16%, reflected the fact that South Africa was the second most important source of imports for Mauritius in 2005, although, up until 2003, it had been the main source of the country's imports.

5. Revealed comparative advantage

Comparative advantage is a concept used to evaluate a country's patterns of trade. Changes in a variety of factors may change that country's comparative advantage. Changes in factor endowments, technology, factor prices and the level of income are all variables which can influence comparative advantage. As a country develops, one would expect it to have a revealed comparative advantage in technologically-advanced manufactured goods as its development and modernisation progresses.

The concept of revealed comparative advantage (RCA) can be divided into three distinct types of advantage: declining comparative advantage, emerging comparative advantage and continuing comparative advantage. Declining comparative advantage means that at the start of the period under review, a country had a comparative advantage for product X but lost its comparative advantage over the years. Emerging comparative advantage means that at the beginning of the period, the country did not have a comparative advantage for product X but gradually raised its RCA to unity. Continuing comparative advantage means that the RCA was above unity throughout the period of study yet, over the years, the degree of comparative advantage may have increased or decreased.

The concept of comparative advantage was applied to the Mauritian trade data. As can be seen from Table 15, Mauritius had a high revealed comparative advantage in sugar, apparels and meat and seafood preparations.

Closer analysis of the clothing sector was undertaken with reference to the three aforementioned types of RCA for the period 1980-2003 and at the three digit Standard International Trade Classification (SITC) level. The results show that among wearing apparel products, Mauritius had a continuing comparative advantage in the following products: men's or boy's wear (not knitted or crocheted), women's or girl's wear (not knitted or crocheted), men's or boy's knitted or crocheted wear, women's or girl's wear knitted or crocheted, and articles of wearing apparels manufactured from textiles fabrics. Mauritius had a declining comparative advantage in clothing accessories, textile fabrics and articles or apparels, and textile articles manufactured from materials other than textile fabrics.

Caution is required when interpreting these data.

The revealed comparative advantage index values for sugar and wearing apparels were high because of preferential trade arrangements that were in place. The Sugar Protocol, under the Lomé Convention, gave Mauritius free access to specific quantities of sugar, at guaranteed prices and at a price level well above the world sugar price.

The ACP/EU Sugar Protocol, which was signed in 1975, guaranteed Mauritian access to the EU market, over a finite period of time, for fixed quantities of ACP sugar at preferential prices.[11] Under this protocol, Mauritius exported 560,000 tons of sugar to the EU and that accounted for 17% of the island's export earnings. However, Mauritian sugar exports to the EU were detrimentally affected by the recent EU decision to cut ACP countries' sugar prices by 37%. While the Mauritian government supports the need for its local sugar industry to be turned around, a soft-landing strategy is required. Without such a strategy, the Mauritian economy will experience a considerable shock precisely because sugar is a huge revenue earner for the country. The Ministry of Agriculture has argued that the sugar industry will become obsolete because of the rising production costs and decreased revenue earnings that will follow the reform process. It is estimated that about 20,000 farmers may be forced out of the industry. In 2001, Mauritius launched the Sugar Industry Strategic Plan as part of an attempt to cut down the production costs in this sector. Mauritius also reduced the number of sugar factories it had, from 17 in 1997 to 11 in 2002, and that number is expected to drop even further to seven or eight factories by 2008. The remaining factories were being modernised so that they could crush more cane. Some 10,000 employees were laid off under a voluntary retirement scheme since 2001, thereby allowing the industry to reduce its workers' remuneration bill by 25%.[12]

It was not only the sugar industry which was impacted upon by certain international trade agreements. The Lomé Convention also offered preferential access to Mauritian textiles exports to European markets. This Convention bestowed considerable advantages to Mauritius over non-ACP countries. Mauritian exports of textile and garments were not subject to the 17% duty on entry imposed on non-ACP textiles imports into the European Economic Community (EEC).[13]

[11] ACP Sugar Group. http://www.acpsugar.org. (Last accessed on 05/10/2007).

[12] Ackbarally N. (2005). *Mauritius battles to keep sugar industry from turning sour*. http://www.ipsnews.net (Last accessed 20 October 2005).

[13] Muradzikwa, S. (2001). *The Southern African Regional Clothing and Textile Industry: Case Studies of Malawi, Mauritius and Zimbabwe.* DPRU Working Papers.

6. Intra-industry trade

In this section of the review report, reference is made to the Grubel-Lloyd (GL) index for intra-industry trade (IIT) between Mauritius and the rest of the world. Comparisons are also made for IIT between Mauritius, South Africa and the RoSADC. On the demand side, IIT shows consumers' preference for variety.

Analysis of the weighted average of total intra-industry trade revealed that Mauritius's IIT with the RoSADC had the lowest index.

Table 16 shows that the IIT between Mauritius and the world was very high for the specific products listed in that table. However, most of these products, with the exception of H7102 products or diamonds not mounted or set, were not traded in large volumes or values. Some caution is required when interpreting IIT figures. Firstly, the higher the degree of aggregation in this analysis contributes to a higher IIT value. A more disaggregated analysis, therefore, may result in different IIT values.

For example, H7102 products, at 4 digit HS level, seemed to have a high IIT but, at a more disaggregated (or HS8) level, imports consisted mainly of particular types of non-industrial diamonds, specifically those which were unworked, simply sawn, cleaved, bruted, not mounted or set (HS 71023100), while exports consisted mainly of non-industrial diamonds worked, but not mounted or set (HS 71023900). Mauritius imported unworked diamonds and added value to them before re-exporting them. Almost 80% of such diamonds were imported from and exported to Belgium.

IIT between Mauritius and South Africa was high for parts of engines, diamonds and auto-electronic equipment, which implied that there was a high degree of intra-industry trade between the two countries. Again, except for diamonds, the values in which the aforementioned other products were traded were actually very low.

IIT between Mauritius and the rest of SADC, although high for some products, was small and the value of trade almost negligible. The weighted total IIT was lower for the RoSADC because the goods produced in these two markets were very different and, hence, there was not much scope for intra-industry trade.

Mauritius's two main export product lines were sugar and wearing apparels and almost all of these products were exported to the European and US markets.

Table 15: Revealed comparative advantage with respect to the world: top 20 commodities (HS2) in 2004

Product	Index value	Exports (Rsm)
H17: Sugars and sugar confectionery	86.35	9,831
H61: Articles of apparel, accessories, knit or crochet	25.12	17,368
H16: Meat, fish and seafood food preparations n.e.s.	16.43	2,248
H62: Articles of apparel, accessories, not knit or crochet	10.44	8,313
H01: Live animals	8.91	606
H11: Milling products, malt, starches, inulin, wheat gluten	4.61	220
H52: Cotton	4.51	1,271
H03: Fish, crustaceans, molluscs, aquatic invertebrates n.e.s.	3.65	1,112
H91: Clocks and watches and parts thereof	3.16	480
H51: Wool, animal hair, horsehair yarn and fabric thereof	2.47	209
H71: Pearls, precious stones, metals, coins, etcetera	2.41	2,413
H60: Knitted or crocheted fabric	2.30	283
H31: Fertilisers	2.28	272
H58: Special woven or tufted fabric, lace, tapestry etcetera	2.04	134
H96: Miscellaneous manufactured articles	1.72	194
H49: Printed books, newspapers, pictures etcetera	1.56	332
H23: Residues, wastes of food industry, animal fodder	1.27	227
H06: Live trees, plants, bulbs, roots, cut flowers etcetera	1.22	100
H57: Carpets and other textile floor coverings	1.16	71
H55: Manmade staple fibres	0.97	158

Table 16: Intra-industry trade with the world: top 15 commodities (HS4) in 2005

Commodity	Grubel-Lloyd index	Exports (Rsm)	Imports (Rsm)
H8533: Electrical resistors and rheostats except for heating	1.00	21.14	21.18
H8438: Industrial food and drink preparation machinery n.e.s.	1.00	58.00	57.62
H5204: Cotton sewing thread	0.99	22.59	21.97
H5212: Woven cotton fabric n.e.s.	0.98	115.53	112.05
H4820: Office books, forms, exercise books, folders, binders	0.98	19.11	18.51
H7102: Diamonds, not mounted or set	0.98	1,160.67	1,209.87
H4901: Printed reading books, brochures, leaflets etcetera	0.98	287.70	275.63
H4202: Trunks, suit-cases, camera cases, handbags etcetera	0.97	112.60	120.46
H0302: Fish, fresh or chilled, whole	0.96	14.06	13.10
H4203: Clothing, accessories of leather, composition leather	0.95	17.40	15.88
H1902: Pasta, couscous etcetera	0.95	59.95	54.17
H6207: Men's, boy's underwear, nightwear, not knit or crochet	0.94	4.36	3.89
H6115: Pantyhose, tights, hosiery n.e.s., knit or crochet	0.93	4.75	5.48
H2202: Waters, non-alcoholic sweetened or flavoured beverages	0.91	57.71	68.81
H5106: Yarn of carded wool, not retail	0.91	189.69	157.76

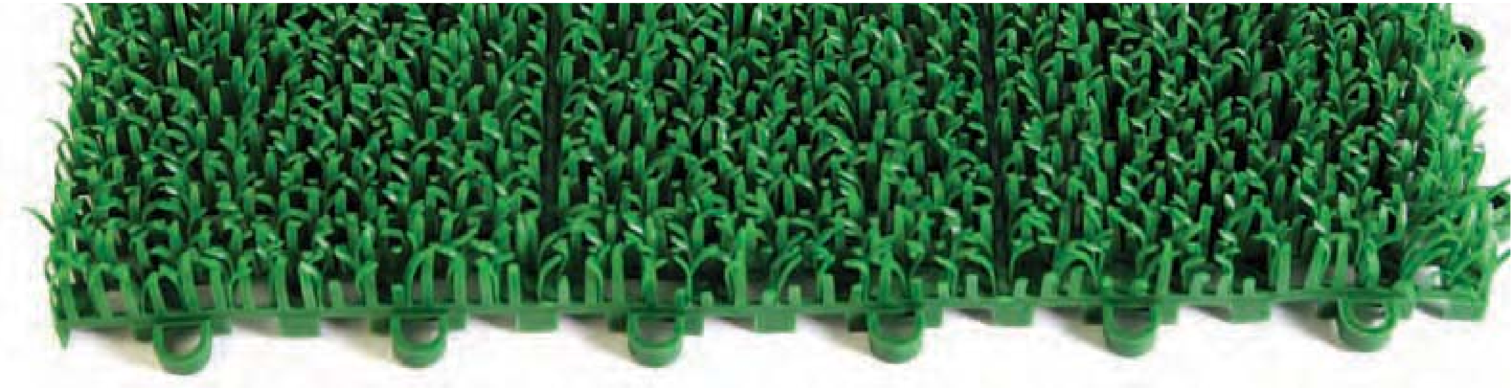


Table 17: Intra-industry trade with the South Africa: top 15 commodities (HS4) in 2005

Commodity	Grubel-Lloyd index	Exports (Rsm)	Imports (Rsm)
H8409: Parts for internal combustion spark ignition engines	0.96	4.59	5.01
H7102: Diamonds, not mounted or set	0.91	158.88	133.88
H8518: Audio-electronic equipment, except recording devices	0.90	4.00	4.90
H8443: Printing and ancillary machinery	0.89	4.76	5.95
H8525: Radio and TV transmitters, television cameras	0.85	4.02	5.39
H4911: Printed matter n.e.s., catalogues, pictures and photos	0.82	9.64	13.83
H8479: Machines n.e.s. having individual functions	0.77	6.46	10.40
H4818: Household, sanitary, hospital paper articles, clothing	0.73	14.31	8.25
H3204: Synthetic organic colouring matter	0.68	6.91	13.43
H5701: Carpets and other textile floor covering, knotted	0.63	6.33	2.88
H5205: Cotton yarn not sewing thread >85% cotton, not retail	0.59	50.93	120.75
H6001: Pile fabric, knit or crochet	0.57	22.64	9.09
H5208: Woven cotton fabric, >85% cotton, < 200g/m2	0.54	4.04	11.03
H3401: Soaps	0.52	9.11	3.19
H5209: Woven cotton n.e.s., >85% cotton, >200g/m2	0.49	43.06	134.45

Table 18: Intra-industry trade with the RoSADC: top 15 commodities (HS4) in 2005

Commodity	Grubel-Lloyd index	Exports (Rsm)	Imports (Rsm)
H5209: Woven cotton n.e.s., >85% cotton, >200g/m2	0.76	20.90	12.85
H5205: Cotton yarn not sewing thread >85% cotton, not retail	0.26	11.11	75.94
H5208: Woven cotton fabric, >85% cotton, < 200g/m2	0.16	6.16	0.53
H4818: Household, sanitary, hospital paper articles, clothing	0.01	2.86	0.01
H4901: Printed reading books, brochures, leaflets etcetera	0.00	77.65	0.06
H6109: T-shirts, singlets and other vests, knit or crochet	0.00	8.13	0.00

7. Summary of trade agreements planned and currently in force

The major thrust of Mauritian economic and trade policy during the period was the establishment of a thriving, competitive, modern society which has a high level of economic growth, situated within a dynamic international environment, and is able to provide opportunities to all Mauritians so that they can have increased standards of living and improved quality of life. This objective was expected to be achieved through the adoption of a liberal economic and trade policy. The strategy of openness, underpinned by outward-looking trade policies and practices, was aimed at allowing Mauritius to become a competitive trade partner and to integrate its into the world's trading system. In this regard, Mauritius intended to initiate actions on both the local and the external fronts as was appropriate.

On the external front, policy formulation sought to achieve the following actions:

- Consolidate the trade relations which Mauritius has with the EU under the Cotonou Agreement and in the context of the Economic Partnership Agreement which is yet to be negotiated.

- Consolidate the trade relations between Mauritius and the US, especially in the context of the AGOA.

- Participate actively in the work of the World Trade Organisation (WTO). While, on the one hand, the WTO's philosophy of free trade would influence trade policy formulation in the goods and the services sectors, the concerns of Mauritius, as a small developing country which is vulnerable to external shocks, would be flagged so that provisions are made to effectively address these concerns.

- Play a more prominent role in regional blocks, with a view to expanding the economic space it enjoys, through the adoption of a regional industrial development strategy.

- Adopt a more proactive approach to trade within its non-traditional markets.[14]

In line with its strategy of openness, Mauritius signed bilateral agreements to remove bstacles to trade, including the reduction of non-tariff barriers (NTBs), with Pakistan, Egypt, Madagascar, Zimbabwe, Hungary and the Central African Republic.

[14] World Trade Organisation. (2001). *Trade Policy Review Body's Trade Policy Review: Mauritius. Report by the Government*. http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm. (Last accessed on 05/10/07).

The African Economic Community signed a treaty, on 3rd June 1991, to establish gradually an African Economic Community (AEC) by the year 2025; Mauritius was a party to the AEC Treaty.

Mauritius was a signatory is the ACP-EU Agreement, known as the Cotonou Agreement, between 77 African, Caribbean and Pacific (ACP) States and the European Union, which replaces the Lomé Convention.

There are four regional groupings to which Mauritius belongs: the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the Indian Ocean Commission (IOC) and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC).

Mauritius was also a beneficiary of the Generalised System of Preferences (GSP) scheme and the Africa Growth and Opportunity Act (AGOA).

Nine[15] African countries, including Mauritius, are members of both the SADC and COMESA, thereby giving rise to a 'spaghetti bowl' effect within the region. Mauritius was an active member of both of these regional blocks and appears intent on remaining a member of both.

Under the current negotiation between the EU and ECP EPA, Mauritius is a member of the ESA group.

However, in April 2005, the government of Mauritius announced that in the next four years, Mauritius would be made a duty free island. And, in this respect, in April 2005, the duty rate on a number of items was considerably reduced and completely eliminated for a number of items. Given that COMESA is pushing ahead with its plan to create a Common External Tariff and Custom Union by 2008, to make it practical, all COMESA participating countries would have to implement duty free policies. If this does not happen, there is a possibility that the country may have duties on some products and none on others and that would essentially mean that the status quo is maintained. Although the intention of remaining in the COMESA region is strong on the part of the Mauritian government, there is still a solid resolve for Mauritius to implement its duty free island policy.

[15] The countries are Angola, Congo, Malawi, Mauritius, Namibia, Seychelles, Swaziland, Zambia and Zimbabwe.

8. Conclusion

The Mauritian economy continued to diversify its exports during the period under review. Significantly, though, the fastest growing exports to the world were not its major export products. Of concern was the fact that out of the top five fastest growing exports to the world, Mauritius had a revealed comparative disadvantage in three categories, namely the H39, H34 and H42 categories. The clothing sector, which was traditionally one of its leading export revenue earners, was not among its list of 20 fastest growing export commodities even though, up until the late 1990s, it was Mauritius's boom sector. The decline of this sector was attributable to the phasing out of the MFA.

Mauritius has long depended on the preferential status granted to it by developed nations for it to export certain products to developed countries' markets, particularly those in the EU and the US. With the phasing out of the MFA, the Mauritian government was pushed into adopting a more proactive and aggressive trade policy.

In 2005, real GDP grew by 2.5% compared to 4.7% in 2004. The decline was attributable largely to the decline in the manufacturing and agricultural sectors, in particular the Export Processing Zone (or EPZ) , which declined by 13%, and the sugar industry, which contracted by 9.1%. In the review period, the unemployment rate was at its highest in 2005. This was explained by the closure of several firms within the textile sector because of the MFA phase out process. In the same period, inflation stagnated to 5%.

When looking at investment, FDI inflows were mainly into the banking and the ICT sectors. However, this investment was not enough to offset the disinvestment underway in the textile and tourism sectors. The rupee vis-à-vis the dollar also depreciated over the period and continues to do so.

Mauritius's overall trade balance was negative for the period 2001-2005, with the highest trade deficit being recorded in 2005.

On a regional basis, on the exports side, Mauritius traded mainly with the EU region because of the Lomé Convention-Cotonou Agreement. Mauritius exported to that regional market almost all of its sugar production, at a guaranteed price, and its clothing products on duty free terms.

With regard to imports, Mauritius sourced products mainly from Asia and the EU. Within the SADC region, South Africa is an important source of Mauritian imports. China, South Africa, France and India are the four main markets from which imports were sourced. Except for South Africa, no other SADC country appeared to be a major source of imports for Mauritius even though a SADC FTA was in place. The main reason for this trend was that those products in which Mauritius had a comparative disadvantage in production, and which it consequently normally imported, were not produced in the SADC region.

On the export side, the UK, France and the US were the three main destinations for Mauritian products. The UK imported most of the country's sugar under the Lomé Convention. The aforementioned three countries were major customers of Mauritian wearing apparel products. The UK and France imported Mauritian apparels under the Lomé Convention-Cotonou Agreement, whereas the US imported those products under the AGOA.

Mauritius' imports from the world, South Africa and the rest of SADC differed markedly. The products that constituted the bulk of the imports from South Africa were metal (or Chapter 15) products, mineral (or Chapter 5) products, chemicals (or Chapter 6 products) and prepared foods (or Chapter 4 products). Mineral products were also one of the main imports sourced from the world and the RoSADC. Besides mineral products, textile (or Chapter 11) products were also sourced from the world and the RoSADC.

Sugar and wearing apparels were, for the period under review, Mauritius's two main exports.

The index of trade intensities revealed that for Mauritian exports to the world, either Mauritian exporters preferred trading with the SADC or consumers in the SADC region preferred Mauritian products when compared with products from the world. That preference , however, was in decline from 2000. The import intensity index showed that in 2003, the preference for SADC products by Mauritian consumers or the preference of SADC producers for exporting to Mauritius decreased when compared to the 2002 index level. Over the period 2002- 2003, the trade complementarity index was stagnant at 0.84 but higher than 2001's index of 0.77. That implied that Mauritius's exports and imports share vis-à-vis the SADC was converging towards the same share levels.

On the world market, the concentration of Mauritian exports was stagnant at 10% since 2000. With regard to Mauritian imports from the world, a concentration ratio of 2% was found. That suggested that Mauritius was not a major player in the world market. Over the five years for which data are reported, Mauritian exports to the SADC averaged at 12% and was, with the exception of 2004, on the increase. However, SADC exports to Mauritius were concentrated at 4%, which was a very low level, and were on the decline. Therefore, it can be concluded that while the creation of the SADC PTA increased Mauritian trade share to the SADC, it did not result in an increase in the share of trade from the SADC into Mauritius.

Mauritius had a high revealed comparative advantage for sugar, apparels, and meat and seafood preparations. Among the wearing apparel products, Mauritius had a continuing comparative advantage in men's or boy's wear (not knitted or crocheted), women's or girl's wear (not knitted or crocheted), knitted or crocheted men's or boy's wear, knitted or crocheted women's or girl's wear, and articles of wearing apparels manufactured from textiles fabrics. The country's comparative advantage in clothing accessories, textile fabrics and articles or apparels, and textile articles manufactured from materials other than textile fabrics was, however, in decline.

In conclusion, the future looks good for the Mauritian economy not least because the government has been able to proactively respond to the threat posed by the loss of the MFA but also because diligent efforts have been made to further diversify the economy. For instance, whilst the economy is known to be driven by mainly tourism, as well as exports of sugar and textiles, the inflows experienced in the services sector in particular the banking and ICT sub-sectors is evidence that Mauritius is able to successfully diversify the types of investment attracted into the country. The net effect of these inflows is that it will lead to further crowding in of investment in terms of FDI, which will further spur Mauritian trade with the rest of the world thereby resulting in greater economic growth and development.

Mozambique

1. Introduction

Mozambique, which has an estimated population of 19.9-million people (World Bank, 2006), is located on Africa's southeast coast and bordered by Tanzania to the north, Malawi, Zambia and Zimbabwe to the west, and South Africa and Swaziland to the south. The country, colonised by the Portuguese in the 16th and 17th centuries, gained its independence in 1975. From 1978, Mozambique was governed by a Marxist-Leninist Constitution which was replaced in 1990 by a multiparty system and a new Constitution. In 1987, the country joined the Bretton Woods Institutions and embarked on a process of economic reform involving privatisation of formerly government-owned enterprises and a shift towards a market-based economy. The reforms were also aimed at reversing the economic decline caused by the civil war, the massive exodus of skilled labour and entrepreneurs, most of whom were Portuguese expatriates, and the inappropriate macroeconomic policies in place since independence.

With the end of the civil war in 1992, the country increased its trade flows with the rest of the world. In terms of exports, traditionally, it has exported fish and crustaceans (mainly prawns), aluminium and natural gas. Exports of key products, such as prawns, sugar, tobacco and wood, have been increasing. Aluminium exports now comprise almost two thirds of the country's export revenue. The economy has been growing at an average rate of 7% per annum for the period 2000-2005 yet economic growth has been affected, in part, by the country's lack of capacity for producing the capital goods needed to spur economic growth and development. Consequently, imports have been dominated by mechanical and electrical machinery, vehicles, iron and other inputs needed by several mega-projects underway in the country.[1] Mozambique does not produce enough cereal for its own needs and that makes it a net importer of cereals. Food security therefore remains a key issue for the country.

2. Economy

The Mozambican economy has experienced significant growth for most of the last decade. There are several reasons for this. Good macroeconomic policies were introduced after independence in 1990. These political and economic reforms brought about stability, reduced large external capital inflows and reintegrated the economy gradually

[1] The concept of a "mega-project" refers to the big investment projects under way in Mozambique. Examples of these projects include the US$2-billion aluminium smelter project, Mozal; the SASOL natural gas project; the Kenmare Heavy Sands project; and the Cahora-Bassa hydroelectric dam project.