

Factors Contributing to the Rapid Growth of Mauritius' Services Economy

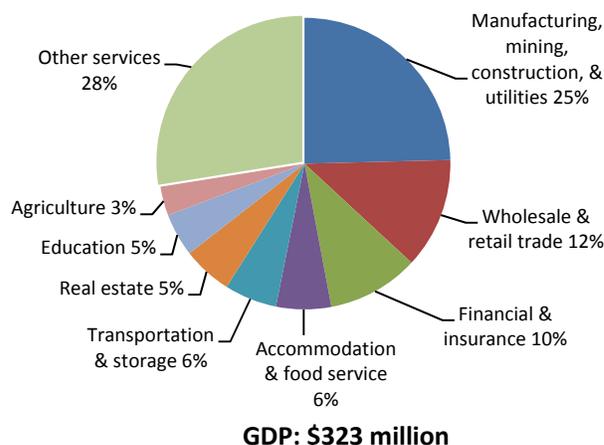
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Several factors have contributed to the recent growth of the Mauritian services sector, including government efforts to promote economic diversification, a favorable business climate, and solid infrastructure.

The service sector is a large and growing component of the Mauritian economy

- Services accounted for 72.5% of Mauritian gross domestic product (GDP) in 2013, up from 62% in 2000. By comparison, services accounted for 70.1% of global GDP in 2012 (latest available) and 57.3% of sub-Saharan African GDP in 2013.
- Service industries that accounted for large shares of Mauritian GDP in 2013 include wholesale and retail trade (12.3%) and finance and insurance (10.2%). Those with the fastest average annual GDP growth during 2006–13 were professional, scientific, and technical activities (15.5%) and arts, entertainment, and recreation (14.8%).

Mauritius' GDP by sector, 2013



Source: Statistics Mauritius.

A favorable business environment and business-friendly regulations have contributed to the growth of Mauritius' services sector.

- Due to the gradual elimination of the trade preferences that the country had received under programs including the EU sugar protocol and the Multifiber Arrangement, the Mauritian government launched a program of reforms in 2005. The program aimed to increase foreign investment and economic growth by simplifying business procedures, bettering investment conditions, and increasing economic openness.
- The Business Facilitation Act of 2006 is particularly notable for having liberalized the overall business climate in Mauritius. Among other things, the act streamlined the licensing of new businesses, cutting the time between incorporation and operation to three days. It also liberalized the provisions regarding the entry and stay of foreign professionals in the country.
- Mauritius ranks high on the Heritage Foundation/*Wall Street Journal* 2014 Index of Economic Freedom (8th of 177 economies) and the World Bank's 2013 Ease of Doing Business index (20th of 189). It ranks in the top third of countries on the World Economic Forum's 2013–14 Global Competitiveness Index (45th of 148). Mauritius is the highest-ranked country in sub-Saharan Africa on all three indexes.

Certain Mauritian service industries have experienced, or may experience, very rapid growth due to favorable business conditions, regulations, and government initiatives targeting these industries.

Finance and insurance services

- The emergence of Mauritius as a global financial services center may be attributed to a well-capitalized banking system; an effective telecommunications infrastructure; qualified local workers; adherence to rule of law; and significant legislative reform that has facilitated domestic and foreign participation in Mauritius' economy as a whole, and in its financial services sector in particular.
- A number of laws and government initiatives have encouraged growth in the Mauritian financial services sector, including the establishment of the Global Business Sector (the country's offshore financial jurisdiction) in 1992; the Business Facilitation Act of 2006; the Banking Act of 2004 and its 2007 amendments; the Insurance Act of 2005 and Insurance Amendment Act of 2007; the Financial Services Act of 2007; and the

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Securities Amendment Act of 2007. As an example, both the Financial Services Act and the Securities Amendment Act streamlined the licensing of service suppliers in the industry.

- Mauritius' favorable tax regime also makes it an attractive business location for foreign financial services firms. Mauritius has established double taxation treaties¹ with 39 countries, including India. Notably, about 40% of India's inbound foreign direct investment is channeled through Mauritius due to the tax agreement between the two countries.
- The finance and insurance industry accounted for 10.2% of total Mauritian GDP in 2013, having grown at an annual average rate of 9.4% during 2006–13 (as compared to 7.9 percent growth for overall Mauritian GDP). Such services represented 5.7% of Mauritian commercial services exports in 2012, up from 1.2% in 2005.

Information and Communications Technology (ICT)

- Growth in the Mauritian ICT industry is due, in part, to the liberalization and subsequent growth of its telecommunications sector, linkage to a critical submarine cable connecting Asia and Europe, and government efforts to encourage ICT development through regulatory reform, international cooperation, and strategic planning. Among these efforts are a program to educate and place workers in the ICT industry; amendments to Mauritius' ICT Act that foster competition and streamline tariff application procedures; and a 2012 agreement with the United States establishing nonbinding principles on transparency, open networks, foreign ownership, and other issues affecting ICT services trade.
- The ICT industry accounted for 6.3% of Mauritian GDP in 2013, having grown at an average annual rate of 8.5% during 2007–13. Since 2002 the number of ICT firms working in Mauritius has risen from 70 to 575 (including Microsoft, HP, and Oracle). At yearend 2012 the sector employed over 17,000 workers.

Medical tourism

- The Mauritian government has fostered the development of the medical tourism industry by encouraging improvements in medical education, establishing a favorable legal framework for medical services providers, and exempting cosmetic and plastic surgery from the national value-added tax (VAT). Also, Mauritius' natural beauty, pleasant climate, and diverse population draw potential patients.
- Human health and social work activities accounted for 4.3% of Mauritian GDP in 2013, having grown at an average annual rate of 12.4% during 2006–13. The number of foreign patients receiving medical treatment in Mauritius increased from about 1,000 in 2005 to about 15,000 in 2011.

Education

- Mauritius plans several steps to raise foreign student enrollment in the country's colleges and universities. These include encouraging reputable overseas schools to establish campuses in Mauritius, offering scholarships to foreign students, concluding agreements with other countries on the mutual recognition of academic credentials, marketing Mauritian institutions in overseas markets, and improving student visa processes, among other activities.
- A number of foreign institutions have established a presence in Mauritius, such as Amity University, Middlesex University, Rushmore Business School, and the University of Geneva. The government is expanding the country's university infrastructure by building several new campuses on the island.
- Education services accounted for 4.8% of Mauritian GDP in 2013, having grown at an average annual rate of 9.3% during 2006–13. The number of foreign students enrolled in Mauritian higher education institutions has grown from 476 in 2009 to 924 in 2012. The government aims to increase enrollment to 100,000 by 2025, thus increasing exports of education services.

Sources: African Development Bank; Heritage Foundation; Mauritius Ministry of Tertiary Education, Science, Research and Technology; Mauritius Revenue Authority; Mauritius Tertiary Education Commission; Statistics Mauritius; U.S. Department of Commerce; Office of the U.S. Trade Representative; World Bank; World Economic Forum; World Trade Organization; and African and U.S. press reports.

¹ Under double taxation treaties, signatories agree not to tax income that has been earned in—and has already been taxed by—another signatory country.