

MAURITIUS OFFERS EMERGING MARKET RETURNS WITHOUT THE RISK

There may be valuable lessons for South Africa in how Mauritius has managed to attract foreign investment inflows into an economy that is growing in size, diversity and competitiveness.

Having adopted a strategy of consolidation and diversification, Mauritius has shifted from being a sugar- and textile-driven economy to one that is globally competitive in a number of areas.

With traditional industries like sugar, value has been added by refining the previously exported raw material and by converting sugar to substances like ethanol.

That financial services now constitute 12% of GDP, compared with 8% for tourism, is evidence of how far Mauritius has come in terms of developing its economy in new directions.

Ramakrishna Sithanen, Vice Prime Minister, Minister of Finance & Economic Empowerment of the Republic of Mauritius, was in South Africa last week to address delegates at an investment seminar in Cape Town hosted by Dale Capital Partners, Queensgate Hotels, AfrAsia Bank and Nolands.

He spoke about what he termed the ‘holy trinity’ of how to attract international investment: “Provide an environment in which it is easy to do business, facilitate the free movement of people, and adopt a simple and transparent tax system.”

Legislation making it possible to legally start a business in three working days, and which shifts the onus for compliance to the civil service, has resulted in strong growth in the small business sector in Mauritius.

The country has also opened its economy in terms of residency with various options available, including a combined occupational permit for residence and work, and residency for high net worth individuals and business people investing in the country.

The third aspect was introduction of a simple, fair and transparent tax system that comprises

a single rate of 15% for personal tax and corporate tax, except for global businesses affected by double taxation treaties.

Said Minister Sithanen: “Where taxation is concerned, clarity is important. There are no discretionary powers in our system, which is rule based and system-driven to provide certainty.”

Where the labour market is concerned, unemployment has declined with the introduction of both flexibility and security.

“We’ve shifted from protecting jobs to protecting people. In a globally competitive environment it makes more sense to provide training so that people can move between sectors,” said Sithanen.

He regards it as the responsibility of government to ensure that markets are opened up for industry. With a view to helping its entrepreneurs access markets, Mauritius has negotiated many trade agreements to facilitate exports to markets in Europe, the US, Africa and India.

In terms of strategic location, he said Mauritius was positioned as a gateway between Asia and Africa.

“We want companies to manage their businesses from Mauritius and so continue to invest in infrastructure that includes good quality education, health and telecommunication services. And then there are the intangibles we have to offer: quality of life, security and stable social and economic policies.”

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- **The South Africa Mauritius seminar was hosted by Dale Capital Partners, Queensgate Hotels, AfrAsia Bank and Nolands.**

