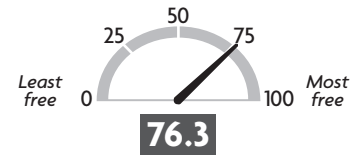


MAURITIUS

Economic Freedom Score



World Rank: **12**

Regional Rank: **1**

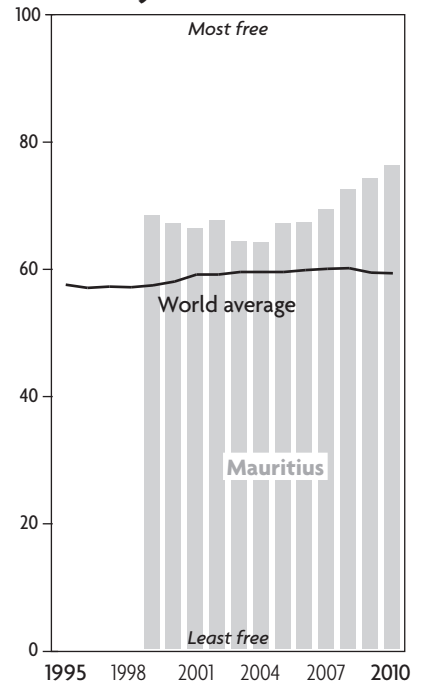
Mauritius's economic freedom score is 76.3, making its economy the 12th freest in the 2010 *Index*. Its overall score is 2 points better than last year, reflecting major improvements in freedom from corruption and labor freedom. Mauritius is ranked 1st out of 46 countries in the Sub-Saharan African region, and its overall score is well above the world average.

Despite the global economic turmoil, Mauritius's economy has shown a considerable degree of resilience, and an environment already conducive to dynamic entrepreneurial activity has moved further toward economic freedom. The island's institutional advantages are noticeable. A transparent and well-defined investment code and legal system have made the foreign investment climate in Mauritius one of the best in the region. Taxation is competitive and efficient. The economy is increasingly diversified, with significant private-sector activity in sugar, tourism, economic processing zones, and financial services, particularly in offshore enterprises.

Although state monopolies exist, Mauritius has improved its management of public spending. The judiciary, independent of politics and relatively free of corruption, provides strong protection of property rights.

BACKGROUND: With a well-developed legal and commercial infrastructure and a tradition of entrepreneurship and representative government, Mauritius is one of the developing world's most successful democracies. It is also one of Sub-Saharan Africa's strongest economies and has one of the region's highest levels of per capita income. The government is trying to modernize the sugar and textile industries, which in the past were overly dependent on trade preferences, while promoting diversification into such areas as information and communications technology, financial and business services, seafood processing and exports, and free trade zones. Agriculture and industry have become less important to the economy, and services, especially tourism, accounted for over 72 percent of GDP. The government still owns utilities and controls imports of rice, flour, petroleum products, and cement.

Country's Score Over Time



Quick Facts

Population: 1.3 million

GDP (PPP): \$15.3 billion

5.3% growth in 2008

4.4% 5-year compound annual growth

\$12,079 per capita

Unemployment: 7.2%

Inflation (CPI): 8.8%

FDI Inflow: \$383 million

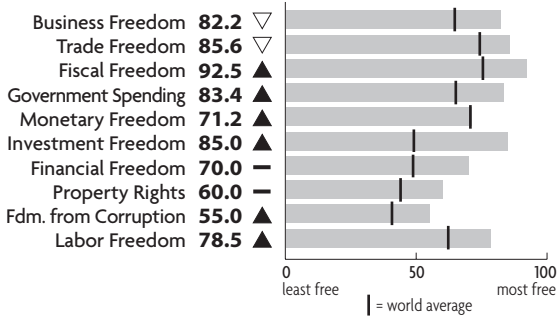
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

MAURITIUS'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 82.2

The overall freedom to start, operate, and close a business is relatively well protected under Mauritius's regulatory environment. Starting a business takes an average of six days, compared to the world average of 35 days. Obtaining a business license requires less than the world average of 218 days. Closing a business is easy.

TRADE FREEDOM — 85.6

Mauritius's weighted average tariff rate was 2.2 percent in 2008. The government has made considerable progress in liberalizing the trade regime, but some quotas, import restrictions, import and export permits, export-promotion programs, and weak enforcement of intellectual property rights add to the cost of trade. The government also controls imports of what it deems to be strategic products, including rice and wheat flour. Ten points were deducted from Mauritius's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 92.5

Mauritius has a very competitive tax regime. The income tax rate and the corporate tax rate are a flat 15 percent. Other taxes include a value-added tax (VAT) and a property tax. In the most recent year, overall tax revenue as a percentage of GDP was 17.4 percent.

GOVERNMENT SPENDING — 83.4

Total government expenditures, including consumption and transfer payments, are relatively low. In the most recent year, government spending equaled 23.5 percent of GDP. State-owned monopolies persist.

MONETARY FREEDOM — 71.2

Inflation has been high, averaging 8.9 percent between 2006 and 2008, but fell significantly in 2009. The government controls prices for a number of goods, including flour, sugar, milk, bread, rice, petroleum products, steel, cement, fertilizers, and pharmaceuticals; influences prices through state-owned enterprises and utilities; and subsidizes some agricultural and industrial production. Ten points were deducted from Mauritius's monetary freedom score to account for policies that distort domestic prices.

INVESTMENT FREEDOM — 85

Foreign and domestic investors are treated equally, and foreigners may control 100 percent of companies in most economic sectors. A transparent and well-defined foreign investment code makes Mauritius one of the best places in the region for foreign investment. The domestic legal system is generally non-discriminatory and transparent. Residents and non-residents may hold foreign exchange accounts. There are no controls on payments or transfers and few controls on capital transactions. Foreign nationals may acquire property subject to some restrictions.

FINANCIAL FREEDOM — 70

Mauritius's efficient financial sector has become more competitive, and its contribution to GDP has risen steadily. The banking sector consists of 19 commercial banks and 14 non-bank financial institutions. The four largest commercial banks account for around 70 percent of total assets. Several banks are still fully or partially owned by the government. Financial regulation is relatively solid and has become more efficient since the passage of the Bank of Mauritius Act 2004, which simplified the bank licensing structure. Distinctions between onshore and offshore banks have been eliminated. Capital markets are growing as Mauritius seeks to be a regional financial hub. With its banking sector not involved in sub-prime lending or exposed to other troubled assets, the Mauritian financial system has not suffered a liquidity problem during the global financial crisis.

PROPERTY RIGHTS — 60

The judiciary is independent, and trials are fair. The legal system is generally non-discriminatory and transparent. The highest court of appeal is the judicial committee of the Privy Council of England. Expropriation is unlikely. Trademark and patent laws comply with the WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement.

FREEDOM FROM CORRUPTION — 55

Mauritius ranks 41st out of 179 countries in Transparency International's Corruption Perceptions Index for 2008, an improvement over 2007. Mauritius is one of Africa's least corrupt countries. In 2002, the government adopted the Prevention of Corruption Act, which led to the setting up of an Independent Commission Against Corruption (ICAC) a few months later. The ICAC has the power to detect and investigate corruption and money-laundering offenses and can also confiscate the proceeds of corruption and money laundering. Corruption is not seen as an obstacle to foreign direct investment.

LABOR FREEDOM — 78.5

Mauritius's labor regulations are relatively flexible. The non-salary cost of employing a worker is low, but dismissing an employee can be relatively costly and difficult. Restrictions on work hours have become more flexible in recent years.