

# **SUCCESS FACTORS IN ECONOMIC ZONES AROUND THE WORLD**

## **The Mauritius Export Processing Zone**

- 1.** Factors of success
- 2.** Results of this success
- 3.** The challenges facing the EPZ
- 4.** What next ?

# **EXPORT PROCESSING ZONE OF MAURITIUS**

	<b>Exports</b>	<b>Employment</b>
Textile	3%	5%
Apparel & Clothing	77%	83%

# Factors of success

1. Joint Government/Private Sector initiative (Taiwan inspiration)
2. Legal framework for segregating export sector from the economy
  - Corporate tax
  - Customs duties
  - Labour regime

# Factors of success

3. Appropriate macro-economic environment
4. Preferential trade arrangements
  - Multi Fibre Agreement
  - Lomé Convention
- 5 Foreign Direct Investment

# Results of this success

1. Annual GDP growth around 6% between 1980's and 2000
2. Unemployment fell from 21% in early 1980's to 4% in early 1990's
3. Macroeconomic stability

# Results of this success

4. Improved investment and savings rates
5. Free education, primary, secondary and tertiary
6. Free health



# Challenges

# Textile and Clothing Sector

<u>Contribution to GDP (%)</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
-EPZ	12.5	12.0	11.6	11.1	11.0
-Textile & Clothing	11.05	10.5	10.2	9.5	8.5

# Textile and Clothing Sector

<u>Employment</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
-EPZ	91,374	90,682	87,607	87,204	77,623
-Textile & Clothing	80,960	80,001	77,003	76,570	67,251
<u>% of total employment</u>					
-Textile & Clothing	16.8	16.5	15.7	15.6	13.5
-Unemployment rate	7.7	8.8	9.1	9.7	10.2

# Phasing out MFA in 2005

- ❑ First indications available both in US and EU (Mauritius already feeling the indirect impact)
- ❑ Actual impact for some products/producers could be worse than expected
- ❑ Producers with limited range of products most exposed

# NAMA Proposals

- Rapid elimination of duties (Swiss formula or sectoral approach)
- Most emerging small producers worst hit
- Combination of MFA+NAMA proposals =unsustainable for most

# **Phasing out of MFA + RAPID**

Elimination of duties  
on T&C = Lethal Combination  
For T & C Export Industries  
In most DCs

□ New trade arrangement (EPA)  
with EU

# What next ?

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**Restructuring textile**

**Diversification of the economy**

# Textile Emergency Support Team

- Background
- Government/Private Sector consultations
  
- Context
- Increasing number of closures

# APPROACH

- Microeconomic
  - Enterprise, management, production process

Reporting to PICT for policy changes

# Two levels of TEST intervention

- Level 1: Enterprise Assessment
- Level 2: Restructuring

## **TEST initiates restructuring programs based on level 1 findings:**

- Productivity Improvement
- Financial Management
- International Marketing
- Productivity Planning and Budgeting
- Technical skills upgrading

- Financial Re-engineering
- Committee on debt restructuring chaired by Central Bank

□ International Marketing in a competition environment

Major challenge



# **Diversification of the economy**

# Chemistry of the economy

- Integration
- Implement new generation reforms
- From sectors to clusters as a regional player
- New clusters