

Sub-Saharan Report

Sub-Saharan Africa is one of the focal regions of Global Challenge 2015. These reports are by Mr. Kenshi Tsunemine, an expatriate employee working in Johannesburg with a view across the region.



Vol. 14: Mauritius and Seychelles

September 15, 2015

Hello everyone. How did you spend your summer vacation? I think you have all found a variety of ways to enjoy and pass your summer vacation even in the sweltering summer heat. Now, for those of you already thinking about your next long vacation how about fitting Africa into your plans?

When thinking of Africa, usually a vast continent filled with nature and wild animals comes to mind. However, there are also island nations with some of the world's leading beach resorts that would make for great summer vacations. This time I would like to introduce two of those island nations famous for their beach resorts—Mauritius and Seychelles.



Mr. Kenshi Tsunemine
Johannesburg Branch
Marubeni Corporation

In order for the Marubeni Research Institute to acquire live information from the field and contribute to the Company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

Mauritius

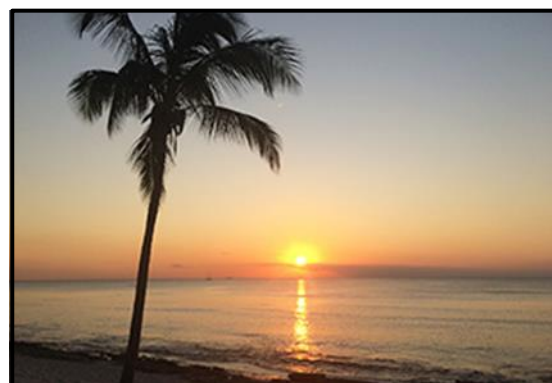
Mauritius can be found off the southeastern coast of continental Africa about 900 kilometers to the east of the island of Madagascar in the Indian Ocean. It is located at a latitude of 20 degrees south and longitude of 57 degrees east which puts it in a tropical environment. It is a small island with a land area about the size of all of Tokyo and a population of 1.3 million people (table 1).

Table 1: Mauritius Country Information

| Basic Data (2014) | |
|-------------------|-------------------------------|
| Population | 1.26 million |
| Land Area | 2.04 thousand km ² |
| Nominal GDP | \$13.2 billion |
| Per Capital GDP | \$10,516 |
| Official Language | English, French, Creole |

Source: IMF

Surrounded by a beautiful sea and blessed with splendid nature, Mauritius is known as “the jewel of the Indian Ocean” and is a favorite beach resort tourist destination especially for the French and the English, although the number of tourists from India and the Middle East have been rising. Of course such marine sports as diving and snorkeling are popular, but such leisure activities as golf, safaris, shopping and beauty treatment are also widely enjoyed (picture 1).



Picture 1: Indian Ocean sunset

Besides the beaches, one popular tourist attraction is the walking with lions' tour in Casela Nature & Leisure Park. I have heard that it is a fabulous experience from people who have taken the tour.

In regards to the food in Mauritius, seafood is used in many of the dishes. This is evident in the fact that the tuna industry is a major industry and tuna can be found in much of the food fare. Historically speaking, the local cuisine employs a lot of Creole cooking, with strong influences from India, as can be seen in such dishes as chicken and shrimp curry and fish curry, as well as in many other foods that are stewed in curry sauces (pictures 2 and 3).



Picture 2: Chicken and shrimp curry



Picture 3: Fish curry

Mauritius was nearly an uninhabited island before the Dutch created a settlement and colony there in the 17th century. However, severe living conditions brought on by cyclones, droughts and invasive pest swarms forced them to abandon the island in 1710. In 1715 French settlers came to the island and aggressively set about creating sugar plantations. As France began to import many slaves from India and a few other countries during this time, the population began to become one of mixed heritage. As a result, although the country is deeply rooted in French culture, about 70% of its residents have some form of Indian physical characteristics and features.

Due to France's defeat in the Napoleonic Wars, Mauritius reverted to British rule following the signing of the Treaty of Paris in 1814. Mauritius finally gained independence in 1968 after more than 150 years of British colonization. As a result of this historical background the Mauritius people use French, English and Mauritius Creole as their languages.

In 1992, Mauritius proclaimed itself a republic and became the Republic of Mauritius. Mauritius has held democratic elections since its independence, however the distinguishing feature of these elections since becoming a republic has been the repeated alternating of governments and prime ministers between the Labor Party under Navin Ramgoolam and the socialists led by Aneerood Jugnauth.

I have to admit that my first impression of Mauritius was that of just a tropical resort, however, Mauritius has thriving industries other than tourism. While the economic structure of Mauritius prior to independence was dependent on sugar, it now has, in addition to sugar, a textile industry and is fostering and attracting other manufacturing industries to help drive economic growth. Close to home, Marubeni-Itochu Steel is supplying steel to steel processing plants in Mauritius (note 2).

[Picture 4] The Ebene area where many financial institutions and accounting firms are located

The seafood processing industry, utilizing fishery resources from the Indian Ocean, is also flourishing with Mitsubishi Corporation involved in tuna canning in Mauritius. Also, given the chronic congestion at ports in Durban and Capetown in South Africa and the risk of piracy (delays) at the ports of Mombasa in Kenya and Dar el Salaam in Tanzania, Mauritius may be made a fueling hub for ships in the Indian Ocean as the government seeks to diversify industry even further.

However, more than all of the above, Mauritius is a financial powerhouse based on its development as an offshore financial center. Mauritius has low tax rates (including no tax on capital gains), no foreign exchange controls, and has concluded double taxation prevention treaties with 30 countries, making it attractive to investors as a functioning tax haven (tax avoidance sanctuary) (note 3).



Picture 4: Fish curry

Companies have been establishing financial subsidiaries in Mauritius, from where they conduct business taking advantage of the low tax rates (graph 1). This has made Mauritius roughly the second largest country in terms of foreign capital investment in Africa next to South Africa with investors re-investing out of Mauritius coming from a number of countries in Europe, the Middle East and Africa as well as from India (table 2). In particular, having signed the double taxation prevention treaty and with investment not taxed domestically it is said that 40% of India’s foreign investment inflows come via Mauritius (note 4).

Graph 1: FDI in Mauritius

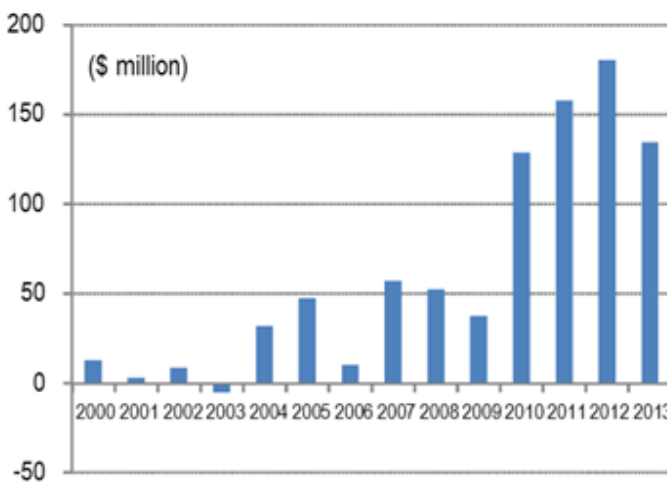


Table 2: Middle Eastern/African Countries’ Foreign Capital Investment (2014)

(\$ billion)

| Country | Nominal GDP | Foreign Capital |
|--------------|-------------|-----------------|
| UAE | 402 | 19 |
| South Africa | 350 | 5 |
| Israel | 303 | 2 |
| Mauritius | 13 | 2 |
| Egypt | 286 | 2 |
| Saudi Arabia | 752 | 2 |
| Morocco | 109 | 1 |
| Nigeria | 574 | 1 |
| Djibouti | 2 | 1 |
| Zimbabwe | 14 | 1 |

According to the World Bank's (ease of) Doing Business rankings, Mauritius was number 1 in Africa (28th worldwide) in terms of the investment environment and has built a position as the gateway for investment in neighboring countries.

In this way Mauritius has two faces, that of a "tourism powerhouse" and a "financial powerhouse" - attractive both in terms of leisure and in terms of business.

Seychelles

Like Mauritius, Seychelles is also a very popular beach resort destination. Seychelles is famous for beach resorts that famous people like to escape to, including Prince William and Catherine, Duchess of Cambridge, who visited in 2011, due to its relative isolation, and is known as the "last paradise" (table 3).

Table 3: Seychelles Country Information

| Basic Data (2014) | |
|-------------------|-------------------------|
| Population | 94 thousand |
| Land Area | 460 km ² |
| Nominal GDP | \$1.4 billion |
| Per Capital GDP | \$15,155 |
| Official Language | English, French, Creole |

Source: IMF

Seychelles, is also an island country in the Indian Ocean, and is located about 1,300 kilometers off the coast of Africa east roughly from Kenya and Tanzania at a latitude of 5 degrees south and a longitude of 55 degrees east. Seychelles is actually an archipelago made up of 115 various islands. It is close to the equator thus giving it a tropical climate with an average annual temperature of around 30 degrees centigrade.

Seychelles' most populous city and capital, Victoria, is located on the largest of its 115 islands, Mahe Island. Nearly 90% of the country's more than 90,000 people live on the island and as such it is literally the center of Seychelles life. Although Mahe Island is the Seychelles' largest and is home to the capital, it is small as the whole island can easily be seen in half a day (pictures 5, 6 and 7).



Picture 5: The tower clock in downtown Victoria is a small replica of London's Big Ben.



Picture 6: Spices for sale at the Sir Selwyn Clarke market in Victoria, where fruits, vegetables, seafood, meats, clothing and other items are sold.



Picture 7: A beach on Make Island

Seychelles' next largest island after Mahe Island is Praslin Island. Praslin Island is also known as Coco de Mer or double coconut, which refers to a coconut (double coconuts) palm tree unique to the Seychelles, and in 2015 one of its beaches, Anse Lazio, was named the world's 6th most beautiful beach by TripAdvisor (note 5).

There is also La Digue Island, which is especially famous for its scenic beaches, Bird Island, or "paradise of birds" which sees 2 million birds flock to the island between April and October, and North Island where the British royal couple stayed at the ultimate luxury resort. As you can see the Seychelles has a wealth of islands with their own unique characteristics. The islands have everything from very affordable accommodations to \$5,000 a night luxury lodges—offerings that can suit everyone's needs.

Seychelles' local cuisine is also Creole based using seafood and coconut as essentials. In particular, their octopus curry is a favorite among tourists (picture 8). My own impression is that Seychelles' food is even spicier than that of Mauritius



Picture 8: Seychelles' famous Octopus curry

Historically, Seychelles has been strongly influenced by France and Great Britain. In the mid-18th century, Bertrand-François Mahé de La Bourdonnais, the governor of Mauritius, explored and began to lay claim to the Seychelles with the French finally taking effective control in 1756. Again, sovereignty over the islands was transferred to Great Britain, along with Mauritius following the conclusion of the Treaty of Paris in 1814. It became a crown colony of Britain in 1903 and gained its independence relatively recently, in 1976. The first president of the country was Mr. James Mancham. However, he was ousted in a coup d'état in 1977 and Mr. Albert Rene of the Seychelles People's Unity Party (SPUP) took over the presidency. In 1978, President Rene declared that the Seychelles would have a one-party political system, meaning dictatorship, under the Seychelles People's Progressive Party (SPPF, which renamed from SPUP). By 1991, Seychelles was able to move to a multi-party system and in 1993 presidential and national assembly elections were held in which Mr. Rene was elected and remained as president. Mr. Rene finally stepped aside as president in 2004 after 27 years in power in favor of his vice-president Mr. James Michel, also of the SPPF, who is currently still president.

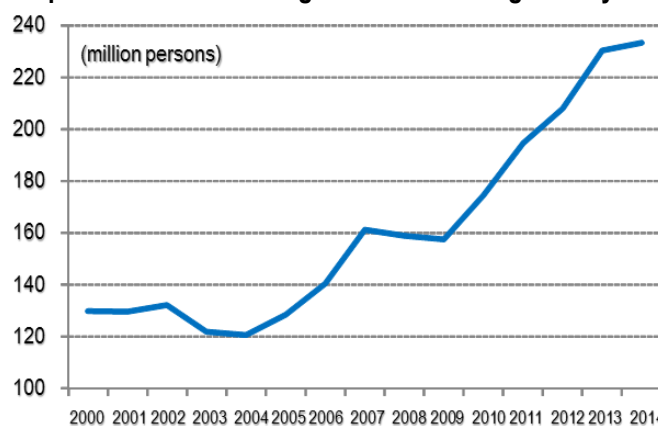
Seychelles, in comparison with Mauritius, has a much smaller land size and population. And the number of industries is very limited. And although vegetables, fruit, tea, and coconut oil are produced in the country they have almost exclusively gone to domestic consumption.

On the other hand, due the attractiveness of the islands and the development of its tourist industry as a resort destination, the “hotel and restaurant” industry makes up about 20% of the Seychelles’ nominal GDP (note 6). And, given the large amount of revenue generated by the tourist industry, Seychelles has the 2nd largest per capita GDP in sub-Saharan Africa following Equatorial Guinea (table 4). As a result of this though, consumer prices have also become quite high. Still, Seychelles is able to continue to attract people due to its wonderful climate and beaches. The fact is that the number of tourists visiting the Seychelles continues to increase (graph 2).

Table 4: Sub-Saharan Africa Per Capita GDP

| | Country | Per Capita GDP |
|----|-----------------------|----------------|
| 1 | Equatorial Guinea | \$18,389 |
| 2 | Seychelles | \$15,115 |
| 3 | Gabon | \$10,836 |
| 4 | Mauritius | \$10,517 |
| 5 | Botswana | \$7,505 |
| 6 | South Africa | \$6,483 |
| 7 | Namibia | \$6,095 |
| 8 | Angola | \$5,273 |
| 9 | Cape Verdi | \$3,663 |
| 10 | Swaziland | \$3,325 |
| 11 | Nigeria | \$3,298 |
| 12 | Republic of the Congo | \$3,159 |
| 13 | Zambia | \$1,781 |
| 14 | San Tome and Principe | \$1,725 |
| 15 | Ivory Coast | \$1,495 |
| 16 | Ghana | \$1,474 |
| 17 | Kenya | \$1,416 |
| 18 | Cameroon | \$1,405 |
| 19 | Chad | \$1,236 |
| 20 | Lesotho | \$1,130 |

Graph 2: Number of Foreign Tourists Visiting the Seychelles



Source: Seychelles’ National Bureau of Statistics

Mauritius: for Active People, Seychelles for Relaxing

So for those of you who may be thinking about visiting either Mauritius or Seychelles on your next summer vacation, which one should you choose?

If you’re looking for something more than the beach and marine sports, Mauritius provides tourist activities, shopping and golf as part of its mature resort experience. On the other hand, if you just want to relax the time away and have a quiet, moderately active holiday in a setting of unspoiled nature and uncrowded beaches Seychelles is the place for you.

While it is difficult to decide which of the two countries is the more attractive, if you’re tired of going to resorts in Hawaii and Asia why not try one these African island nations on your next summer vacation to rest your weary body? And although it is a more than 20-hour one-way trip from Japan, if you make a stopover in the Middle East I think the journey would not be so bad (note 7).

No matter which country you visit the surrounding sea will not disappoint, and the image of the beautiful African resort I have presented here will not be betrayed.

-
- Note 1:** Creole refers to those who were originally brought to the colony from other countries by the French and their descendants who eventually developed a language among them that mixed two or more languages (European and non-European languages) and came to be spoken as their mother tongue.
 - Note 2:** Steel from Asia is being exported to Mauritius where it is processed into steel products to expand exports of steel products to meet rising demand in such African economic zones as the East African Community (EAC) and the Common Market for Southern Africa (COMESA). There is merit in using Mauritius for this due to its political stability.
 - Note 3:** Mauritius does not have a "zero tax" regime but rather a "low tax" regime and therefore the government emphasizes that it is not a "tax haven". Also, companies must have an actual physical presence with an office and people working there (2 or more residents of the country), instead of just a paper company with a post office box as an address.
 - Note 4:** However, in recent years many countries have imposed anti-tax haven regulations aimed at curbing tax avoidance in their countries.
 - Note 5:** Praslin Island is only about a 15-minute flight from Mahe Island. As access has improved visiting both islands has become a major tourist course.
 - Note 6:** The "hotel and restaurant" classification only covers the tourist industry in the narrow sense of the word. If construction, retail and transportation services connected to tourism were factored in, the share of GDP from the tourist industry would be even higher.
 - Note 7:** The number of direct flights from Japan to Dubai and Abu Dhabi have increased and are relatively reasonably priced. From Dubai it takes 6 and a half hours to Mauritius and 4 and a half hours to Seychelles. There also direct flights between with Mauritius and Seychelles which take two and half hours and there are tour packages that include both countries as well.
-

| | | |
|---------|---|---|
| | Marubeni Research Institute | Telephone: 3282-7687 E-mail: ryan-p@marubeni.com |
| Address | 2-7-1 Nihonbashi, Chuo-ku, Tokyo 103-6060, Nihombashi Tower 24 th Floor | |
| WEB | http://www.marubeni.co.jp/research/index.html | |

Note:

- This material was created based on publicly available information and as such Marubeni cannot guarantee the accuracy, correlation or thoroughness of this material.
- Any conclusions made or action taken based on the contents of this material is strictly up to the discretion of the user of this material with all outcomes the sole responsibility of the user and not that of Marubeni.
- The content of this material may be subject to change without prior notification.
- All pictures, illustrations, written content, etc. (subsequently referred to as "information") in this material are the sole property (copyright) of Marubeni, protected under the Copyright Law of Japan and the Berne Convention, etc. Individual private usage and citation are allowed under the copyright law, however, without the express written permission of the copyright holder the copying, distribution, translation, alteration, adaptation, public transmission and/or preparing to transmit the information in this document will be considered a violation of the copyright law.