



Reviewing India-Mauritius Relations after President Kovind's Visit

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The President of India Ram Nath Kovind visited Mauritius on March 11-14, 2018. He was invited as the chief guest of its commemoration of 50th anniversary of Mauritian independence. Along with participation in the Independence Day festivities, President Kovind had discussions about issues relevant and important to India-Mauritius relations. The agreements/MoUs signed during the visits were on cooperation between the two countries on India's Nalanda University,ⁱ establishment of an Ayurveda Chair in the University of Mauritius, cooperation between the public service commissions of the two countries for capacity building, and cultural exchanges between the two countries.

Indian President also announced a US\$100 million new line of credit (LOC) that can be used by Mauritius to procure the Multipurpose Offshore Patrol Vessel (MPOPV) offered during the visit by India to augment the island nation's security capacity. An additional grant component of US\$5 million was announced with this.ⁱⁱ President Kovind highlighted the fact that "India and Mauritius share common security concerns in the Indian Ocean Region." Acknowledging the "steady development of relations" between the two countries, he said that the shared values of "democracy, rule of law and social harmony" reinforce this relationship. He identified Mauritius as India's "gateway" to Africa as well as the Indian Ocean Region (IOR). According to President Kovind, the two countries have a "natural convergence" of interests and "exemplary" bilateral cooperation in maritime security and counterterrorism. The agreements and announcements made during the visit come with a background of long history of friendly relationship between the two countries.ⁱⁱⁱ

Background of the Relationship

Mauritius, with approximately 1.27 million people, is an island state in the economically and strategically important Indian Ocean known as the backyard of India. The country has a majority of the people of Indian origin in its diverse composition. The history of mass migration of the Indian origin people on the island dates back to the indentured labourers brought by the British for sugarcane plantation in the first quarter of the 19th century. This is also the only island nation with approximately two-thirds (68 per cent)^{iv} of its people of Indian origin. The other major ethnicities in the island nation are the Creoles, French and Chinese origin people. With a majority of Indians in its population, the country has always had a special connect with India. It is also important to note that Mauritius chose to invite and host the Indian President on the occasion of commemoration of its 50th anniversary of its independence. It has always admired the Indian national movement and its leaders, especially M.K. Gandhi who had shown concern about the people in Mauritius by sending Barrister Manillal Doctor to help lay the foundation of the country's struggle for its political and social rights.

Besides the continuous diaspora connect, the location of the country in the Indian Ocean also makes it important for any strategic and security consideration in the region, especially for India. Mauritius is surrounded by some of the most important sea lanes that are energy lifelines of East and South East Asia; and a huge amount of trade passes through them. Half of the world container shipments and about a third of world's bulk cargo traffic, two-thirds of oil shipments and more than half of the world's maritime oil trade pass through the Indian Ocean.^v

Mauritius, since its independence, has always given a prime place to India in its foreign policy. The relationship between the two countries has been marked by highest level visits and exchanges on almost every other level. India's President Pranab Mukherjee in 2013 and Prime Minister Narendra Modi in 2015 were the Chief Guests in the country's 45th and 47th Independence Day celebrations. The closeness and importance of the relationship was also reflected when Dr. Navinchandra Ramgoolam, then Prime Minister of Mauritius, was the only non-SAARC leader invited to the swearing in ceremony of the new Government in India in May 2014. There have been several mutual high level visits since then.

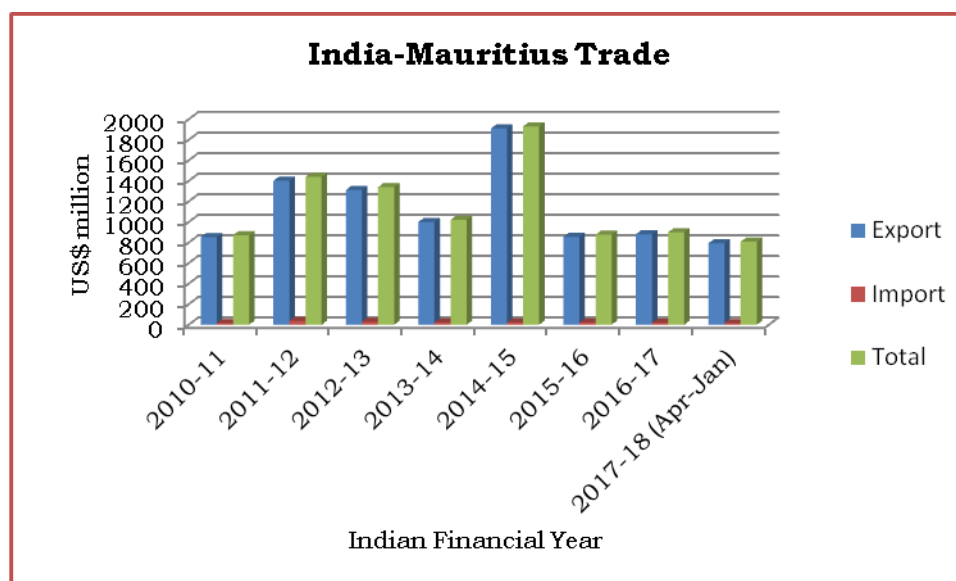
Trade, Economic and Development Cooperation

India is a major trade partner of Mauritius. Mineral fuels, mineral oils, bituminous substances, mineral waxes, articles of apparel and clothing, cotton, cereals, pharmaceutical products, ships & boats, electrical machinery, road vehicles and parts thereof are some of the top items of traditional imports of Mauritius from India. The largest share of Indian exports to the country is taken by petroleum products as India is its exclusive supplier. India imports little as compared to its exports to the country. India's total import from Mauritius was a meagre US\$76.53 million during the period from April 2014 to February 2018. India imports a few items like optical, measuring and similar instruments and parts thereof, iron & steel, wood pulp, copper, electrical machinery, apparel, precious pearls, etc. The major items of exports from Mauritius, like food products, sugar and apparels from Mauritius are not much in demand from India as the country itself competes

for exporting these items. Table 1 and the following graph show the recent volumes and trend of trade between India and Mauritius:

Indian Financial Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (apr-jan)
Exports (US\$ million)	853.91	1400.51	1310.80	1000.18	1909.55	855.73	881.38	792.16
Imports (US\$ million)	16.51	38.52	28.44	20.79	21.19	20.36	18.37	15.58
Total	870.42	1439.03	1339.24	1020.97	1930.74	876.09	899.75	807.74

(Table 1: Data Source – Indian Export-Import Databank)^{vi}



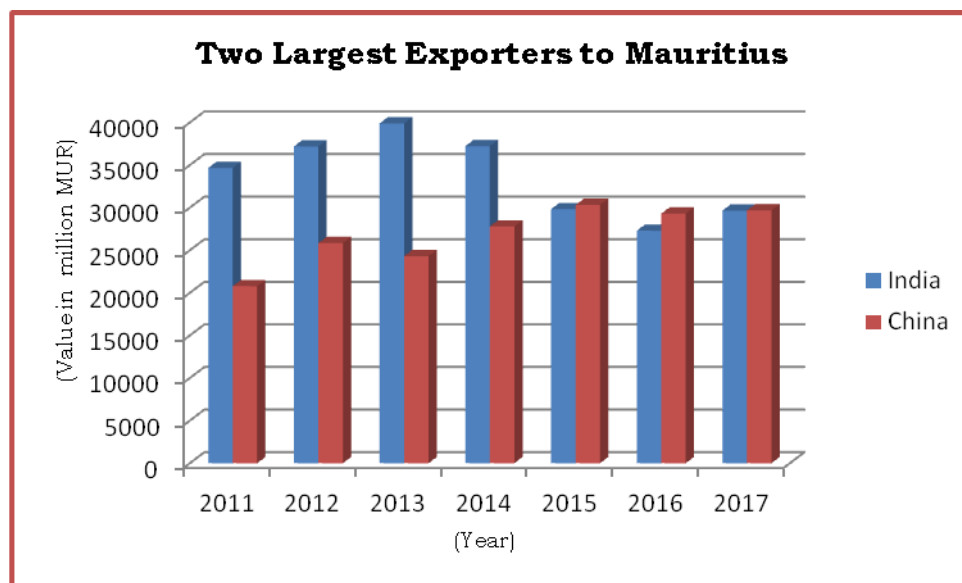
[Indian Export-Import Data vis-a-vis Mauritius]

Most of the Mauritian exports go to UK, France, US, South Africa, Madagascar Italy, and some other European countries. Food and live animals, fish, cane sugar, beverages and tobacco are the main items of export from Mauritius to other countries of the world. In fact, the European Union imports 70 per cent of the total exports from Mauritius.^{vii} Moreover, the European Union (EU) and the US facilitate imports from Mauritius under special provisions. The EU has an interim Economic Partnership Agreement (EPA)^{viii} with Mauritius and the US gives Mauritius the

status of “beneficiary sub-Saharan African country” under the Africa Growth and Opportunity Act (AGOA) as well as the Generalised Scheme of Preferences (GSP).^{ix} These agreements and schemes provide duty-free and quota-free or preferential access to Mauritian products to the destination markets of Europe and US respectively. However, according to the Indian Ministry of External Affairs, India was the largest trade partner and exporter of goods and services to Mauritius since 2007.^x Given the size of its market and total imports by Mauritius, India’s contribution to Mauritian international trade is substantial and significant. But recently, India is facing a stiff competition from China striving to become the top trading partner of the country. The following table 2 shows exports by India and China as the two largest trading partners of the island nation:

Year	2011	2012	2013	2014	2015	2016	2017
Indian Exports to Mauritius (Value in MUR)	34666	37191	39896	37225	29822	27292	29659
Chinese Exports to Mauritius (Value in MUR)	20780	25834	24312	27789	30317	29300	29681

(Table 2: Data Source – External Merchandise Trade Statistics, Government of Mauritius)^{xi}



[Indian and Chinese Exports to Mauritius since 2011]

While India’s exports to Mauritius in 2013, 2014 and 2017 were valued MUR 39896, 37225 and 29659, Mauritius’ total imports were worth MUR 165594, 172038 and 180837 respectively. Although its exports, after peaking to MUR 39896 million in 2013, declined, India remained the largest exporter to Mauritius till 2014. The decline between 2013 and 2014 was from a 24.09 per

cent share to 21.63 per cent of the total imports of Mauritius.^{xii} Thereafter, China, although marginally, has replaced India as the largest exporter to Mauritius since 2015. However, India still is the second largest exporter to the country meeting 16.40 per cent of its total import demand in 2017. For further strengthening their trade relations, India and China are seeking preferential or free trade agreement with Mauritius. While India has been negotiating a Comprehensive Economic Cooperation and Partnership Agreement (CECPA)^{xiii} with Mauritius for long, China held its first round of talks for signing a free trade agreement (FTA) with the country in April 2018.^{xiv}

Except occasionally, Mauritius has traditionally held the position of the highest FDI contributor to India. The following table charts the total FDI inflow from financial year (FY) 2008-09 to 2016-17. During these years, Mauritius slipped to the second highest FDI source for India in the FY 2013-14 (Singapore invested US\$4415 million) and in FY 2015-16 (Singapore invested US\$12479 million).^{xv}

Indian Financial Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17P
FDI (US\$ million)	10165	9801	5616	8142	8059	3695	5878	7452	13383
Share of Total FDI in India (%)	44.78	43.63	37.59	34.68	44.07	23.01	23.75	20.66	36.85

(Table 3: Data Source – Annual Reports, Reserve Bank of India; P = Provisional)^{xvi}

Mauritius is not only a major source of FDI for India but also a destination of overseas investment by the country; both through direct investments and lines of credit (LOC). However, India is still not among the top FDI contributors, France and China being the top two FDI source countries in the nation.^{xvii} The following table 4 shows Indian outward direct investments (ODI) in Mauritius over three years:

Indian Financial Year	2014-15	2015-16	2016-17
Indian FDI in Mauritius (INR billion)	799.2	1022.4	834.8
Share of India's Total ODI Stock (%)	15.01	17.65	15.42

(Table 4: Indian ODI in Mauritius; Data Source - Reserve Bank of India)^{xviii}

Indian investments in Africa have been traditionally concentrated in Mauritius. Taking advantage of its favourable business and tax environment, almost 90 per cent of the total Indian FDI in Africa goes to Mauritius. Manufacturing, finance, real estate, transport and IT & communication are the major sectors of India's investment in the country. This is also notable that the cumulative FDI by India in Mauritius since between April 1996 and March 2015 was US\$43211 million. This is whopping if we consider that India's approved investments for the Southern African Development Community (SADC) region was US\$46501.30 during the same period.^{xix}

Given favourable tax regime and business environment in the country, most of the companies based in Mauritius invest globally. Therefore, to assess actual Indian standing regarding investments in the country, the data of direct investment in the companies working and investing in Mauritius by countries from Asia, Europe and Africa can be compared. Direct investment data excluding the 'Global Business Sector'^{xx} gives a picture of investments directly benefitting Mauritius' people and contributing to its development. Table 5 gives such investments by India, China, United Kingdom, United States, France, Belgium, Luxemburg, Germany, Switzerland, Reunion and South Africa:

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
India	610	1921	320	2887	510	691	353	441	85	45	90
China	--	78	305	279	245	2558	1894	618	423	2443	1110
United Kingdom	2802	2044	1493	4632	2312	4076	620	1106	908	633	517
United States	2380	1063	677	132	230	175	219	1732	114	69	81
France	1176	1167	2333	1598	4018	4282	3434	3811	3555	4496	4383
Belgium	378	76	38	92	93	598	204	77	112	434	318
Luxemburg	69	209	65	256	185	365	322	764	126	137	3312
Germany	59	172	27	3	11	2	856	1053	57	124	170
Switzerland	1287	606	448	590	56	159	610	573	730	420	295
Reunion	577	49	196	135	246	146	168	141	104	44	36
South Africa	498	1415	510	1468	3006	5343	1851	1530	1411	1967	1814

(Table 5: FDI in Mauritius excluding Global Business Sector, Value in MUR million)^{xxi}

Another mode of India's economic cooperation with Mauritius has been lines of credit given by the Exim Bank of India. In 2017, it gave a US\$500 million LOC to the island nation for equity participation and financing various infrastructure e-projects. The following table 6 gives in detail the status of the LOCs given by the Exim Bank of India to Mauritius hitherto:

Sl. No.	Financial Year	Credit Amount (US\$ million)	Purpose	Date of signing of LOC by the recipient with Exim Bank	Value of contracts covered under the LOC by Exim Bank (US\$)	Disbursements so far by Exim Bank
1	2010-11	48.50	Offshore Patrol Vessel	27/01/2011	48.50	48.50
2	2013-14	46.00	Purchase of specialised equipment and vehicles	21/02/2014	22.00	21.20
3	2013-14	18.00	For acquisition of Waterjet Fast Attack Craft	05/05/2014	18.00	18.00
4	2015-16	52.30	Project Trident	Not yet signed	0.00	0.00
5	2016-17	500.00	Equity Participation for financing various Infrastructure e- Projects	27/05/2017	0.00	0.00
6	2017-18	100.00	Offshore Patrol Vehicle	Not yet signed	0.00	0.00
Total		764.80			88.50	87.70

(Table 6: Data Source – EXIM Bank of India)

India has signed wide ranging agreements with the country regarding cooperation on economy, development, science & technology, and human resources. The Double Taxation Avoidance Convention (DTAA),^{xxii} Bilateral Promotion and Protection Agreement (BIPA-1998), Agreement of Cooperation in Information Technology (2000), MoU on Cooperation in Biotechnology (2002), MoU for Cooperation on Consumer Protection and Legal Metrology (2005), MoU on cooperation in MSME Sector (2013) MoU on Cooperation in Ocean Economy (2015), MoU in the field of Traditional Systems of Medicine (2015), MoU on cooperation the field of Rural Development (2016) and MoU on Air Services Operation (2016) are a few worthy of mention.

In January 2017, two MoUs, one enabling remunerative employment of family members of diplomats and another on Cooperatives were also signed. Agreements giving responsibilities to specific companies for the Metro Express project, Project Trident, New Supreme Court building, Social Housing and digital tablets projects were signed in March 2017.

The Indian Technical and Economic Cooperation (ITEC) since 1964 and the Pan African e-network (since 2009) have acquired strong reputation in Mauritius. The country is among the largest beneficiaries of the ITEC programme. There were 200 civilian, 21 air force and 92 naval

training slots for the country under the ITEC in 2016-17. There is also an agreement for deputing 20 ITEC experts on Indian payroll to various departments in Mauritius. These experts cover areas that are crucial to the growth and development, like Civil Engineering, Architecture, Audit Techniques, Civil Service Training, Fisheries, etc.^{xxiii} As for the e-network, all the three modes (VVIP, telemedicine and tele-education) are operational in Mauritius. Mauritius is also the largest beneficiary of Africa Scholarships under India Africa Forum Summit (IAFS) with 97 ICCR scholarships extended annually to Mauritian students for higher education in India. Mauritian students also go for self-financed enrolments in Indian Universities; and India ranks fourth in terms of Mauritian students enrolled in overseas tertiary education institutions.^{xxiv}

Security and Strategic Cooperation

India has given several LOCs to Mauritius since 2010, pertaining to purchase of security equipment like offshore patrol vehicles, specialised equipment and vehicles, waterjet fast attack craft, etc. Although most of the lines of credit given to the country seem to be strategic, they are primarily seen by the government of Mauritius as essential for the security of its economy. Mauritius, in particular, has no direct threat perception from any nation in the world but there are non-traditional threats like IUU (illegal, unreported and unregulated) fishing, piracy, possibility of maritime terrorism, etc. that invariably affect Mauritius and its economic interests.

India has been actively supporting and providing it with the required equipment and training since the beginning of the Mauritius Police Force/ Coast Guard. Therefore, the most recent LOC (US\$100 million) meant for another offshore patrol vehicle to be provided by India as announced by India's President Kovind is in line with India's consistent policy to strengthen the surveillance and reconnaissance capacity of the Mauritian National Coast Guard by modernising it further.

Indian and Mauritius forces have been jointly patrolling the Mauritian Exclusive Economic Zone (EEZ) since 2009. Indian naval ships make regular port calls to the nation and conduct exercises with its Coast Guard. In July 2016, new Dornier surveillance and reconnaissance aircraft built by Hindustan Aeronautics Limited (HAL) was inducted into the Mauritius Police Force/National Coast Guard using a US\$16 million Indian LOC. This was an addition to India's Goa Shipyard built offshore patrol vessel commissioned by the Mauritian National Coast Guard during the visit of India's prime minister in 2015.

India has also helped Mauritius to build its National Hydrographic Unit as well as the coastal radar system. Both of these have dual use potential – economic as well as strategic. Due to its close defence and security relationship with India, the country has been able to avoid maintaining dedicated military force and fulfil its security requirements by maintaining only paramilitary capabilities. It is a win-win relationship for both Mauritius and India as the cost involved is relatively very low.^{xxv}

Cultural Relations

Indian diaspora in Mauritius is the biggest cultural connect with the country. These people are aware of their cultural roots and heritage; and wish to have a connection with their origins. The

Indian government also proactively encourages India-Mauritius cultural relations. The Indira Gandhi Centre for Indian Culture (IGCIC) at Phoenix is one of the largest centres of ICCR that has emerged as an important venue promoting Indian cultural activities in Mauritius. It holds classes in Indian music, dance and Yoga. As a symbol of India-Mauritius linguistic affinity, India's President Kovind inaugurated the World Hindi Secretariat joint project in Port Louis. The secretariat was fully financed by India while the land was provided by the Government of Mauritius.

The Mahatma Gandhi Institute (MGI), founded in 1970 as a joint venture between the Government of India and the Government of Mauritius for the promotion of Indian culture and education; Rabindranath Tagore Institute established in 2000 as a Centre of Studies on Indian culture and traditions; ICCR Chair in Sanskrit and Indian Philosophy; Swami Vivekananda International Convention Centre, Port Louis; and the popularity of Yoga and traditional Indian systems of health (AYUSH) among the general public in Mauritius are other symbols of close cultural relationship between the two countries. Moreover, a variety of informal and non-government cultural network exist between India and Mauritius, strengthening the people-to-people contact and adding to its vibrancy.

A Post Visit Assessment

India-Mauritius relations are marked with unique exchanges due to their intimate historical and cultural background. The two countries have been coordinating their positions on international issues. Their political relations are marked with regular high level visits, both formal and informal. The countries have agreements in place covering almost every aspect of a bilateral relationship. The MoU between the two countries regarding empowerment of "senior citizens" and "persons with disabilities" during the visit of President Pranab Mukherjee in 2013 reflects the comprehensive and micro-level nature of the relationship.

India's Prime Minister Narendra Modi's visit was one of the most important visits from India as, among other things, it specially and overtly emphasised on the strategic dimension of the relationship between the two countries; and MoUs for cooperation on ocean economy, culture, agriculture, sea and air transport facility at Agalega Island, and traditional systems of medicine were signed. The agreements and announcements made by President Kovind during his visit in March 2018 are in continuity of this traditionally close, vibrant and multidimensional relationship between the two nations. Good India-Mauritius relations are crucial to peace and stability while changing strategic dynamics in the Indian Ocean. In this context, describing the host country as the "proverbial star and key of the Indian Ocean", President Kovind underlined Mauritius' potential to "serve as a hub for Indian companies looking to reach out to mainland Africa". The agreements signed in his presence mark another set of building blocks of India-Mauritius cultural ties and institutional cooperation for improving governance. A sharp increase in the quantum of the Indian LOCs to Mauritius also highlights the importance being given to the relationship. The recent LOC announced by President Kovind for acquiring another offshore patrol vessel reinforces the strategic depth of the relationship between the two countries.

India's traditional relationship with Mauritius has become even more important in the global geopolitical scenario due to its positive disposition towards India. However, recent changes on the foreign investment scene in Mauritius are noticeable. China has made significant inroads in this aspect. It is fast emerging as one of the most important investors in the country. India is also getting a close competition from China for being Mauritius' largest trade partner. Although India's traditional strategic ties with Mauritius remain secure as well as steadily growing, India needs to further strengthen its trade and investment ties. It should look forward to and nurture its comparative advantages over others in trade and investment with Mauritius. This becomes a greater imperative in the context of recent economic and strategic developments seen in some of the other neighbouring small island states (Sri Lanka and Maldives) in the region. President Kovind's visit, in this context, was a reinforcing statement of India's commitment to keep its ties with Mauritius unique and strategic, with aspirations for a peaceful and economically active Indian Ocean Region for mutual benefit.

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Disclaimer: The views expressed are that of the Researcher and not of the Council.

Endnotes

ⁱ Mauritius joined in the India lead Nalanda University cooperation through this MoU.

ⁱⁱ "President of India Leads Delegation-Level Talks, Witnesses Exchange of Agreements /MoUs; Meets Top Leadership of Mauritius on Second Day of Visit (March 12, 2018)", *Ministry of External Affairs, India*, <http://www.mea.gov.in/press-releases.htm?dtl/29610/President+of+India+Leads+Delegation+Level+Talks+Witnesses+Exchange+of+Agreements+MoU+s+Meets+Top+Leadership+of+Mauritius+on+Second+Day+of+Visit+March+12+2018>

ⁱⁱⁱ *Ibid.*

^{iv} This is an old data sourced from the *Ministry of External Affairs, India* as the questions regarding ethnicity have been removed from the census of Mauritius since 1972. However, it can be easily claimed that more than two-thirds of the population are people of Indian origin.

^v "Trade and Shipment Facilitation", *Indian Ocean Rim Association (IORA)*, <http://www.iora.net/en/priorities-focus-areas/trade-and-investment-facilitation>

^{vi} Data sourced from Department of Commerce, India. See data at <http://commerce-app.gov.in/eidb/default.asp>

^{vii} "Mauritius and the EU", *European Union External Action*, https://eeas.europa.eu/generic-warning-system-taxonomy/404_en/1517/Mauritius%20and%20the%20EU

^{viii} If the products manufactured in Mauritius satisfy the rules of origin criteria as laid down in Protocol 1 of the interim EPA, they have duty-free and quota-free access to the European market.

^{ix} Mauritius is eligible for trade preferences under AGOA, benefiting from duty-free exports of more than 6,400 products to the United States — 1,800 more products than the 4,600 offered through the Generalized System of Preferences (GSP). US President Barack Obama signed the extension of the African Growth Opportunity Act until 2025.

^x Brief on India-Mauritius Relations, *Ministry of External Affairs*, January 8, 2016.

^{xi} Data sourced from External Merchandise Trade Statistics, Government of Mauritius. See reports at <http://statsmauritius.govmu.org/English/StatsbySubj/Pages/External-Trade.aspx>

^{xii} The fall in the value of Indian exports was mainly due to the decrease in the value of the export of the mineral fuels, mineral oil and products thereof. The decline was primarily due to fall in oil prices.

^{xiii} India is also negotiating a Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with Mauritius; and completed its third round of talks in January 2018. The discussion for the agreement aims for a further liberalisation of tariff lines, rules of origin, priority areas for cooperation in the services sector and using Mauritius as a hub for Indian companies to reach out to Africa. See: High Commission of India, January 24, 2018, <https://indiahighcom-mauritius.org/pages.php?id=557>

^{xiv} "Mauritius - China FTA to strengthen economic cooperation in various sectors", *Republic of Mauritius*, April 3, 2018, <http://www.govmu.org/English/News/Pages/Mauritius--China-FTA-to-strengthen-economic-cooperation-in-various-sectors.aspx>

^{xv} Data on FDI sourced from the Annual Reports of the Reserve Bank of India.

^{xvi} Data Source: Annual Reports of the Reserve Bank of India.

^{xvii} World Investment Report 2017, p. 95.

^{xviii} Data released in the Reserve Bank of India Census of Foreign Liabilities and Assets of Indian Direct Investment Companies in financial years (FY) 2013-14, 2014-15, 2016-17.

^{xix} Exim Bank of India Working Paper No. 50, p. 63.

^{xx} The Financial Services Act 2007 (refined in 2010) in Mauritius distinguishes between Mauritian companies conducting business in Mauritius and those conducting business outside Mauritius. The act defines a global business company (GBC) “as a resident corporation which proposes to conduct business outside Mauritius”.

^{xxi} Data source: Bank of Mauritius statistics on direct investment flows.

^{xxii} Signed in 1982; amended and ratified again in 2016.

^{xxiii} “ITEC and Technical Cooperation”, *High Commission of India Mauritius*, <https://indiahighcom-mauritius.org/pages.php?id=56>

^{xxiv} India Mauritius Bilateral, *High Commission of India, Mauritius*, <https://indiahighcom-mauritius.org/pages.php?id=33>

^{xxv} Sanjay Badri-Maharaj, “The Mauritius-India Naval Relationship: Naval Diplomacy 2.0”, *Africa Trends*, April-June 2016, *Institute for Defence Studies and Analyses*, at <https://idsa.in/africatrends/the-mauritius-india-naval-relationship%3A-naval-diplomacy>