Multinationals, Export Processing Zones and Development: the Case of Mauritius.

R.V. Sannassee* and
Robert Pearce†

* University of Mauritius
† Department of Economics
University of Reading,
PO Box 218, Whiteknights,
Reading, RG6 6AA
UK

Abstract

The paper reviews survey evidence on textile and clothing MNEs' operations in the export processing zones of Mauritius (MEPZ). From the point of view of the MNEs the dominant strategic objective of their EPZ operations is confirmed as the cost-effective supply of technologically-mature standardised goods. In line with this, wage and other costs emerge as crucial factors determining such investments, but residual distortions to international trade patterns for these goods also seem to play a decisive role. These results are seen as indicating (in the absence of counteractive host-government policies) two interdependent limitations on MNEs in EPZs as engines of sustainable development. Firstly, the operations are not embedded in any qualitatively distinctive local inputs and so are vulnerable to footloose exit as wages and other costs rise. Secondly they have no incentive to interact with local creative resources to build the dynamic essence of development processes.

Key words

Export processing zones; multinationals; industrialisation and development

Multinationals, Export Processing Zones and Development: the Case of Mauritius

Introduction

A central line of argument in delineating key parameters determining the effects of MNEs' activity in countries at an early stage of industrialisation is the type of host-country development strategy within which they operate. The basic policy dichotomy applied is, usually, that between import-substitution and export-oriented strategies. Kojima (1978) has then provided a normative evaluation of MNEs' response to these strategic options, seeing the former as provoking welfare-constraining trade-destroying activity and contrasting this with welfare-generating trade-creation behaviour in the second. With a generalised intensification of global competition (Papanastassiou and Pearce, 1999, pp. 23-7) the presumption is that a key imperative in the strategic evolution of MNEs has been to increase the efficiency with which they supply the more mature and cost-competitive parts of their product range.

At the centre of the increase in global competition has been a lowering of trade barriers, which frequently has then been interdependent with a move to export-oriented development strategies in countries seeking to implement early phases in their industrialisation. This nexus of strategic forces led to many MNEs systematically adopting (in the manner predicted for the third stage of Vernon's [1966] product cycle) the procedure of locating the production of technologically-mature goods in countries where the relevant standardised inputs (labour, energy, raw materials) were most competitively (cost-effectively) available.

This harnessing of a crucial MNE imperative allows the developing country to achieve an export-oriented growth that efficiently activates their existing sources of static comparative advantage. What is more debatable (Pearce, 2001) is whether this type of host-country/MNE interaction embodies any dynamic forces that can point towards sustainable development. If it does not then the fear must be that the development process itself implies changes (notably higher local input prices) that limit the sustainability of MNEs' participation. If this is so, and in the absence of local government support for compensating changes in the structure of the industrialisation programme, the 'footloose' departure of MNE operations may retard and unbalance the positive processes they helped to initiate. An extreme context for these potentials and concerns is in their activities in formally-instituted export processing zones (EPZs). This paper seeks to address some aspects of these issues through survey evidence on textile and clothing MNEs' operations in the EPZ of Mauritius (MEPZ).[1]

EPZs involve institutional arrangements that seek to go beyond the benefits of the generalised movement towards free-trade and provide a setting for, *interalia*, particular facets of MNEs' strategic needs. The ability to import into the zone intermediates (components, raw materials) at tariff levels (usually zero) below those of the non-zone parts of the same economy, provides encouragement for the location there of very specific activities of MNEs in the form of labour-intensive processing (or assembly) stages of their networked supply programmes. The parallel stimulus of lower tariffs elsewhere on the re-exported goods is, of course, part of the general freer-trade context of this behaviour. A more specific advantage provided by many EPZ-using developing countries is the availability of open quotas for relevant goods in the preferential trade arrangements offered by those developed countries that are likely to be target markets for MNEs' products.

This lowering of *artificial* costs of trade (along with other cost benefits such as cheap rental of factory space and control of bureaucratic impediments) allow the *natural* input-cost advantages of the LDC to manifest themselves competitively in trade. The presumed extensive participation of MNEs in the EPZs' operations suggests that they are better able than indigenous enterprises to realise the competitive benefits that become available. This reflects the inevitable technological and organisational (management, marketing, etc.) limitations of indigenous enterprise at the onset of industrialisation. Whether the extreme orientation of EPZ/MNE operations to cost-minimisation priorities, related to mature and standardised technology and products, provides any potentials for beneficial spillovers to local enterprise is another question provoked by this institutional mode of behaviour. Does it improve the short-run *allocation* of existing resources without providing (perhaps even retarding) scope for resource expansion or generation?

Motivations for EPZ investment.

Respondents in the MEPZ answered two questions that provide evidence on their reasons for operating there. The first mostly reflects ways in which this type of production operation may fit into the needs of broader strategic development in enterprises that are addressing global competition in the textiles and clothing sector. The second focuses more directly on perceptions of characteristics of the MEPZ itself, and thus reflects on the specific choice of zone once industry competitive characteristics have determined the need to operate from one.

In table 1 we report replies of subsidiaries to a question that asked them to evaluate six motivations for operating in the zone, using a scale from 1 (not important) to 5 (very important). With an overall mean response of 3.07, and similar

Table 1: Evaluation of foreign investors strategic motivations for investing in Mauritian EPZ.

	Mean value[1]		
Strategic motivation	Asian	European	Total
COSTMIN	3.20	2.92	3.07
RISKDIV	2.53	2.08	2.33
PRODTECH	2.80	2.50	2.67
SUPSKILL	2.60	2.25	2.44
TARRIFPROT	3.87	2.08	3.07
PREFMARKETS	4.53	3.25	3.96

Strategic motivation

COSTMIN - as part of the group's global strategy to minimise costs.
RISKDIV - to diversify risk.
PRODTECH - because of the possession of well-adapted technological production processes
SUPSKILL - because of superior managerial and technical skills.
TARRIFPROT - because of the presence of high tariff barriers in key export markets *vis a vis* home country.
PREFMARKETS - because the country provides best preferential access to markets.

Note:

1. Respondents were asked to rate each motivation on a scale 1 = not important to 5 = very important.

Source: RV Sannassee survey.

levels for Asian (3.20) and European (2.92) respondents, the suggestion that investments in the zone occurred 'as part of the group's global strategy to minimise costs' (COSTMIN) is at a level sufficient to confirm that dispersion of production facilities in order to pursue optimised efficiency in supply is a core imperative of textile and clothing firms with international competitive ambitions.

Though moves towards freer trade clearly provide the generalised context within which EPZ-type activity has emerged, residual trade distortions appear to quite decisively influence the specificity of this for textiles and clothing companies. Two elements of this question indicate this. Firstly, location in the EPZ 'because of the presence of high tariff barriers in key export markets *vis a vis* the home country' (TARRIFPROT) emerges as crucial for Asian investors (mean 3.87). By contrast this influence is the equal least strong for European respondents (2.08). It thus appears that the Asian companies involved here operate in segments of the market where home-country exports remain affected by persisting trade restraints in their key markets, whilst the product lines of Europeans seem to be much less affected in this way.

Secondly, use of the MEPZ as the answer to TARRIFPROT clearly occurs 'because the country provides best preferential access to markets' (PREFMARKETS), which has the highest overall mean response reported in table 1 (3.96). Thus access of Mauritian production to major trade preferential arrangements decisively attracts those Asian firms needing to escape from their constrained home-country supply position, with the highest of all responses (mean of 4.53). Even though TARRIFPROT was not seen as a major factor drawing production out of European firms' home countries, preferential market access (along with the relatively high value for COSTMIN) is a major factor pulling it into the MEPZ (highest mean of 3.25). So, even if the European enterprises perhaps operate in less protected, more fashion/quality oriented, segments of the market, elements of competitive edge provided by the EPZ are still notably relevant.

The major influence of TARRIFPROT and PREFMARKETS have two wider implications. Firstly, it suggests that whereas the importance of COSTMIN is compatible with Kojima-style welfare-enhancing trade-creation, the crucial presence of these two factors indicates the influence of a trade-diverting response to the residual patterns of protection in the textiles and clothing industries. Secondly, it is shown that key reasons for operating out of the MEPZ relate to current institutional factors (protectionism) which are very likely to prove transitory, and which certainly do not provide, therefore, a basis for generating real roots (embeddedness) in the local economy of a type that builds scope for further developmental commitment.

In order to take advantage of EPZ operations MNEs' need to possess production techniques that can benefit from the available local input-cost structure and management and technical skills that can facilitate the specific mode of organisation implied (i.e. holding an effective position in an intra-group supply network). As motivations for investment in the MEPZ respondents were, therefore, asked to evaluate 'because of the possession of well-adapted technological production processes' (PRODTECH) and 'because of superior managerial and technical skills' (SUPSKILL). The overall mean values of response to these factors (2.67 for PRODTECH and 2.44 for SUPSKILL) are high enough to demonstrate their relevance as important firm-level facilitating competences, but are clearly rather secondary to the three already reviewed in defining the context driving EPZ operations in textile and clothing enterprises.

Finally respondents were asked to evaluate 'to diversify risk' (RISKDIV) as a motivation for their EPZ operation. Relevance for this would imply that *inter alia* the Mauritian zone helped provide stability to its MNEs' supply networks, through some degree of substitutability with activity of other parts (i.e. its scope to replace production lost, for some reason, elsewhere). The corollary of this is a vulnerability of the MEPZ operation itself, since *its* activity is also implicitly quickly replicable elsewhere (which would underpin the argument of potential 'footloose' behaviour, and also suggest a strong bargaining weapon *vis a vis* the host-country government). In fact RISKDIV emerged as the least strongly perceived of the motivations evaluated (mean of 2.53 for Asian operations and 2.08 for European).

The question reported in table 1 has allowed firms operating in the MEPZ to evaluate reasons why this type of institutional arrangement can fit decisively into the competitive strategy of textiles and clothing enterprises. None of them, however, defined specific reasons for choice of the Mauritian zone (even the access to particular trade preference schemes will be replicated in the similar zones of some other countries). A further question (reported in table 2) did address the more specific elements of the Mauritian environmental conditions and institutions of the MEPZ. Respondents have evaluated the five factors on a scale of 1 = not important up to 5 = very important.

The strong and pervasive relevance of 'cheap and abundant labour' (LAB), with a mean response of 4.2, demonstrates the clear ability of the MEPZ to supply the key input in fulfilling one of the imperatives that globally-competing enterprises expect to achieve from this mode of behaviour. A long-standing aspect of host-country support for EPZs has been a willingness to provide fiscal incentives to operators. This emerges as also a

Table 2: Evaluation by foreign investors of reasons for establishing operations in Mauritian EPZ

	Average Response[1]		
	Asian Subsidiaries	European Subsidiaries	Total
Reasons for investing			
LAB	4.13	4.25	4.20
REGUL	1.93	2.83	2.30
INFRA	3.93	3.25	3.63
STAB	4.47	4.00	4.07
TAX	4.40	3.83	4.23

Reasons for investing

LAB - Cheap and abundant labour supply.
REGUL - No stringent regulation pertaining to dismissal of labour force - lax labour laws and minimum wage legislation.
INFRA - Good infrastructure.
STAB - Political and economic stability.
TAX - Tax credits and holidays.

Note

1. Respondents were asked to rate, on a scale of 1 = not important to 5 = very important, reasons for choice of the Mauritian EPZ as a location for their operations.

Source: R.V. Sannassee survey.

significant facet of attractive appeal of the MEPZ, with 'tax credits and holidays' (TAX) also recording an overall mean response of 4.2. The need of zone-based operations to hold an internationally-competitive position (often in wider networks of large companies) places pressure on them to not only meet low-cost targets but also provide high degrees of reliability in supply. Relative immunity from likely disruption is thus vital. On this basis 'political and economic stability' (STAB) emerged as the third crucial attractive factor of the MEPZ with a mean response of 4.1.

Though less relevant than the three factors so far reported 'good infrastructure' (INFRA) is clearly a matter of some importance in the MEPZ, reporting a mean response of 3.6. Certainly infrastructure is another critical facet of the way that the manner of implementation of a particular zone can differentiate its appeal. The offering of a pre-built factory space of high-quality (and at artificially-low rent as part of the financial-incentive provisions) and effective and reliable international-communications infrastructure (seaport or airport) are thus influential elements of an EPZ package.

Finally respondents were asked to evaluate 'no stringent regulation pertaining to dismissal of labour force-lax labour laws and minimum wage legislation' (REGUL) as part of the appeal of the MEPZ. In fact this was reported as clearly the least relevant reason for investment, with a mean of 2.3. This factor relates to the frequent suggestion that some EPZs attract investors by providing them with a degree of discretion over their employment conditions that allows (in addition to low wages) the avoidance of social overheads (applied elsewhere in the local economy) and the bargaining limitations concomitant with easy dismissal. The much publicised and clearly pejorative connotations of this may have led to an unwillingness of respondents to recognise its relevance to their position. Alternatively it may be that a more supportive and generous attitude to employment conditions then contributes to the perceptions of political and economic stability as a major positive feature of operating in the MEPZ.

Reasons for decline of new investment in MEPZ.

Over recent years there has been a decline in new investment in the MEPZ and a fairly high level of departures. The respondents to the survey (so far persisting with their own commitment) were asked to assess five possible reasons for this decline (to be evaluated from 1 = not at all a reason to 5 = a very important reason). Two of the offered reasons (table 3) in fact ranked notably ahead of the others (mean responses of 4.4). These were 'the increase in wage level in the Mauritian EPZ' (WAGEINC)[2] and a more generally perceived 'increase in operating costs in Mauritius' (OPCOSTS). This points very decisively to the potential limitation of the EPZ approach to industrialisation. Thus it seems that the MEPZ's success has led to increasing wage levels (normally a positive manifestation of development) and other costs, but that the very intense cost-based motivation has precluded investment in compensating changes (increased productivity or higher quality of output) to offset this as a loss in competitiveness.

The perception is, therefore, that the MEPZ is losing ground in a mode of behaviour which demands increasingly competitive performance. This can represent the presence of two forces. Firstly, that the competitive situation of cost-efficiency-oriented enterprises remains extremely intense, so that optimal performance in EPZs is sought with increasing stridency. Secondly, a growth in numbers of new EPZs places increased pressure on any mature example. In line with this the survey respondents rated 'increased

Table 3: Evaluation of foreign investors of reasons for a decline in new investment in Mauritian EPZ.

	Average Response[1]		
Reason for decline	Asian subsidiaries	European Subsidiaries	Total
WAGEINC	4.53	4.00	4.40
RELINCENT	3.47	3.08	3.50
GLOBALCOMP	3.40	3.00	3.13
OPCOSTS	4.73	4.00	4.43
ADMINCOSTS	4.07	3.67	4.00

Reasons for decline.

WAGEINC - The increase in wage level in the Mauritian EPZ.
RELINCENT - Better incentives offered by competing nations.
GLOBALCOMP - Increased global competition.
OPCOSTS - Increase in operating costs in Mauritius.
ADMINCOSTS - High level of red tape in the Mauritian administrative procedures.

Note

1. Respondents were asked to rate, on a scale 1 = not important to 5 = very important, possible reasons for decline of investment in the Mauritian EPZ..

global competition' (GLOBALCOMP) as clearly an element in the declining status of the MEPZ (mean of 3.1).[3]

That interzone competition is an influential part of GLOBALCOMP is also suggested in the survey with the strong response (mean of 3.5) to 'better incentives offered by competing nations' (RELINCENT) as a reason for decline of investments in the MEPZ. Also relevant as a factor strongly perceived as an alienating characteristic of the MEPZ (mean of 4.0) is 'high level of red tape in the Mauritian administrative procedures' (ADMINCOSTS).

Regeneration strategies of MEPZ operations

To investigate the competitive dynamics of MNEs' EPZ activity, and in anticipation of perceived vulnerability to increased (external) competition and increased (internal) costs, the survey asked subsidiary managers to indicate whether or not each of five possible responses seemed likely to be viable and useful. Table 4 summarises the replies. The two most popular approaches indicated that a meaningful strategy would need to combine qualitative upgrading with the direct addressing of cost issues.

The strategy defined for respondents as to 'use more modern production techniques to reduce labour costs' (IMPTECH) was endorsed by 86.7% of managers.[4] In the interviews, however, many managers indicated that such technological upgrading was as likely to support a move to more sophisticated products (improving the product-value element of a productivity measure) as to involve direct attempts to enhance efficiency of labour. It seems to be accepted that, whilst *what* is done must be done as cost-effectively as possible, the main evolutionary route lies in upgrading the nature of such activity.

Table 4: Strategies proposed by foreign investors in MEPZ to respond to increased competition[1]

	Percent[2]		
	Asian Subsidiaries	**European Subsidiaries**	**Total**
Strategy			
IMPRODQUAL	86.7	83.3	83.3
COSTCUT	80.0	50.0	66.7
IMPTECH	100.0	66.7	86.7
DIVMARK	33.3	50.0	46.7
DELOCAL	40.0	33.3	43.3

Strategy.
IMPRODQUAL - improvement in product quality.
COSTCUT - implementation of cost cutting programmes.
IMPTECH - use of more modern production techniques to reduce labour costs.
DIVMARK - reorientation of marketing strategies towards new market outlets.
DELOCAL - delocalisation: opening of foreign branch.

Notes.

1. Respondents were asked 'with the dismantling of the MFA and the advent of the WTO, what are the strategies proposed in the face of such increased competition?' They were asked to tick *any* of the proposed strategies seen as relevant.

2. Percent of respondents in each group that said the proposed strategy was relevant.

Thus 83.3% of managers endorsed the key developmental relevance of 'improvement in product quality' (IMPRODQUAL).

A direct 'implementation of cost-cutting programmes' (COSTCUT) was endorsed by two-thirds of respondents. IMPTECH was, in fact, seen as often likely to help address two cost-related problems, with increased capital-intensity and automation lowering dependence on often unreliable unskilled labour and more sophisticated processes helping to lessen a serious problem of wastage. Less optimistically several respondents pointed to cost pressures that derived from deterioration in the MEPZ infrastructure and that were, therefore, not amenable to firm-level amelioration.

The strong influence, observed earlier, of the changing institutional aspect of the trading environment for textile and clothing subsidiaries (TARRIFPROT and PREFMARKETS in table 1) helped contribute to a sense of vulnerability that led to 46.7% of respondents endorsing 'reorientation of marketing strategies towards new market outlets' (DIVMARKETS) as a survival strategy. A positive diversification potential here was often seen in an increased importance of the US market, deriving from the Africa act. This will allow MEPZ companies to export to the US market quota-free and duty-free (subject to satisfying rules of origin criteria) until 2008. This potential was often seen to complement IMPRODQUAL, since US customers were expected to manifest higher-quality preferences. A general move towards greater market diversity was also expected to lead to a wider product range and thus more sophisticated production techniques (IMPTECH) to provide flexibility of supply within that range.

The perception of MEPZ operations as innately subject to very immediate, short-term, 'footloose' pressures was seen as exaggerated by many respondents, with an expectation that parent-company desire for network stability will often allow some time for the refocusing strategies observed above. Thus 'delocalisation; opening a foreign branch' (DELOCAL) was only seen as a realistic danger by 43.3% of MEPZ respondents. Predictably where DELOCAL was seen as a significant option this correlated with an emphasis on COSTCUT as a key survival pressure. However, DELOCAL was not always seen as a closure-based alternative to the other strategies. Thus cases were observed where labour-intensive parts of MEPZ operations migrated to other lower-cost sites in the region (often under the control of MEPZ management) to complement the upgrading of a continued MEPZ presence.

A major implication of the advent of the WTO is the removal of certain of the institutional trade arrangements or 'distortions' (notably the multifibre agreement and various preference schemes) that facilitated initial MEPZ operations in textiles and clothing. We have, however, briefly observed two emerging circumstances that have potential to support particular forms of refocusing of MNEs' activity in the zone. The USA's Africa Act opens up scope for supply to a major quality-oriented market, but subject to rules of origin that stipulate that for MEPZ exports to US to be eligible for duty-free access they would have to source raw materials from African LDCs. In turn adoption of such a dispersed sourcing policy by MEPZ firms could be facilitated by Mauritius's recent membership of two regional integration schemes.[5] To investigate such potentials responding MEPZ managers were requested to provide their evaluation (again on a scale of 1 to 5) of four possible benefits from Mauritius's participation in these regional integration initiatives.

The broad prescription here would be to see MNE subsidiaries in the MEPZ leveraging their organisational expertise and marketing experience in developed countries, so as to act as a co-ordinating hub and export-conduit for a regional 'pipeline' in textiles and clothing. The results (table 5) immediately suggest rejection of a rather more myopic and less expansive approach, since 'cheaper sources of labour' as an advantage for the MEPZ receives a mean response of only 1.7. Thus import of labour to Mauritius, using the liberalisation of labour mobility in the regional schemes, to keep wage rates down is not seen as viable or suitable.

However, other countries in the regional groups were seen as of negligible relevance (means of 1.3) as arms-length (or sub-contracting) 'cheaper sources of raw materials'. The rejection of this possibility is likely to reflect weaknesses of independent indigenous enterprise, rather than lack of potential cost advantages, in these countries. This then leads to the relatively stronger endorsement (mean 3.0) of 'new investment opportunities' as a potential perceived by MNE managers in MEPZ. In fact many respondents expressed their awareness of an emerging need to divert more of their intermediate input supply into the African regional groups, for rules of origin reasons. The development of this new low-cost capacity seemed, at least in the short-run, to be more likely to involve (in the form of DELOCAL in table 4) extending their owned and controlled networks (sister subsidiaries of the MEPZ operations) rather than drawing existing local capacity into arms-length market purchases. Finally, though macro-level data appeared to suggest quite quick increases in intra-regional textile and clothing trade (upon implementation of the integration schemes) the MEPZ operations did not seem to

Table 5: Evaluation by foreign investors of possible benefits of regional integration initiatives

	Average response[1]		
	Asian Subsidiaries	European Subsidiaries	Total
Benefit			
New export markets	2.2	1.4	2.0
Cheaper sources of raw materials	1.1	1.0	1.3
Cheaper sources of labour	1.3	1.8	1.7
New investment opportunities	3.0	2.4	3.0

Note.

1. Respondents were asked to evaluate potential benefits for their company, from Mauritius' participation in regional integration, with each benefit assessed on a scale of 1 = not important opportunity to 5 = very important opportunity.

reflect this in any perception of 'new export markets' in the area as important to them (mean of 2.0).

Conclusions

The evidence presented here suggests that EPZs may be limited, as part of host-country development programmes, by a vulnerability to two types of flexibility that are implied by the strategic needs of the contemporary MNE. Firstly, the evidence clearly indicates the presence of flexibility across geographical space, at a point in time, as MNEs pursue the crucial priority (manifest in the response to COSTMIN) of optimally-efficient production of standardised goods embodying mature technologies (that can easily be reapplied in new locations). Factors that emerge at the core of the MEPZ's ability to attract these operations (LAB, TAX, STAB, PREFMARKETS) tend to be short-term attributes (open to easy comparison with other locations), that are readily subject to change and which do not provide a subsidiary with any unique roots in the zone. This points to an innate lack of the second type of flexibility inherent in an MNE's overall strategic profile, i.e. the need to change its operations across time through generation of new capabilities and product development.

Thus the success of a zone in contributing to its country's development will generate forces (WAGEINC, OPCOSTS in table 3) which encourage MNEs to exercise the first flexibility option and will have also precluded the generation of any localised creative attributes that might instead cause them to remain in situ and activate the second. Emphatic pursuit of short-term resource allocation objectives (increased employment of initially under-utilised sources of static comparative advantage) rule out EPZ operations as a source of dynamic creation of those new opportunities and resources that can sustain development (and embed MNEs' subsidiaries in the process).

This interpretation ultimately does not seek to argue that MNEs' must inevitably represent damaging illicit users of EPZs but, rather, that if they are to provide long-term benefits (and thus avoid distorting the development process) the wider dimensions of their strategic aims need to be understood. Host-country government policy (which usually helps to define a zone's competitiveness, even in the short-run - e.g. INFRA and TAX) needs to assert a dynamic commitment, applying resources to support of retraining of labour, improved links with local suppliers and moves towards the generation of indigenous technical and creative potentials.[6] Ultimately this active broadening of an EPZ's scope should dissolve its differences from the rest of the local economy and allow its merging into the wider development process. However, in the medium-term these types of policy support may make the difference between a stagnant institution that becomes a drag on true development and one whose changes help to involve the economy in the dynamic of international growth processes.

Notes

References

Kojima, K. (1978), *Direct Foreign Investment: A Japanese Model of Multinational Business Operations*, London: Croom Helm.

Papanastassiou, M. and R. Pearce (1999), *Multinationals, Technology and National Competitiveness*, Cheltenham: Elgar

Pearce, R. (2001), 'Multinationals and industrialisation: the bases of 'inward investment' policy'. *International Journal of the Economics of Business*.

Sannassee, R.V. (2000), 'The determinants of multinationals and foreign joint ventures in the Mauritian export processing zone. A case study of the textile and wearing apparel industry' (mimeo).

Vernon, R. (1966), 'International investment and international trade in the product,' *Quarterly Journal of Economics*, 88, pp. 190-207.

---

1 The material covered here relates to wholly-owned subsidiaries of textile and clothing MNEs operating in the MEPZ. The survey was questionnaire-based, but implemented by interview. This allowed for clarification of questions and qualitative elaboration of issues. Of the population of 32 relevant subsidiaries replies were obtained from 30, of which 15 were from Asian countries and 12 from Europe.

2 It is noted (Sannassee, 2000) that substantial relocation (by Mauritian enterprises as well as MNEs) from Mauritius to Madagascar is driven by the emergence of notable differences in wage levels.

3 Some aspects of response to the wider competitive context were addressed by Directors of some firms during the interviews (Sannassee, 2002). One of these related to direction of trade and use of preference arrangements (reflecting the observed relevance of PREFMARKETS). Thus it was suggested the Mauritian government could better manage its quota allocations, by moving into categories not yet subject to quota limitations and by upgrading of products in existing quota categories (to maximise the value-added for any given quota level). The extension of target markets beyond North American and EU was also emphasised.

4 The only respondents that did not endorse IMPTECH were European subsidiaries. These mainly suggested that already completed upgrading processes had led to 'top of the range' products and levels of efficiency that asserted a sufficiently individualised competitive position to remove any likelihood of imminent 'footloose' migratory pressures.

5 The Common Market for Eastern and Southern Africa (COMESA) and Southern African development Community (SADC).

6 The Mauritian Government is providing support for R & D targeting new production technology and help for creation of new designs and labels in textiles and clothing.