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What future orientations for Mauritius?

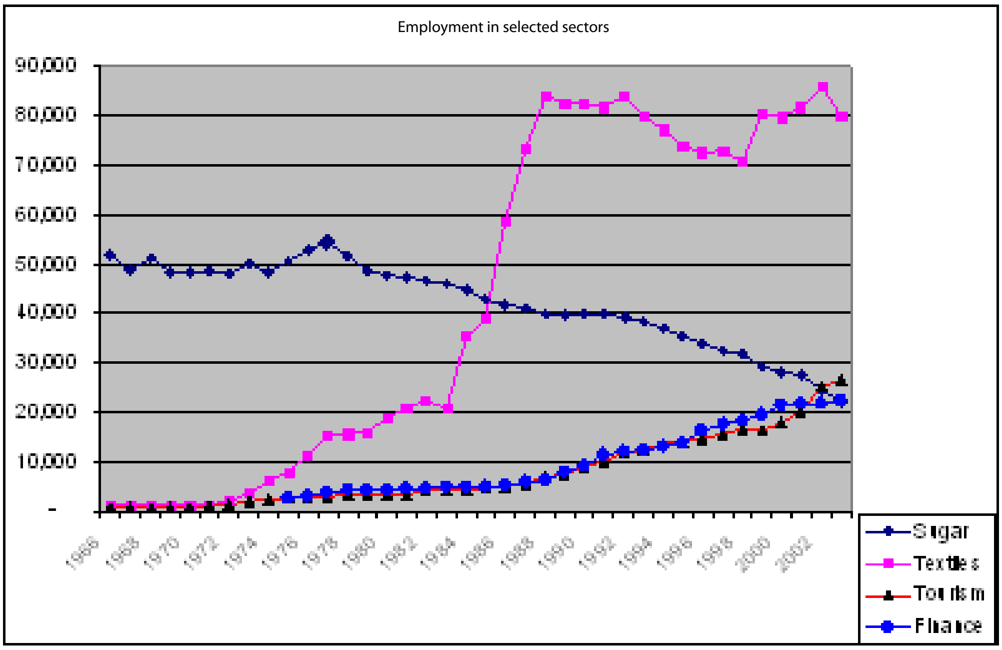
Mauritius' future is at stake as revealed by the numerous questions that were asked but remained unanswered at the National Innovation Summit organised by NPCC on 8th and 9th September 2004. With the reforms that the European Union has engaged to reduce drastically its export subsidies on sugar, our future as a sugar producing country looks bleak. Moreover the dismantling of preferential trade agreements since January of this year has exposed our textiles and garment exports to fierce competition from low labour cost producing countries like China, Bangladesh and India. High value tourism, which throughout the years, has contributed to the economy as a non-negligible source of foreign currency seems to have reached its limit whereas OECD has placed limits on the financial sector which is considered as the fourth pillar of our economy.

These new challenges have brought up a series of questions relative to new sources of competitiveness, namely:

a. Have we reached the limits of our production possibilities?
b. What type of innovation is required to take us on a high-growth path?
c. Do we have enough competencies to identify the new sources of growth?
d. Do we have enough resources to support new sources of growth?
e. How do we make Mauritius more attractive to the outside world in the new environment?
f. What are we willing to trade-off to have higher growth?

These questions of national importance were taken up during the Competitiveness Foresight round table discussions held between 21st and 23rd September 2004. The discussions focused on the outlines of where Mauritius could go and what paths were open to it to reach alternative destinations rather than on what went wrong. The themes debated covered:

- Future economic interests of Mauritius
- Mauritius as an International city-state
- Foreign policy
- Global / regional integration
- Mauritius as a provider of global services



Mauritian economy at a glance

Government Finance- Community and Social Services (Rs M)

	2000/01	2001/02	2002/03
Education	4,357	4,755	5,588
Health	2,547	2,884	3,151
Social Security	6,160	6,698	7,012
Others	2,430	3,747	4,142
Total	**15,494**	**18,084**	**19,893**
As % of GDP	***13.2%***	***14.4%***	***14.5%***

During the past years, the different engines of growth of the Mauritian economy have been showing signs of running out of steam (see chart above). Sugar and textiles are going through a downturn while tourism is still growing but not on the same rate as in the past. Other sectors are yet to take off in terms of job creation. Unemployment rate which stood at 6.7% in 2000 has now reached 9.5%. The growth rate has been averaging 4-5% per annum. Other macroeconomic indicators are also source of concern. For instance, the budget deficit as percentage of GDP (around 6%) has been quite high and this, if not corrected, may lead to a dire financial situation, compounded by the high and growing level of public debt. Social expenditure, that has experienced a rise from 10.7% to 15.1% of GDP, may in the long run jeopardise the maintenance of the welfare state because of old-age pension payments as the country is facing an ageing population problem. Government expenditure on welfare is also expected to rise due to higher spending on education and health care services because of the Government's human capital development programme.

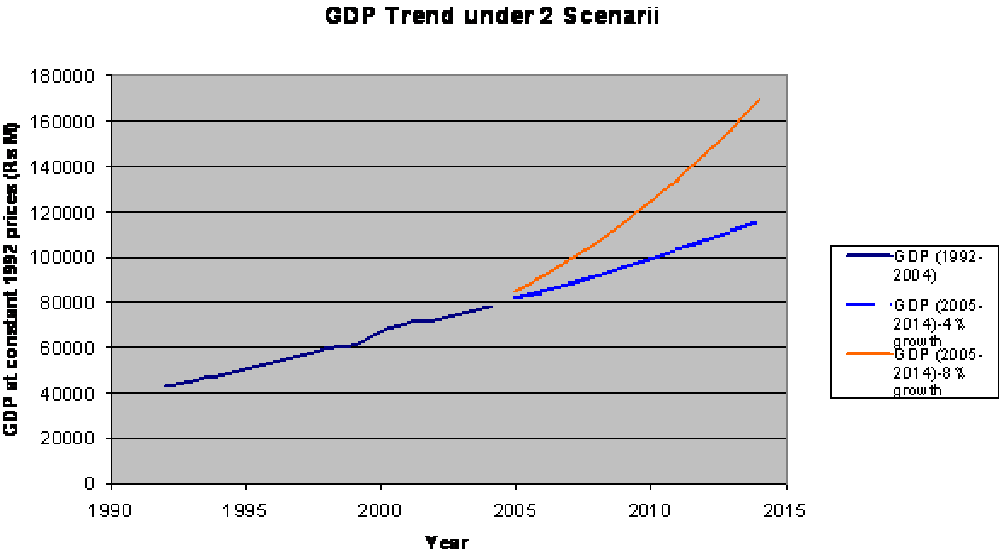
Strategies for Competitiveness

If the living standards of all Mauritians are to be continuously improved, some new orientations must be worked out. Where should the country go, how do we get there, what are the potential obstacles and what are we willing to trade off? These are some of the questions that have to be answered.

Theoretically, it would appear that Mauritius has only two options:

· It can tinker at the edges and hope to grow at around 4 % by pursuing the economic agenda that was put in place under the structural adjustment programme. This would be equivalent to stagnation; tantamount to jobless growth, leading very fast to recession.

Or we can choose to grow at 7-8% per annum. Growing by 7-8% per annum will lead to doubling per capita GDP by 2014 (see figure and table below). In other words, we should be aiming, by 2015, for a GDP of US$ 10-11 billion and GDP per capita of US$ 8,000 – 10,000 as compared to US$ 4,000 today.



GDP per capita under different scenarii of economic growth

Average Annual Growth rate (%)	3	4	5	6	7	8
Year where 2003 GDP per capita doubles (Population growth of 1% per annum)	2039	2027	2021	2018	2015	2014

For Mauritius to continue achieve increases in income and standards of living in order to assure the future political and social sustainability of the island's unique heritage of inter-racial harmony along with its model of social justice, Mauritius needs to be a competitive, market-based economy that should aim for at least 7-8% growth per annum. Without such a level of growth Mauritius will find it increasingly difficult to deliver on its commitment to social justice and equity. We cannot have growth without equity because growth becomes politically and socially unsustainable if its benefits are captured only by the business elite. But, by the same token, the broad population of the island and its civil society must accept the reality that Mauritius cannot have equity and social justice without a high level of growth for the simple reason that the public budgetary costs of delivering equity and social justice become unaffordable. The kind of Welfare State that the broad majority of Mauritians want is sustainable only if as a nation we ensure a real growth of 7-8% or more per annum.

How do we achieve this vision? What are the potential constraints? What should be the objectives? Who should be the drivers? Is there any option other than to be more open, realising that such openness may result in Mauritius becoming an international city-state? Is the future in services, where investment capital needs are lower and 'factors' (people, capital, ideas, networks) more mobile. rather than in manufacturing or agro-industry? Finance -Tourism can provide continuing mainstays for the future but they are support pillars not 'high-growth potential' areas.

Which new directions?

If Mauritius' economic interests lie in newer areas that involve providing a wide range of outsourcing services that globalisation has created a need for, then which services should it focus on? Where do its comparative and competitive advantages lie? What are the implications for the human capital requirements that provision of such services necessitates? How should Mauritius address these?

Could the future be in ITES (IT Enabled Services) although it is generally agreed that there is no single big idea or new sector that will save Mauritius. ICT / BPO is changing the work scene and creating job location shifts and opportunities that Mauritius can capture or be bypassed. Other sources of export income also exist in potentially new areas of outsourcing such as the provision of global health and education services as well as global media and entertainment services.

Or is there a niche for another international city-state - a highly urbanized environment with exceptional infrastructure for transport and communications, an entrepot for trade, finance, ideas, people and networks, acting as a regional node that connects its region to the world credibly - in the Indian Ocean to play a role similar to that of Hong Kong, Singapore and Dubai? Although Mauritius has the potential to become a city-state, can it play that similar role? What does it need to do? What are the obstacles and transitional problems it will face?

What next?

NPCC is organising a follow-up seminar on the Competitiveness Foresight on 18th November 2005 between 2.30p.m. and 6.00 p.m at the Octave Wiehé Auditorium of the University of Mauritius, Réduit. The objectives of the seminar are:

- to involve different stakeholders (including civil society) in the process of defining a sustainable competitiveness strategy for Mauritius
- to assess the progress achieved since last year and identify bottlenecks
- to establish a platform for building a national consensus on the trade offs required to enhance competitiveness
- to involve policymakers from both the public and private sectors and civil society in drawing a roadmap for achieving the strategic goals, taking into consideration the transition costs for a vulnerable economy.

Mr. Percy Mistry, Chairman of Oxford International Associates, and former Senior Financial Advisor to the World Bank together with Mr. Nikhil Treebhoohun, Advisor and Head of the Trade Division, Special Advisory Services Division, Commonwealth Secretariat will co-facilitate this exercise. Mr. Mistry has also been an advisor to several governments in Africa, Asia and Europe on matters of debt and macroeconomic management, as well as a consultant to a number of bilateral and multilateral organisations. Mr. Treebhoohun initiated the Competitiveness Foresight discussions in September 2004 and has in-depth understanding of competitiveness issues of Mauritius. He will also share the experiences of other Commonwealth countries in sustainable economic development.

A group of panellists with Mr. Raj Makoond, Director of Joint Economic Council, as moderator, Mr. Cader Sayed-Hossen, MLA and Chairman of Commission for Democratisation of the Economy, Mr. Arif Currimjee, Chairman of Joint Economic Council, Mr. Jean-Claude de L'Estrac, Editor-in-Chief of L'Express, Associate Professor Jay Matadeen, Dean of Faculty of Law and Management, University of Mauritius, and Mr. Toolsiraj Benydin, President of the Federation of Civil Service Unions will also participate in the discussions.

To participate in the seminar, register on the hotline 203 9009 between 9a.m. and 9 p.m. until noon on 18th November 2005.

FOOD FOR THOUGHT

As an appetiser to the discussions, you can download the Competitveness Foresight: What orientations for Mauritius at http://www.npccmauritius.com/competitivenessforesight.pdf