

**SPEECH BY HON. D. GOKHOOL  
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AND RESEARCH**

**ON THE OCCASION OF THE**

**VALIDATION WORKSHOP ON “SADC INDUSTRIAL  
UPGRADING AND MODERNISATION PROGRAMME  
FOR MAURITIUS”**

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**LE DOMAINE LES PAILLES**

**ON**

**7 MAY 2009 AT 9.30 HOURS**

**Hon. M. Gowreesoo, Minister of Business Enterprise & Cooperatives**

**Mr P. Gilabert, UNIDO Representative for Madagascar, Mauritius, Seychelles and Comoros**

**Mrs R.A. Vololoniana, SADC Senior Programme Manager**

**Mr K. Juwaheer, President of MCCI**

**Distinguished Participants**

**Distinguished Guests**

**Ladies and Gentlemen,**

A very good morning to all of you.

1. I am delighted to be among you to address you on the occasion of the Validation Workshop on "SADC Industrial Upgrading and Modernisation for Mauritius".

2. At the very outset, I would like to point out that this Workshop, organised by my Ministry in collaboration with SADC and UNIDO comes at an opportune time, especially when the world in general is undergoing its worst financial and economic crisis since the Second World War. I would like to thank SADC

and UNIDO for formulating a programme specifically for Mauritius.

### GLOBAL CRISIS

3. As you are aware, the global financial and economic crisis has led the major developed economies such as the USA, Europe and Japan to be in recession. The IMF has estimated growth for world output to be a negative 1.3% in 2009. Negative growth rates of 3.8% and 5.6% are estimated respectively for developed economies and newly industrialised Asian economies. A growth rate of 1.6% is forecasted for both emerging economies and developing countries. Official unemployment rates in the developed countries are expected to average 9.2% by the end of 2010.

4. There is no doubt that Mauritius has not been spared by the economic crisis that has been affecting our main markets. In fact no country lives in isolation, no country is independent; and all countries are interdependent. What happens in the major economies will affect others in the world, particularly those countries in the SADC region. And for Mauritius, its growth rate

estimated at 4% for year 2009 has been revised downwards to 2% by IMF.

### SADC

5. The Southern African Development Community (SADC) comprising 15 countries with an aggregate population of 270m and an aggregate market worth of \$ 431bn is rather heterogeneous. It is characterised by large differences in size, level of economic development, trade patterns and factor endowments. Most of the SADC Member States are least developed countries and developing countries with one newly industrialised country viz. South Africa which accounts for 66% of the region's economy. Whilst the SADC real GDP growth rate since 2000 has been steadily increasing from 2.3% in 2000 to 7.1% in 2007, the economic performance on the whole remains fragile. IMF has recently revised downward the forecast growth rate of 5.1 % to 1.7% for the Sub-Saharan region in 2009. Most of the SADC countries are exposed to natural disasters and external shocks. As regards the SADC trade patterns, these conspicuous facts need to be highlighted: first, SADC region is a marginal player in the international market; second intra-SADC trade accounts for a mere 24%; and third, for most SADC Members, EU is a major

export market, and the bulk of their imports are from EU, USA and increasingly from China.

6. The SADC region as a whole has a long way to travel before reaching a certain level of economic development. The SADC as a whole has agreed upon several milestones to be put in place. It is pertinent to highlight them viz. the signing of the SADC Trade Protocol in 1996, the launching of SADC FTA in 2008, the SADC Customs Union by 2010, SADC Common Market by 2015, SADC Monetary Union by 2016, and SADC Single Currency by 2018. Whilst it is good to set timeframes, it is important to realise that regional integration would not be a practical reality ... unless the region's supply side constraints are adequately addressed.

7. In fact SADC region has a relatively weak industrial base although it possesses a great industrial potential with abundant natural resource base. Development is limited by a plethora of factors at the macro, sectoral and micro levels. These factors include limited export items (some 90% of the exports are mineral and agricultural goods), high dependence on capital and intermediate goods, political instability in certain SADC countries, relatively low purchasing power, poor infrastructure

networks, limited access to medium and long term capital and funding, legal and regulatory obstacles, inadequate institutional and technical support infrastructure, use of poor technologies, and inadequate corporate governance. These weaknesses constitute obstacles which need to be addressed.

8. In the light of the foregoing, I presume the SADC Secretariat has requested UNIDO to formulate a Programme for Industrial Upgrading and Modernisation in the SADC region, which intervenes through two main components viz (i) support for upgrading and improving competitiveness of industries and (ii) establishment / upgrading of the technical support institutions. There is no doubt that enterprises and organisation in the SADC region including Mauritius need support to face the increasing competition in the world.

#### UNIDO

9. UNIDO, after consultation with relevant stakeholders, has prepared a draft National Industrial Upgrading and Modernisation Programme specifically for Mauritius. Three priority sectors, namely tourism, agro-food processing and textile and garments have been identified. I am sure that the

participants have gone through the report, have analysed it and will come up with fruitful comments and suggestions.

**Ladies and Gentlemen,**

**MAURITIUS**

10. Mauritius, a relatively small and open economy, remains vulnerable to external factors which are beyond its control. As a small country, it cannot depend on its exiguous domestic market, and as such it must not be tempted to be restrictive. However, though small, it has the advantage to be more able to resist the negative impact of the world recession provided it is prepared to confront and meet the present challenges.

11. In fact small economies have no option but to be outward looking and not inward looking. And they ought to be outward looking at the very outset. Unfortunately, the import-substitution industries encouraged by high protective tariff, quotas and import bans were unduly protected. Though at a given period of time, protection may be useful but this must not go on indefinitely. This may perpetuate inefficiencies, economic rigidities and resource misallocation. It is true that in a

sheltered environment, long term sustainability would not be attained and the drive to modernisation, innovation, creativity and productivity is dampened.

### GOVERNMENT COMMITMENT

12. In order to better faces the rapid changes resulting from liberalisation and globalisation, the Government of Mauritius has come up with a new development paradigm, whereby the economy is being opened up, investment is facilitated and the EOE (Export-Oriented Enterprises) and non-EOE sectors have been integrated. Apart from textile, sugar, tourism and services, other pillars of development have been identified viz. land-based oceanic industry, sea food hub, property development, knowledge hub, medical hub and hospitality and leisure.

13. Government is fully committed to provide the necessary support to enterprises to face the challenges, and has since 2005 adopted bold economic reforms to provide greater resilience to the economy. To foster competitiveness, the Manufacturing Adjustment and SME Development Fund (MASMED) of Rs 500m has been set up whereby some 50 projects will be implemented for consolidation, modernisation, expansion and diversification of

the manufacturing and SME sector. A sum of over Rs 200m out of the Rs 500m is destined for SMEs for which there are a number of schemes such as Management Support Program, Technology Diffusion Scheme and Market Link Fund. Other projects under MASMED include productivity and competitiveness improvement, market intelligence and export promotion, market development and diversification and product development.

14. My Ministry has recently organised an AGOA week programme to sensitise operators on the export procedures and opportunities on the US market. In fact, the US market contrary to public perception is not only a market of big players, but also that of small businesses which account for some 80% of the trading activities. This means ample opportunity for SMEs to export to the US, particularly in niche markets. Besides, AGOA covers a very large number of some 6,400 non-textile products duty free. In this context, a multi-pronged strategy is being elaborated. This entails improving institutional support, disseminating market intelligence, enhancing awareness, and supporting enterprises through a range of activities including productivity improving and developing international brands. We

expect to reverse the declining trend in exports registered in recent years.

### TRADE POLICY RESPONSES FOR GLOBAL CRISIS

15. In crisis times, many countries are tempted to resort to protectionist measures including non-tariff barriers and an inward looking strategy. The "beggar-my-neighbour" policy reminiscent of the Great Depression in the 1930's would result in further contraction in world trade and considerably delay global economic recovery. It is good to note that the recent meeting of G-20 countries has turned down any move for protectionism.

### IUMP and Tunisian Experience

16. The 'Industrial Upgrading and Modernisation Programme' for Mauritius is quite pertinent. The programme aims to support the process of modernisation, growth and competitiveness of industries and related services, and regional and global integration. This objective is consistent with the industrial strategy which is to facilitate consolidation, expansion, modernisation and diversification of industrial and SME sector. My Ministry is in process of finalising a National Industrial

Strategy with focus on competitive policies, competitive institutions, competitive firms and competitive human resource development.

17. The Tunisian experience is worth highlighting. It started an industrial Upgrading and Modernisation Programme since 1995 and has been very successful. As at January 2008

- 3,943 enterprises had adhered to the programme
- 2,671 projects had been approved
- investment to the tune of over 2.4 bn Euro had been undertaken
- the programme had enabled the enterprises concerned to acquire modern equipment, laboratories and R&D units, and to set up quality system (800 against 10 in 1995) and adopt ICT (1000 against 50 in 1995)
- as regards 321 enterprises which had undertaken 3 projects, their aggregate turnovers rose by 191%, their aggregate exports by 87% and employment by 89% between the 1<sup>st</sup> and the 3<sup>rd</sup> project.
- 190 out of the 321 enterprises had started to export for the first time

The latest information gathered is that as at February 2009, 4,217 enterprises have adhered to the programme with a total of 3,339 projects approved.

18. I am sure that Mauritius can learn a lot from the Tunisian experience as well as from other experiences in other countries. Mr G. Pataconi, UNIDO representative will share experiences of UNIDO's Upgrading projects and methodologies in different countries.

**Ladies and Gentlemen,**

19. Mauritius is often quoted as model and success story in this region despite its size, lack of natural resources and its isolation. However, as a small island, it remains vulnerable to global changes and would require a lot of support from our development partners in its developmental efforts.

20. This Workshop is therefore most welcome and I am sure that the participants will contribute a lot to the process of validating this IUMP with their remarks, views and proposals.

21. With these words, Ladies and Gentlemen, may I end here by wishing you fruitful discussions and deliberation in your validation exercise. I now declare the workshop open.

Thank you.

**D.G.**

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