

**SPEECH BY HON. D. GOKHOOL
MINISTER OF INDUSTRY, SCIENCE AND
RESEARCH**

ON

**THE OCCASION OF THE CLOSING
CEREMONY OF THE WORKSHOP**

ON

**POLICIES AND INSTRUMENTS FOR
SUCCESSFUL EXPORTS**

WEDNESDAY 22 APRIL, 2009

AT 16 00 HRS

UNIVERSITY OF MAURITIUS – REDUIT

Prof. I. Fagoonee, Vice Chancellor, University of Mauritius

**Mr. A. Parahoo, Director, Centre for Professional
Development and Lifelong Learning**

Resource persons, from abroad as well as from the University

Participants

Distinguished guests

Ladies and Gentlemen,

A very good afternoon to all of you.

I am delighted to be among you during the closing ceremony of this important workshop organised by the University of Mauritius in collaboration with UNCTAD, ITC, World Bank and the African Development Bank.

I am thankful to the University for giving me the opportunity to say a few words. This workshop is timely, informative and instructive to policy makers, academia, business operators as well as students.

I am pleased to note that the university is continuing its engagement in shaping economic policies to address the challenges confronting the country. Universities as places for higher education and basic research play a key role broader economic and social development of the community, its economy and the quality of life of the citizens.

Let me commend the initiative of the University in organising this workshop on “Policies and Instruments for successful Exports.”

Workshop

Export is the lifeblood of a large number of our enterprises and in fact of the country. Indeed, the theme of this workshop is pertinent to the Ministry and the institutions under my responsibility as Minister.

As you may be aware, I was here two weeks ago in the context of the AGOA Week. A Workshop was organised to sensitise the academic community about the importance of and attractiveness of the US markets to our economy.

Ladies and Gentlemen

Export Awareness Strategy

This workshop is in line with our overall capacity building strategy to expand exports. As you may be aware, in the context of the AGOA Week held at the beginning of this month a series of activities were undertaken namely workshops, round table discussions, visits to enterprises and interactions with exporters and SMEs on export possibilities to the US market.

Two clear conclusions emerged out of this programme.

First the US is not only a market of big players: small businesses account for some 80 % of the trading activities which implies that there is ample opportunity for SMEs to export to the US, particularly in niche markets.

Second the AGOA provides for exports into the US of some 6,400 non-textile products duty free and there is a considerable opportunity for diversifying from clothing, which is the main export item. This improved understanding of the needs,

characteristics and requirements of the clientele will allow us to rethink our marketing strategy and put in place support measures and strengthen export readiness of our enterprises to successfully export to the US market.

In this context, we are now elaborating a multi-pronged strategy, which entails first, improving institutional support with the setting up of an AGOA Desk, capacity building for effective business support services including hiring of short term sector specialists; gathering and disseminating market intelligence; second, enhancing awareness among operators through an integrated market plan and greater participation in marketing events; and third support to enterprises through a range of activities focusing on productivity improvement, upgrading quality and developing international brands.

The overall objective is to build the export readiness of our economy. With this strategy we believe that we will be able to reverse the declining trend in exports registered to the US in recent years.

Export Orientation

Mauritius has over the years evolved as a multi-pillared economy, with emphasis on services and high –value adding sectors. From a regime of protection and preferences, we have now moved to a context of global competitiveness. We now form part of the global economy and we need to build our muscle as a global player.

We have adopted a number of policies and instruments to foster the development of its economy and expand exports of its goods and services.

The policy-mix put in place to support the export oriented strategy included the grant of fiscal incentives, through tax holidays and duty free imports of machinery and equipment and raw materials; free repatriation of capital and profits; the development of infrastructure, with investment in ports, telecommunications and industrial estates; provision of concessionary finance through the Development Bank and the commercial banking sector; trade initiatives to accede to the various Conventions and Agreements

with the EU that provided preferential access to our manufactured products to the EU; and export and investment promotion.

The establishment of the Export-Processing Zone (EPZ) is considered to be a milestone in the economic development of the country. The country was able to attract both foreign and local investment in export manufacturing and thus diversify both the economy and the export products. With export, value added and employment outstripping that of sugar, the EPZ emerged as a vital pillar of the economy. Exports from the sector last year accounted for 75 % of domestic exports and 51 % of total exports.

Last year total exports of goods of the country accounted for 30 % of our GDP. This is no doubt an indication of our high dependency on exports. The two vital pillars of our economy namely the sugar sector and the Export Oriented Enterprise Sector, formerly the Export Processing Zone, rely on export outlets for their survival. Our main export basket comprises essentially textile and clothing, sugar, fish and fish products and jewellery and processed diamonds. Efforts are being pursued to both diversify the product mix and expand exports of existing products.

Addressing the Challenges

Ladies and Gentlemen

With trade liberalisation and globalisation, Mauritius is now facing a transition from dependence on trade preferences to open competition in the global economy. The country, therefore, is confronting new challenges to adapt to a more open trading and business environment. Since 2005 government has embarked on radical reforms to build a new, open and competitive country that is fully integrated into the global economy. We have to acknowledge that our model of industrial development although quite relevant in the initial phase is not sustainable in the long run.

The phasing out of the Multi-fibre Agreement has substantially eroded the margin of preference Mauritius had been enjoying over its traditional competitors. The export-oriented enterprises have thus been hit by fierce competition in the market place from low-cost producing countries.

The situation has become more complicated with the currency financial and economic crisis.

The financial crisis in the US, which has led to economic slowdown in our major markets, with dip in consumer confidence and shrinking demand for our products, has been adversely affecting the manufacturing sector.

Global Trade Prospect-2008: An unhappy year for Trade (World Bank Report- March 2009)

Ladies and Gentlemen

Given the importance of international trade for our economy, we are obviously very much concerned by the global trade prospects. I understand that during the course of the workshop an expose of the World Bank Report of March, 2009 on the impact of the global economic slowdown on developed and developing countries was made. Many countries have recorded a drop of around 30% in aggregate output. Year 2008 is commonly referred to as “an unhappy year for trade”. In Mauritius the decrease in output is estimated at 9%, the smallest of all the countries in the 45 countries in the sample study. In some sectors such as fish and processed fish the output has improved significantly in spite of the

global slowdown. The economic growth rate for developing countries is estimated at 1.5 to 2.5% compared to 3 to 3.5% negative growth for developed countries.

The economic down turn has hobbled a number of our enterprises in the Export Oriented Enterprise sector. A number of initiatives have been taken to respond to the challenges and enable the sector to consolidate, diversify, modernise and improve its competitiveness for sustained growth.

Thanks to the economic reforms undertaken and other measures implanted, Mauritius registered annual growth rate of over 5% during 2006 and 2008. Growth this year is estimated to drop to 2.5%. With an open economy, Mauritius, thus, has not been spared of the impact of the global economic slowdown. However, this rate of growth is considered as reasonable compared to the rate estimated for developed countries.

In addition to an expansionary budget to stimulate demand, an additional stimulus package has also been introduced for the next two years to shore up growth of the economy. The package also comprises an array of measures to enable our economy and the

manufacturing sector to stand up to the challenges we are confronting.

Government has put in place the Manufacturing Adjustment and SME development Fund (MASMED) to assist enterprises in their initiatives to upgrade the export capability and improve the visibility of products in the export markets, improve productivity, enhance quality, improve product development, move up market and upgrade fashion and design and develop export readiness of enterprises, in particular SMEs. Our ability to successfully export also depend on enhancing our supply capacity.

To-day,our enterprises have to comply with the non tariff barriers to trade (NTBs) obtaining in our markets. In this regard actions are being initiated to familiarise them on the NTBs and assist them for compliance. Institutional support will play a critical role in assisting our enterprise in their endeavour to expand exports. In this regards, Enterprise Mauritius and the MSB are called to play a vital role.

Trade Policy Responses to Global Crisis

It was interesting to learn of the policy options adopted by some countries namely:

- Reverting to protectionism
- Anti dumping initiatives (increased from 23 in 2007 to 64 in 2008)
- In position of Non-Tariff Barriers
- Introduction of Financial and Fiscal Stimuli packages
- Tax Reduction to stimulate demand
- Export strategy to diversify product and market
- Regional Market Development
- Improving Trade Finance with focus on SME's
- Currency stability

In times of crisis, there is an easy temptation in many countries for an inward looking strategy and for protectionist measures. Such measures reminiscent of the great depression will lead to further contraction in world trade and considerably delay global economic recovery. The recent meeting of G-20 countries has turned down any move for protectionism.

Ladies and Gentlemen

Innovation and Technology

We are witnessing a paradigm shift in the economic order. We have to acknowledge that the era of cheap labour and preferential market access, which spearheaded the development of the manufacturing sector, is behind us. To-day, it is widely recognised that a new impetus for the next phase of our industrial development could come from the application of knowledge in science, research and technology. In this regard, due consideration will have to be given to nurturing the link between University resources and industries, complemented by facilities such as science parks or incubators. My Ministry is working on the formulation of **a Policy Framework for Science and Research** which is expected to be released in a couple of months.

Mauritius is often quoted as model in this region. As pointed out, its size, lack of natural resources and its isolation have represented formidable constraints for development. It has required vision, political will, strategies, commitment, perseverance, entrepreneurial drive and a dedicated workforce to successfully

confront the challenges. However, as a small island, the country remains vulnerable to global changes and would require a lot of support from our development partners in its developmental efforts.

This workshop is therefore most welcome and I have no doubt that all the participants have derived considerable benefits.

I once again congratulate the organizers and the international partners .

With these words, ladies and gentlemen, I would like to thank you for your attention.

D.G

Wednesday, April 22, 2009

