

Address by
Hon. A. Boolell, Minister of Foreign Affairs, Regional Integration and
International Trade
at
the Opening Ceremony of the 160th Annual General Meeting
of the Mauritius Chamber of Commerce and Industry,
Labourdonnais Waterfront Hotel
24 March, 2009

My Colleagues,
Hon. D. Gokhool, Minister of Industry, Science and Research
Hon. S.H.S. Tang Wah Hing, Minister for Consumer Protection and Citizens
Charter
Mr. Cheeroo, Secretary General, Mauritius Chamber of Commerce and
Industry,
Distinguished Guests,
Ladies and Gentlemen,

Let me thank the Mauritius Chamber of Commerce and Industry for the invitation to address you this morning. I would like to seize this opportunity to share with you some of my thoughts on the challenges that confront us as we take steps to integrate Mauritius into the global economy against the new backdrop of the international financial crisis.

It is crucial for me to emphasize at the outset that Mauritius, and particularly my Ministry, is actively involved in the various negotiations taking place at the multilateral, regional and bilateral levels. These negotiations, whether at the WTO, at the level of the ACP-EU Partnership or at the regional level are underpinned by our objective to ensure sustained economic growth, to preserve and create more jobs and to improve the standard of living of the people.

Whilst many of the larger economies, in these times of crisis, are tempted to look inwards through the introduction of protectionist measures, Mauritius as a small economy, has no other alternative than to adopt an outward oriented economic development strategy. It is in full recognition of this facts that Government embarked on an ambitious economic reform programme aimed at fully integrating the country into the global economy. It is an integration that we want to achieve through a paradigm shift from a preference dependant economy towards a globally competitive one.

No reform programme in the world is painless. And this is even more true when you are a small economy. However our perseverance in this direction is reflected in the good performance of the economy as depicted in figures for the past three years.

Not only has the economy grown by more than 5% but we have been able to attract unprecedented levels of Foreign Direct Investment. Besides the traditional sectors, opportunities have been created in new sectors such as renewable energy, water conservation and management, telecommunications and creative arts and educational service.

The decision of Government to pursue early economic reforms with a view to diversifying its economic base and increasing the resilience of the economy largely explains the laudable performance of Mauritius, so far, in the face of the global recession which is creating havoc the world over. The IMF predicts that economic growth of Mauritius in 2009, would be 2% as compared to 5.2% in 2008. Even if this were to materialize, Mauritius would have resisted the tentacles of the recession, since a 2% growth is still positive in a situation where many countries are either registering or will register a negative growth rate. With the stimulus package and other measures being taken by Government and given the

performance of some key sectors like services and construction, I remain confident that the growth rate in 2009 could be higher than 2%

It is a matter of satisfaction that we have not been hit to the first degree by the international financial crisis. Indeed, our banking system has proved to be resilient and well regulated and therefore we have performed very well, as evidenced by the financial results of our banks. I however hasten to add that we must now beware of the second round effects that the financial crisis may have on our economy.

Mauritius is one among the few countries in Africa to have adopted a stimulus package which, as a ratio to GDP is even more ambitious than other stimulus packages abroad. The package is already operational and is being applied indiscriminately to all sectors. Funds have already been disbursed to salvage some textiles companies while other companies are already being assessed.

Out of an additional package of Rs 1 billion for the manufacturing sector, Rs 326 million have been committed and Rs 40 million have already been disbursed. Promotional activities in tourism have been significantly overhauled.

My colleague the Vice Prime Minister and Minister of Finance and Economic Empowerment is engaged in consultations with several countries to ensure that the offshore sector is not unduly penalised.

He has had a series of meetings with our development partners in the EU, the OECD and EU Member States to sensitise them on the status of the offshore centre in Mauritius which broadly satisfies the three main OECD criteria for cooperation, namely Regulation and Supervision, Effective Information Exchange

and Economy of Substance. There is now a better understanding among these development partners of the offshore jurisdiction in Mauritius which can in no way be classified as a “tax heaven” or an “uncooperative jurisdiction”. Government will continue its consultations and sensitisation to ensure that Mauritius is not included on any blacklist.

Several key projects, particularly in construction like the extension of the airport and the Tianli will soon be implemented and will create a new internal dynamism. During the recent visit of the Chinese President in Mauritius, the Director of the China Exim Bank has given the assurance that the Tianli Project will take off in the very near future.

Ladies and Gentlemen,

Besides the action initiated at the national level to address the global economic and financial crisis, Mauritius has also been active at the international and regional levels on this issue.

As you are aware, the next G20 Summit will be held in London on 2 April. The outcome of the meeting could be a determining factor in reshaping the global financial system. In view of the limited participation at the meeting, we have taken a collective decision at the level of SADC for South Africa to represent the interests of small economies like ours so that our concerns are fully taken on board in the new financial architecture to be put in place. Both NEPAD and the African Union will also participate to fully support the case of Africa.

The AU Trade Ministers at their meeting held on 19-20 March in Addis adopted a declaration at the initiative of Mauritius on the financial and economic crisis to the G20 meeting, calling on the Developed countries to fully commit to

their pledges made on aid for trade without conditionality and to ensure that financial commitments are maintained, enhanced and delivered effectively.

Mauritius is also proposing that in the context of the crisis, the international community and particularly the G20 consider the setting up under the joint aegis of the African Development Bank and the International Financial Corporation, of an African Restructuring Facility aimed at saving jobs and enterprises. We would be ready to provide the required conditions for the hosting of such a Facility in Mauritius.

We are further suggesting the establishment of a new facility that would provide insurance to well performing economies against the second round effects of the crisis. This was motivated by the fact that the ADB and the IMF have set up facilities for countries having suffered from first round effects or succumbed to second round effects of the crisis such as the Short Term Liquidity Facility(SLF).

Ladies and Gentlemen,

I am spelling out these Mauritius initiatives to make the point that we are uniting all our forces to fight the crisis both at domestic and at international levels. Mauritius will not be found wanting when it comes to making proposals or taking action to address its concerns.

Our priority of priorities is to preserve jobs. And this is the call that I am making to the private sector. We must ensure that the population, especially the most vulnerable segment, is spared from the fallout of the global recession. We fully understand that the role of the private sector is to generate wealth and profit. Whilst these should remain a driving force, we are to-day in the face of an unprecedented situation whereby People should be placed before profit. We have

the moral obligation to do so. Now is the time for Corporate Social Responsibility to manifest itself in the form of solidarity.

The excellent relations that have always united the Public and the Private Sector need to be manifested at this time. We need to redouble our efforts and work as one solid team to navigate through these trying moments.

With the intervention of Governments the world over to cushion against the impact of the recession and the massive infusion of capital, we are convinced of a possible turn around by the end of this year. But until then, we need to remain focused in ensuring that the impact is fully mitigated. We have to make the best use of this time to build capacity and embark on skilling and re-skilling programmes, including on the job training on a massive scale.

The issue of skilling and re-skilling is also highly relevant in the context of our Circular Migration agenda. Following the signature of the Agreement with France in September 2008, our competent authorities are already looking at the structures and modalities that need to be set in place at our end whilst awaiting ratification of this Agreement by the French Parliament. We are trying to ensure that the Agreement comes into operation as soon as all legal procedures have been completed. With this Agreement, we are already looking at the opportunity for a mix of some 500 Mauritian nationals annually to take up jobs on a temporary basis in France. With the assistance of the International Organisation for Migration, Mauritius is participating in the Maple Leaf Project. This has allowed for the travel of some 72 butchers to Canada to take up renewable short term contracts. In addition to these existing agreements, we are exploring the possibility of establishing other such agreements. In this context, a proposal has already been made to Quebec We are actively pursuing these proposals with a view to opening

up maximal opportunities for our people overseas so that our people may in turn contribute to the development of the country on their return.

Ladies and Gentlemen,

I believe that the global recession may be an occasion for Mauritius to step up its level of preparedness so that when the recession is over, we are able to capture opportunities as they emerge. We also need, in my view to accelerate the pace of reform. This will obviously require a change of mindset in some quarters. While it is understood that in some areas, like the conversion of Mauritius into a duty free island, a moratorium is fully justified, in others though, especially the opening up of the Services sector, we need to take an offensive position and create better space and conditions for Foreign Direct Investment. Larger FDI inflows, especially in Services is important if we are to create not only more jobs but more quality jobs for our professionals.

Ladies and Gentlemen,

Let me now turn to international trade per se.

In the context of the present financial crisis, it is crucial that positive signals are sent to the Business Community on the prospects of the successful conclusion of the Doha Development Agenda (DDA). Greater political leadership will have to be displayed to send a clear signal to the world. Unfortunately, such signal has not been forthcoming from some of the key players in the Round. Consequently, the situation in Geneva remains fluid as there is not great clarity or visibility on how things will evolve.

There are a number of developments taking place in Geneva that may deeply affect or modify the trade agenda and by extension our national interests. The debate here centres around the re-engineering of the global economic system.

So far, global economic growth was powered by trade which was growing three times faster than global GDP. As a result of the crisis, trade has shrunk and many countries are therefore questioning the centrality of trade as an engine of growth.

In this context, many countries are putting forward that their priority now is to develop domestic demand which will ensure growth as opposed to external demand which has dried out. This is the main feature also of most of the stimulus packages, even of the US, France and Germany.

In the midst of this debate, the priority and importance that some countries put on concluding the DDA round is being diluted. So the whole issue of concluding the DDA and whether trade liberalisation is the priority is no longer so obvious as it was assumed a few months ago.

The question is how do small and vulnerable economics (SVEs) like Mauritius fit in that changing equation. SVE's cannot rely on domestic demand to generate growth on the one hand and are Net Food Importing Countries (NFIDC's) on the other. How do we chart out a roadmap and articulate an agenda where we are still relevant in this new emerging situation.

We will have to see to it that we are not the victims of protectionist tendencies during the time of crisis. We have to ensure that our international markets are preserved. We did adopt clear positions at the Mini-Ministerial meeting held in July 2008 and managed to secure our preferential access for a

period of 10 years for garments, canned tuna and sugar. Obviously, we will stick to this position.

With the stalemate in Geneva, we have the time to take the necessary measures, to adapt to a more liberalised global trade regime. The transitional period of 10 years which we are fighting for should be used to restructure our industries to be able to cope with the competitive challenge which will certainly intensify with time.

Regarding the EPA Negotiations, Government has taken the right decision by initialling the Interim EPA, which has not only preserved our privileged access on the EU market, but has substantially improved such access. In fact, all our exports to the EU are now duty and quota free. Under the Lome Conventions and the Cotonou Agreement, many agricultural products were subject to duty. Now this has been waived and therefore access is completely free. Moreover, we have obtained the third country fabric provision on the EU market on a permanent basis, thus providing the possibility for our enterprises to secure fabrics for production of garments from the cheapest source.

We have also obtained a similar facility under AGOA in the form of the third country fabric derogation. What is interesting is that our operators will now benefit the same flexible conditions of access on two of the richest markets in the world. The EU and the US combined is a market of over 20 trillion USD. It is up to us now to avail fully of this opportunity. You will have to put in place the right strategy to maximise on these opportunities.

We are pursuing the EPA Negotiations with a view to concluding an ambitious and comprehensive Agreement with Europe. In so doing, we want to create better market access opportunities for export of services on the European

market as well as to create better conditions for European investment into Mauritius, both in the traditional and emerging sector of activities. We have, in collaboration with the MCCI and other stakeholders agreed on tentative commitments that we can take on trade in services vis à vis the EU. Obviously, the level and depth of the commitments will depend on what the EU will offer to Mauritius. But one thing is clear, we will have a far better access to the EU market for export of services, including securing contractual jobs for our professionals.

Ladies and Gentlemen,

In the throes of the international financial crisis, we have tended to overlook another crisis which shook us not too long ago. I am talking here about the Food crisis, soaring food prices and scarcity of commodities.

Mauritius has taken the lead in trying to seek strategic partnerships to boost food production in the region with a view to diversifying our supply sources. We are now in the process of finalising the setting up of a Regional Food Company that will be entrusted to take forward such agricultural projects. Very recently, as a follow up to the Hon. Prime Minister's visit to Singapore, we have held discussions with International Enterprise Singapore to explore the possibility of undertaking a joint rice cultivation project in Mozambique. A team from Mauritius has already visited Mozambique for the purpose of evaluating the land granted to us in Chimoio in 2008, and to identify areas suitable for rice cultivation. We hope that this triangular project proposal will be concretised and will lead to further projects of a similar nature in the region.

Ladies and Gentlemen,

You are all aware of the importance we attach to regional integration and regional trade. COMESA and SADC provide a combined market of 520 million people whose standard of living is on the constant rise. This can be evidenced by the above than average growth rate of 5% registered in the region over the past 5 years. Both the COMESA and SADC can be a real test case for a market and product diversification strategy for Mauritius.

Based on statistics, we can see the regional market as providing real opportunities for exports of non-traditional items such as soaps, biscuits, baby diapers, noodles and others.

We need to have a clear and vigorous strategy for the region. In spite of existing potential, our performance in the COMESA and SADC markets remains modest, to put it mildly. It is crucial for Enterprise Mauritius together with the Chamber and the Ministries concerned to examine the regional markets in depth and adopt the necessary promotion and marketing strategies. We need to set ambitious targets and take the necessary measures to meet these targets. A dedicated fund may have to be established to support exports on regional markets, the more so since the biggest beneficiaries will be small and medium sized enterprises who may be experiencing difficulty in exporting to Europe and the USA.

Ladies and Gentlemen,

As you are aware, there is now a move to create an integrated SADC-COMESA-EAC market following an historic decision taken by the SADC-COMESA-EAC Summit last year. We are fully engaged in the process leading to such an enlarged market which would provide better opportunities to the business

community. The process can be protracted, but the destination is clear. And so is the destination we have set for our country. We want to be fully integrated not only in the region but also in the global economy. We will pursue this policy so that we can create more opportunities for the private sector and more jobs and a better standard of living for our people.

With these words, I thank you for your attention.