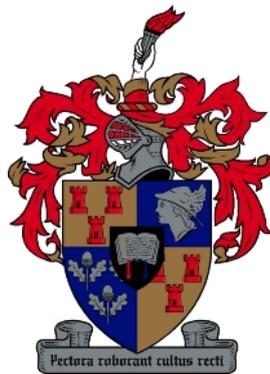


Development with Social Justice? Social Democracy in Mauritius

Letuku Elias Phaahla

15814432



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Supervisor: Professor Janis van der Westhuizen

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Declaration

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To God be the glory

My dearly beloved late sisters, Pabalelo and Kholofelo Phaahla

The late Leah Maphankgane

The late Letumile Saboshego

I know you are looking down with utmost pride

Abstract

Since the advent of independence in 1968, Mauritius' economic trajectory evolved from the one of a monocrop sugar economy, with the latter noticeably being the backbone of the country's economy, to one that progressed into being the custodian of a dynamic and sophisticated garment-dominated manufacturing industry. Condemned with the misfortune of not being endowed with natural resources, relative to her mainland African counterparts, Mauritius, nonetheless, was able to break the shackles of limited economic options and one of being the 'basket-case' to gradually evolving into being the upper-middle-income country - thus depicting it to be one of the most encouraging economies within the developing world. Indeed it is captivating that the fruits of the island's prosperous sugar industry went a long way in meeting the island's diversification agenda. Moreover, the 'Mauritian miracle' is glorified by the emergence and sustenance of a comprehensive welfare state which was able to withstand the harshest economic challenges the country ever faced.

This thesis seeks to provide a broad historical over-view of the factors which aided the construction of the social democratic regime in Mauritius. It is of the premise that the social consciousness of the post-colonial leadership in Mauritius laid the foundation for the entrenchment of ideals of social justice into the Mauritian polity. Instead of letting market forces operate in their pure form, the state was propelled instead, to take the driver's seat into the running of the economy so as to ensure the market and labour become partners in a bid to help the state meet its social development ideals. It is no wonder that current day welfare state in Mauritius is the one which is inextricably linked to elections, not just as tool to duck socio-ethnic disharmony.

Opsomming

Sedert onafhanklikheidswording in 1968 het Mauritius se ekonomiese ontwikkeling gevorder van die van 'n enkel kommoditeit suiker uitvoerder as die basis van die ekonomie tot een met 'n dinamiese en gesofistikeerde tekstiel vervaardigingssektor. Verdoem weens 'n tekort aan natuurlike hulpbronne in vergelyking met ander state in Afrika, het Mauritius nogtans daarin geslaag om sy tekortkominge te bowe te kom en geleidelik te ontwikkel tot 'n opper-middel inkomste staat. Suiker uitvoere het inderdaad 'n sleutelrol gespeel in die diversifikasie van die ekonomie. Die sukses van die 'Mauritius wonderwerk' is verder stukrag gegee deur die inwerkingstelling en voortbestaan van 'n omvattende welvaart staat wat gehelp het om die ergste ekonomiese uitdagings die hoof te bied.

Hierdie tesis poog om 'n breë historiese oorsig te bied van die faktore wat die konstruksie van 'n sosiale demokratiese orde in Mauritius aangehelp het. Daar word gewerk van die premis dat die sosiale bewussyn van die na-koloniale leierskap in Mauritius die grondleggers was vir die vestiging van ideale van sosiale geregtigheid in die staat se politieke kultuur. In plaas van 'n ongebreidelde vrye mark ekonomie het die staat egter 'n sleutel rigtinggewende rol in die ontwikkeling van die ekonomie gespeel en om seker te maak dat die privaatsektor en arbeid vennote word om sleutel sosiale ekonomiese doelwitte te bereik. Dit is dus geen wonder dat die bestaande welvaartstaat in Mauritius nou verweef is met plaaslike verkiesingsverwagtinge nie en nie bloot 'n manier is om sosio-etniese onstabieleit te verminder nie.

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Map of Mauritius



Obtained from: www.mauritius-seychelles.co.uk

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List of Abbreviations and Acronyms

ACP	African Caribbean and Pacific countries
AGOA	African Growth and Opportunity Act
ASCCI	Association of SADC Chamber of Commerce
AU	African Union
BIO	Board of Investment
BIOT	British Indian Ocean Territories
CAM	Comité Action Musulman
COMESA	Common Market for Eastern and Southern Africa
CSA	Commonwealth Sugar Agreement
CSO	Central Statistic Office
D.C.	Washington District of Columbia
DC	Development Certificates
DFID	Department of International Development
EASSY	East African Submarine System
EEC	European Economic Community
EISA	Electoral Institute of Southern Africa
EOI	Export-Oriented Industrialisation
EPA	Export Partnership Agreement
EPZ	Export Processing Zones
ESC	European Supervisory Commission
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GCI	Global Competitiveness Index
GDP	Gross Domestic Product

GNU	Government of National Unity
HDI	Human Development Index
ICT	Information Communication and Technology
IFC	International Finance Corporation
IT	Information Technology
LDC	Least Developed Countries
LSE	London School of Economics
MA	Master of Arts
MDG	Millennium Development Goals
MEDIA	Mauritius Export Development and Investment Authority
MFA	Multi-Fibre Agreement
MIGA	Multilateral Investment Guarantee Agency
MLP	Mauritian Labour Party
MLP	Socialist Mauritian Labour Party
MMM	Movement Militant Mauricien
MSDP	Mauritian Social Democratic Party
MSM	Mauritian Socialist Movement
MWRCDFW	Ministry of Women Rights, Child Development and Family Welfare
NCB	National Computer Board
NEA	New Economic Agenda
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
NIC	Newly Industrialised Countries
NICTSP	National Information and Communication Technology Strategic Plan
NPCC	National Productivity and Competitiveness Council
NPF	National Police Force

OECD	Organisation for Economic Co-operation and Development
PMSD	Parti Mauricien Sociale Démocrate
PSC	Public Service Commission
SADC	Southern African Development Community
SADC FTA	Southern African Development Community Free Trade Agreement
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Programme
SIDS	Small Island Developing States
SME	Small Medium Enterprises
SMF	Special Mobile Force
SSA	Sub-Saharan Africa
TI	Technology Index
TRALAC	Trade Law Centre for Southern Africa
U.S.	United States
UAE	United Arab Emirates
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USSR	United Soviet Socialist Republic
WB	World Bank
WEF	World Economic Forum
WTO	World Trade Organisation
WWII	World War II

Chapter 1:

Introduction

1.1. Background

An important area of development that has been overlooked by most countries in Sub-Saharan Africa is the one around social justice and the provision of social security nets for the citizenry. Most parts of Africa are remote, experience low levels of unemployment, and poverty has become an accepted, yet excruciatingly painful cancer. The governments of these countries cite the slow pace of economic growth and costs as sole justifications for explaining states' deflected focus on its role to harness institutions that would be designated to alleviate poverty, social exclusion and deprivation among the unemployed, widowed, aged and orphaned. However, most African countries located south of the Sahara have made special social security concessions for people working in the public sector, in state enterprises or in the enterprises in the private sector¹.

Be this as it may, these justifications are not in concurrence with the 2007 World Bank's Africa Development Indicators that Africa's 5.4 GDP growth rate - a figure that was published prior to the current economic meltdown - is on par with that of the rest of the world, if not ahead of its First World counterparts. The very same development indicators of the World Bank raise a concern about the continent's relaxed role in attempting to meet the millennium development goals (MDG) by 2015. Sub-Saharan Africa is one of two regions not expected to meet the MDGs (the other being South Asia). Mauritius stands out in contrast as it is the only Sub-Saharan Africa (SSA) that has met four of the millennium development goals, with South Africa and Botswana meeting only three of the MDGs².

As a result, it remains a fact that such a positive development did not create much of the trickle-down effect to alleviate poverty and deprivation. But as it is succinctly and incisively expressed by the eminent professor of welfare economics, Amartya Sen, that development extends beyond recording impressive growth figures, as it is more about how

¹ World Bank.: Africa Development Indicators 2007. International Bank for Reconstruction and Development/ World bank Group, Washington, 2007, p. 8

² Loc cit

the economic wealth of the country has effected better socio-economic change on the very grassroots.

Certainly, the true litmus test of prosperous or encouraging economic prospects of any country in the developing world should precisely extend beyond the confines of a healthy balance sheet, to more on the sequencing of revenues towards the upliftment of the standards of living of those dependent on the government they have put in power. Unquestionably so, economic prosperity should not be celebrated and glorified if states fail to take radical steps to address the wellbeing of their citizens. In this regard social transfers, health care and education provision, to mention but three, should be subjects that deserve high precedence in macroeconomic policy considerations.

Countries of sub-Saharan Africa have, for a long time, been dragging their feet when it comes to responding to the call to co-ordinate policies that are submissive and responsive to the socio-economic needs of the vulnerable. It is no wonder that North African countries (particularly Tunisia, Algeria and Libya) perform better relative to their counterparts from south of the Sahara³. Even though Africa's welfare systems score much higher compared to their Latin American counterparts, note should be taken of the fact that the vast variation of investments and considerations in social security programmes among African countries depicts a loud outcry for other countries that lag behind to step up to the plate and take social policy and security as matters of fundamental importance on macroeconomic policy implementation. *Perhaps the catalyst to evoke such a change of governmental attitude towards embracement of social welfare should begin with dispelling the misconception that social security is a luxury to be afforded only when growth has taken place or when countries have reached a certain threshold of per capita income.* Countries of East Asia tell of an account where social policy did not become secondary priority during the initial phase of economic take-off in those countries⁴. Surely social policy and macroeconomic imperatives forged a mutual symbiotic relationship as the two proved to be highly complementary in that respect.

³ Dixon, John, "African Social Security Systems: An Ordinal Evaluation", in Journal of Social Development in Africa, vol. 15, no. 1, 2000, p. 49

⁴ Veenhoven, Ruut and Ouweneel and Poet, "Livability of the Welfare State: Appreciation-of-life in nations varying in state-welfare-effort", in Social Indicators Research, vol. 36, no. 1, September 1995, p. 12

Mauritius on the other hand, seems to have deviated from the common norm. The country has embraced market fundamentalist policies which to a large extent enabled it to attain a sustained economic growth rate of 6 per cent it enjoys today - a growth rate which was sustained for over two decades since the introduction of the structural adjustment programmes in 1980s. Amidst the economic predicaments of the day, Mauritius refused to succumb to the conditionalities of the Bretton Woods institutions of cutting back on public spending when the government implemented the SAPs in early 1980s.

But while the economy continued to become more liberalised as the country entered into the 21st century, the government, nonetheless, did not abandon its welfare state ideals, which continue to act as a bulwark against social dislocation, impoverishment and social exclusion in that country. It is clear that Mauritius' continued commitment to the ideal of the welfare state in the 21 century through increased expenditure geared towards the provision of free education (even up to university level) and healthcare and minimal military spending in such a liberalised economy deserves it the title of the one of a social democratic welfare state⁵ (more on this subject will be touched upon later in this chapter). In this regard, Mauritius certainly epitomises the ability to create the co-existence and supplementary relationship of the market and the fundamental ideals of social justice through consent and involvement of all stake-holders.

Even though that seems to be the case, it still begs the question: how did they reconcile the conflicting principles of neo-liberalism and social? The answer lies in the fact that in Mauritius, since the advent of the SAPs in the 1980s, the government adopted 'development with a human face' approach. Traditionally social policies and market were deemed to have a repellent relationship. The government consciously took the 'human face' approach to development premised on the logic that generally the market has sustained a bad reputation of being disinterested in the wellbeing and quality of life of the ordinary citizens since the fundamental objective of the market is none other than that of profit maximisation.

⁵ Seeking gives an account of the three types of welfare systems. The liberal welfare regime entails "modest financial provision to targeted individuals in a limited array of situations", example, United States. The social democratic welfare regime is more generous and universal and aspires to cover all risks, with the result that it is much more redistributive and egalitarian (Mauritius fits this criteria perfectly). The conservative welfare regime, such as the ones of Austria, France, Germany and Italy, are unequally generous with different benefits. Support is "mutualistic, rather than redistributive. See Seekings, Jeremy "Welfare Regimes and Redistribution in the South", in Shapiro, Ian, Swenson, Peter and Daniel Donno (eds): Divide and Deal: The Politics of Distribution in Democracies, New York University Press: New York, 2008, p. 21

The current global economic meltdown, coming from the context of social policy and welfare distribution, serves as an affirmation not to allow the market to operate in its pure form. Surely, direction from the state and heavy involvement of civil society in decision-making processes is imperative if the eradication of poverty (and deprivation) and sustained provision of welfare is to bear fruit.

Forty years ago, on March 12, 1968, when Mauritius became independent, it was an agricultural mono-crop economy with a small manufacturing base and a per capita income of \$200. Unemployment was high and rising. The population was expanding at a rate of around three percent. It was apparent that Mauritius was in the cohort of countries that were completely off the accepted norms on almost all development indicators.

With a strategy mix of import substitution and export oriented industrialisation, Mauritius has successfully diversified its economic base and emerged from the low income group. It has reduced its reliance on sugar for growth, created employment and earned foreign currency by building new economic sectors including textile and garment, tourism, financial services, and information and communication technology. Per capita income has thus continuously improved and is forecasted to reach \$7, 000 by the end of 2009⁶.

When President Nacichandra Ramgoolam took office three years ago, his government decided to reform the economy and to undertake a new phase of development, centred on greater openness and global competitiveness. The first budget for 2006-2007 financial year, introduced bold and fundamental reforms to⁷:

- secure a competitive business environment;
- Open up the economy further to the world;
- Consolidate the economic structure and step up the perennial endeavour to diversify and build new sectors;
- Strengthen macroeconomic fundamentals (in particular, consolidating public finances a re-engineering the country's tax policy);
- Ensure more flexibility and fluidity on the labour market; and

⁶ Stith, Charles, "The State of Africa Report 2008", in African Presidential Archives and Research Centre (APARC), Boston University, January 2009, p. 112

⁷ Loc cit

- Empower workers, entrepreneurs and the citizens in general to succeed in the face of global competition.

These reforms are yielding positive results; the economic growth path has picked up, and unemployment is on the decline for the first time in more than a decade. The government intends to pursue these reforms with the aim of attaining growth of eight percent or higher to create full employment, secure sustainable development and eradicate poverty. The next phase of development will require massive investment in physical infrastructure with a new focus on human resources, a re-engineering of the public sector so it can be more efficient and a further regional integration⁸. Attaining economic growth and social development is a major priority.

The government aims to achieve these objectives while paying close attention to the preservation of the environment to ensure sustainable development. The strategy is to develop an attractive, modern, inclusive, green, and open Mauritius. These are the strategic objectives that lie beneath the 2008-2009 budget⁹.

Coinciding with the economic development endeavours is the government's goal to build an inclusive Mauritius by integrating the families who are at the margins of development, eradicating absolute poverty, and ensuring pre-primary education to all children and further broadening a range of opportunities and addressing the food security issue. The government is also building a 'green future' for Mauritius through the implementation of a "Maurice – Ile Durable" project and shifting, to the extent possible, to local renewable sources of energy, away from imported fossil fuels¹⁰.

With this strategic orientation, the government is completely re-engineering the economy so that the country closes its fifth decade as a national what so that they achieve a per capita income in excess of \$10, 000¹¹. Mauritius should then be enjoying enlarged economic space and a greater gamut of opportunities. With an administrative city of international standards and a new commercial town developed with Chinese investment, it

⁸ Rodrik, Dani, "Growth Strategies", John. F Kennedy School of Government, August 2004, p. 45

⁹ Stith, Charles, Op. Cit, p. 114

¹⁰ Loc cit

¹¹ Loc cit

seems Mauritius will firmly establish itself as an essential stepping stone to Africa. The vision of a modern Mauritius is an ambitious one and with a promising economy and political system that surpasses most of her African peers, it seems to be within reach.

1.2. **Problem Statement**

It has become commonplace for developmental gurus to posit that a democratic developmental state is feasible in Africa. Developmental gurus such as Balefi Tsie¹², Thandika Mkhandawire¹³ as well as White¹⁴ to mention but three, contest that a developmental state alone cannot materialise if democratic practises from the side of the government do not become part and parcel of the developmental agenda. In other words they acknowledge that a developmental state, a phrase that owes its origins from the economic successes of the East Asian states during the early 1970s, cannot be emulated given the context (and conditions) that the ideological underpinning that surrounds the term. As a result, the term ‘African democratic developmental state’ has been widely used so as to remove the negative connotations associated with the conventional developmental state - as they covertly carry the message of an authoritarian approach to economic development - where the repression of labour and civic groups is commonplace, not leaving out neo-patrimonialism and rent-seeking, as evident in the case of the Asian Tigers during the early days of their economic take-off.

The advocates of an ‘African democratic developmental state’ contest that such a state should take a different approach and angle towards realising their growth endeavours, hence democracy, in the true essence of the word, which implies affording the people on the surface enough latitude to share their views on how their day-to-day needs are to be addressed by their representatives in the higher echelons of government and decision-making bodies. In this way democratic development could be more sincerely used.

¹² Tsie, Balefi, “States and Markets in the Southern African Development Community (SADC): Beyond the Neo-liberal Paradigm”, Journal of Southern African Studies, vol. 22, no. 1, March 1996, p. 75

¹³ Mkandawire, Thandika, “Thinking about developmental states in Africa”, in Cambridge Journal of Economics, vol. 23, no. 3, May 2001, p. 291

¹⁴ White, G, “Democratic Developmental State”, in Robinson, M and White, G (eds): The Democratic Developmental State: Political and Institutional Design, Oxford University Press, New York, 1998, p. 29

Not omitting such rationality, the phrase ‘African democratic developmental state’ carries one heavy theoretical implication: it suggests that democracy is a functional tool of economic growth (and development), which would in the ideal world effect improvement of the standards of living. But such a premise seems to conveniently discount the fact that authoritarian leadership preceded economic success in the Newly Industrialised Countries (NIC’s), if not being a functional tool of that. In the African context, the fundamental flaw is exposed by the lack of a single country (in exception of Mauritius) on the continent that possesses enough evidence to give the above aspiration substance. Even though Botswana appears to be a favourite in substantiating the democratic developmental state thesis, the common mistake is that it is often forgotten that the country’s economic success is purely attributed to the discovery of the diamond industry which preceded the consolidation of democracy in that country. Moreover, it is a *de facto* one-party state with fundamental electoral shortcomings.

As for South Africa, the second most favourite point of reference to strengthen the democratic developmental state thesis; debates about the developmental character of the country is ongoing, hence, the uncertainty about whether that country is a social democratic state or purely a developmental state. Even though the country was to display developmental state characteristics, one would have to take cognisance of the fact that the Government of National Unity (GNU) of the Mandela presidency inherited the affluent economy of the authoritarian and apartheid state and the consolidation of democratic governance post-1994 served merely as a continuity tool, not a pre-condition for successful economic. In this context, what worked in South Africa’s favour were the institutions that were erected during both the Mandela presidency (GNU) and the Thabo Mbeki administration so as to ensure the prudent management and utilisation of public resources. The enactment of the constitution in 1996, the employment of chapter nine institutions as well as the passing of legislative packages to protect the role of labour in the democratic dispensation, to mention but three, serve as cases in point in this respect.

The confusion surrounding the relevance of a democratic developmental state has resulted in the need for a shift in approach to African development -- to one that looks at social democracy as one of the models of yielding development. One of the fundamental benefits of a social democratic approach to development is that the latter is not only focused on the recording of impressive growth rates, but about the sequencing of the economic

prosperity to lift the standards of living of those who do not have the capacity to generate sustainable income or lead decent lives. As a result, efficient bureaucratic institutions are enacted to make the social ideals bear fruition. Be that as it may, such a model of development has not been embraced by developmentalists even though it is apparent that Mauritian development is purely attributed to such.

They have also refused to embrace the premise that what needs to be provided is not just a fundamental belief in individual freedom in a market economy, but also a social-democratic belief, and a commitment to social justice through intensified actions from the side of the government to direct the market to be an active partner in the goals for socio-economic change of those economically vulnerable. Indeed enough room needs to be found for the co-existence of both competing principles: economic liberalisation and ideals of broad-based social justice. The research question guiding this thesis therefore is: ***Which factors led to the emergence of Mauritius as a social democratic welfare state?***

Mauritius surely epitomises the ability of the state to accommodate both conflicting principles. It is the embedded nature of the post-colonial Mauritian state which enabled the state to create ties with key players (public sector, private sector and labour) in the economy to reach consensus). Within the context of the Mauritian welfare state, however, not enough focus has been directed towards the success of the Mauritian welfare state within the parameters of the provision of universal health care services and free education. The works of the World Bank and United Nations Development Programme tell of the country's potential to meet the Millennium Development Goals of alleviating poverty and illiteracy but none of their studies detail (and disclose) measures that have been put in place that might have evoked such a success case. Another fundamental aspect of the Mauritian welfare state which has been ignored for decades is the impact of the non-contributory pensions in alleviating poverty, averting functionality and deprivation among the households of the elderly population.

In his incisive accounts of the social developmental trajectory of Mauritius, Richard Sandbrook¹⁵ provides a thorough chronological order of Mauritian economic and political

¹⁵ See Sandbrook, Richard, "Origins of a Democratic Developmental State: Interrogating Mauritius", in *Canadian Journal of African Studies*, vol. 39, no. 3, 2005, pp. 548 - 581 ; and

progression. He also attempts to provide an account of how the state, through its corporative means with relevant stakeholders was able to make fundamentals of social justice equally prioritised as their macroeconomic counterparts, thus enabling the sustenance of the welfare state. However, Richard Sandbrook unfortunately shies away from bringing the subject of social security on the radar of welfare states' debates. As Richard Clayton and Jonas Pontusson¹⁶ maintain, focusing primarily on conventional overall social programmes “does not provide the basis for an adequate assessment of the welfare state”. Larry Willmore, on the other hand, attempts to do the subject justice as he looks at the feasibility of universal non-contributory old-age pensions within the developing world as well as the sustenance of such in fragile economies like Mauritius.

Unfortunately researchers on this subject such as Larry Willmore¹⁷ mainly limit their research to the economic implications of these pensions on the economy of Mauritius while ignoring their impact on poverty alleviation on the households of this segment of the population. This make his work on pensions in that country more economic in character and less on social issues, hence issues of economic and social justice are ignored in this context. As it is noted later in this study, research on non-contributory pensions in Brazil and South Africa tell of a tale where introduction of the latter contributed immensely to mitigation of poverty and deprivation among the households of the elderly population. Thus, it is the intention of this study to make apparent, how the introduction and sustenance of non-contributory universal old-age pensions in that country contributed towards the alleviation of poverty and deprivation among the elderly population and their households.

Sandbrook, Richard, et. al, “Mauritius: Evolution of a classic social democracy”, in Sandbrook, Richard; Edelman, Marc; Heller, Patric; and Techman, Judith (eds).: Social Democracy in the Global Periphery: Origins, Challenges, Prospects, Cambridge University Press: Cambridge, 2007, p. 123

¹⁶ Clayton, Richard and Pontusson, Jonas, “Welfare-State Retrenchment Revisited: Entitlement Cuts, Public Sector Restructuring and Inegalitarian Trends in Advanced Capitalist Societies”, in World Politics, vol. 51, no. 1, October 1998, p. 70

¹⁷ Willmore, Larry, “Universal Pensions in Mauritius: Lessons for the Rest of Us”, United Nations DESA Discussion Paper, no. 32, 2003 , pp. 1-34

1.3. Aims and Significance

This thesis investigates reasons for the successful emergence of social welfare policies in Mauritius and its sustainability. The significance of this study is that it will help affirm the premise that a universal welfare state is sustainable in developing countries, in the hope that this will suggest similar achievements elsewhere.

While the Mauritian state has miraculously sustained such a generous welfare state for over the last three decades, what remains astounding is the continued provision of non-contributory pensions to the elderly population amidst the economic predicaments the country found itself in. This thesis will fully explore Mauritius' humble beginnings during (and immediately after) the colonial era and how it has developed into the modern state that it has become. Comparisons with the Newly Industrialising Countries (NIC's) of East Asia will be made in this regard with the purpose of gauging the degree of the resemblance of Mauritius economic development to these. Economic accomplishments of Mauritius as well as the kind of redistributionist measures that are put in place will follow.

Conclusions will then be drawn based on the facts such as increased FDI, structural improvements such as infrastructure within the context of export processing zones (EPZs), the expansion of the tourism and the banking sector as the third and fourth leg (respectively) of the country's economy; the creation of jobs and poverty measures which will help find answers to the puzzle 'how did the government manage to maintain such a success and eventually such effective management (and procurement) of social net services?'. It is of paramount importance to note that this thesis will be looking at Mauritius as a case study and the experience of the country in question will then be used to make conclusions about which factors proved crucial in explaining the country's developmental trajectory.

1.4. Conceptualisation

Over the past two decades, social scientists from diverse disciplines have reached a consensus that the state can play an important role in promoting economic development. Indeed, not only do political scientists and sociologists describe how the state is an

organisation needed to initiate and manage development strategies¹⁸, but economists such as Amsden¹⁹ recognise that state institutions are vital components of growth since they regulate social relations. But if state institutions are to be central for social relations, Paul Collier makes one fundamental revelation about the importance of institutions in general; that they keep politicians on their toes as well as eliciting prudent management of public resources from the latter. In retrospect, these institutions, which he prefers to call independent agencies of restraint, are vital determinants of accountable and transparent governance, thus fulfilling the role of the bulwark against the mismanagement of political power by political office bearers. Likewise, while most research has been focused on economic development, social scientists note that states are important determinants of democratic and human development as well²⁰.

Most basically, state capacity refers to the ability of state actors to effectively coordinate and implement official policy. As such, the concept primarily captures the extent to which state actors can formulate policy and overcome collective-action problems for policy implementation. Despite the centrality of the state in the development literature, few scholars analyse the processes through which the capacity of the state is built. Moreover, much of the developmental state literature over-glorifies the state while failing to recognise that the state is intertwined with the society and is therefore shaped by it.

The state requires corporate coherence for the construction of organisational structures. Indeed, in their discussion of state capacity, Rueschemeyer and Evans²¹ note that “extensive, internally coherent bureaucratic machinery is the first prerequisite for effective state action”. They recognise that corporately coherent state organisation “requires

¹⁸ Rueschemeyer, D and Evans, P.: “The State and Industrial Transformation: Toward an Analysis of the conditions underlying effective intervention”, in Evans, P, Rueschemeyer, D and Skocpol, T (eds.): Bringing the State Back, , p. New York: Cambridge University Press, 1985, p. 56

¹⁹ Amsden, A. : Asia’s Next Giant, New York, Oxford University Press, 1989, p. 111

²⁰ Rueschemeyer, D, et al. :Capitalist development and democracy, Chicago, University of Chicago Press, 1992, p. 211; Heller, P. -The Labour of development, New York: Cornell University Press, 1999, p. 65; Kaufmann et. al, “Governance matters”, Policy Research Working Paper No. 2196, Washington, D.C: World Bank 1999, p. 12

²¹ Rueschemeyer and Evans Op. Cit. p. 50

transcending individual rational-instrumental behaviours” because individual subordination to bureaucratic rules is usually irrational from a cost-benefit perspective²².

Consequently, state building must be viewed as a long-term process requiring the construction of a certain *esprit de corps* that separate the state actors from the rest of the society through shared norms and identities and increases the possibility of collective state although some degree of state autonomy is necessary for corporate coherence, it must not be completely separate from society, since the engagement of state and society’s active and formal relations is a second broad requirement of state capacity. As Esman and Uphoff²³ correctly argue, this embeddedness consists of the network structure linking state and society and shapes state capacity by influencing the flow of information and resources throughout society. Where embeddedness consists of a few ties between state and societal actors, intermediaries linking state and society are able to use their control of information to rent-seeking, that is, to use public resources for personal gain at the expense of overall societal well-being, enabling what Mahmood Mamdani²⁴ calls “decentralised despotism”. Consequently, state efforts to implement policy are constrained by high transaction costs. By contrast, a dense network or relations among societal, intermediary, and state actors expands channels of information and resources flows and therefore allows actors to supervise one another and better achieve their collective goals.

However, inter-actor supervision seems to be inadequate if it is not supplement by bureaucratic institutions that would police and punish misconduct. To paraphrase Alence²⁵, with weak institutions’ checks on the balance of the private appropriation of public resources, patronage networks flood the state’s administrative structures, thereby, compromising public service effectiveness and perpetuating corruption and improper management could also make rents become permanent and not only are they capable of weakening entrepreneurship, but

²² Ibid

²³ Esman, M and Uphoff, N.: Local Organisations: Intermediaries in Local Development, New York: Cornell University Press 1984, p. 45

²⁴ Mamdani, Mahmood.: Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism, Princeton, Princeton University Press, p. 24

²⁵ Alence, R, “Political Institutions and Developmental Governance in sub-Saharan Africa”, in Journal of Modern African Studies, vol. 42, no. 2, 2006, P. 166

they are also capable of inhibiting growth of production in the long run. Onis²⁶ is of the position that rents have the ability to detract the attention of the economic agent from productive activities into lobbying for increased allocation of government subsidies and protection²⁷.

The flow of resources and information through embeddedness also requires positive-sum relations characterised by both cooperation and conflict. When the power exercised in state-society relations is zero-sum, despotism or destructive conflict results, and formal and active relations between state and society are impossible. Alternatively, cooperative relations make possible resource and information exchanges and thereby the mutual-coordination of state and societal actors. Notably, collaborative relations depend on both state and societal factors granting one another some degree of autonomy, yet state promotion requires a “benevolent” state willing to decrease its own power, a rarity that limits the likelihood of synergistic relations²⁸. Heller²⁹ therefore concludes that the long-term engagement of state and society in positive-sum relations depends on an organised political force actively collaborating with the state while pressing it to reform.

Finally, the general capacity of societal actors to mobilise information, resources and individuals shapes state capacity. Obviously, if society lacks mobilisation capacity, it can do little to enhance the state’s ability to form, coordinate and implement policy. Moreover, mobilisation capacity is required to organise broad-based civil society or political parties that pressure the state to engage societal actors. Participatory governance according to Robinson and White³⁰ is crucial as it makes it virtually impossible for the neglect of issues of economic justice - basic needs such as access to food, shelter and medical and housing. Furthermore, participatory governance ensures citizens’ participation in the development and governance processes, thereby improving their socio-economic conditions in a way that will lead to a

²⁶ Onis, Z, “The Logic of the developmental state”, in Comparative Politics, vol. 24, 1991, p. 109

²⁷ Loc cit

²⁸ Hadenius and Ugglå 1996: 1629

²⁹ Loc cit

³⁰ Robinson, M and White, G.: “Introduction”, in Robinson, M and White, G (eds.) in : The Democratic Developmental State: Political and Institutional Design, Oxford University Press, New York, 1998, p. 5

“qualitative” improvement in the “material” condition³¹. White³² expresses this point succinctly, “development includes a process of economic change involving the construction of more complex and productive economic capable of generating higher standards of living”. White’s conception of development fits perfectly to the debates as well the orientation of social democratic welfare states; hence, the above citation embraces universal equity as well as policies to alleviate poverty as central to development.

But if there is to be any justice done on the subject of the welfare state in Mauritius, one cannot ignore the debates surrounding the concept of the feasibility of developmental states in Africa. Indeed, if Mauritius is to qualify as a social democracy, it owes its success in that respect to the country’s developmental character. But the concept of development and developmental states needs to be explored first as the latter is fundamentally distinct in principle and origin to the concept in question in this study, social democracy.

Until recently, development was traditionally associated with growth rates, rise in personal income, with industrialisation, level of technological advancement or social modernisation. However, the above definition does not serve as a point of departure in grasping the broader understanding of the term. Hence it does not include other dimensions of development. According to Amartya Sen’s widely accepted development thesis, the concept encompasses a wide range of factors. He notes that “development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as a systematic deprivation, neglect of public facilities as well as intolerance or repressive states or over-activity of repressive states”³³.

In essence if there is to be any state inspired by the above-mentioned goals of socio and macroeconomic progression, that state is developmental, thus fit to be conferred the title of a developmental state. Accordingly that state needs to establish what Thandika Mkandawire calls a “state-structural nexus” that enables a state to achieve growth and overall development. In this regard, the state is empowered to “construct and deploy its

³¹ Edigheni, O. “A democratic developmental state in Africa? A Concept Paper, in Centre for Policy Studies, Research Report 105, May 2005, p. 6

³² White, G. Op. Cit, 1998, p. 20

³³ Sen, Amartya.: Development as Freedom, Oxford University Press: Oxford, 2001, p. 4

administrative and political resources to the task of economic development”³⁴. Moreover, the state also needs to make its developmental objectives a national project so that it can be a success; thus that state must have what Peter Evans calls ‘embedded autonomy’. It implies that the state forms coalitions and collaborations with key social groups that help it make its developmental endeavours bear fruition. This line of reasoning further suggests the presence of high degrees of coherent state agencies that are able to construct and put into practice coherent developmental goals³⁵. But not only is the state able to forge alliances with the key social groups, but they are also empowered to reach a consensus on critical issues with the key players in the private sector.

In dispelling popular pre/misconception that a developmental state in Africa is not within Africa’s reach, hence the former’s peculiar history relative to the newly industrialised countries (NIC’s) and the generally corrupt modus operandi of many governments, Thandika Mkandawire correctly posits a deviant thesis. He correctly argues that African states such as Botswana and Mauritius have formidably demonstrated key and fundamental traits of traditional developmental states, thus deserving of the title of developmental states³⁶. In the case of Mauritius to be precise, the developmental character and model of that country could not be more similar to its East Asian counterparts; and Richard Kearney³⁷ strikingly demonstrates that resemblance in this form:

First, he brings to the fore that a favourable conjunction of circumstances and events in the NIC’s enabled a successful take-off in the aforementioned countries. They had a privileged access to Western European and North American markets, thus kick-starting a successful developmental trajectory. Mauritius’ successful economic launch was equally attributed to their privileged access to the sugar market of both Britain and France due to its umbilical political and cultural attachment with its former colonial masters. The second notable resemblance Kearney makes explicit is that just like in the NIC’s, Mauritius was able

³⁴ Mkandawire, Thandika, “Thinking about developmental states Africa”, in Cambridge Journal of Economics, vol. 25, May 2001, p. 290

³⁵ Evans, Peter, Embedded Autonomy, Princeton University Press, New Jersey, 1995, p. 248

³⁶ Ibid, p. 289

³⁷ Richard, Kearney, “Mauritius and the NIC Model Redux: Or, How many cases make a model?”, in The Journal of Developing Areas, vol. 24, no. 2, January 1990, p. 198

to maintain relative social stability since independence, which was attributed to a deep sense of communalism engraved in the social fabric of the ethnically fragmented Mauritius.

Third, Kearney notes how the ability to maintain a relative degree of political stability (as in the NIC's) served as a departure point for the stimulation of local investments in the Export Processing Zones (EPZ) project in Mauritius. Last but not least, it was a consensus on an outward-looking export led macroeconomic approach that makes Mauritius' economic model to share character with the NIC's. The launch of textile-focused export processing zones to supplement the highly fragile sugar industry was a result of a consensual move of political office bearers that the sustenance of the welfare state requires a formidable economic foundation, which can only be achieved if the country's national product is diversified (see chapter two for a detailed comparison of the above-mentioned factors).

1.5. **Theoretical Framework**

The theory of developmental states is quite insufficient to articulate Mauritius' successful social developmental trajectory. This is solely because with the former theory, it explains states' successful development as the one which is driven by the over-arching purpose of attaining impressive growth rates with minimal focus on standards of social development³⁸. By minimal focus I mean the state acknowledges the social development essentials that need to be addressed (i.e. education and health care) but those do not serve as the primary focus of the state. Developmental state theory can also suggest that there is a hierarchy of priorities, normally that of successful economic take-off *preceding* those of social justice and democracy.

Thus the theory of social democracy qualifies to articulate in-depth Mauritius' social development course. Before we explore the character of the Mauritian welfare state, this thesis notes three different types of social democracies: radical, classic and third way. With regards to the former, the state makes attempts to reduce acute inequality through redistribution of assets as well as the provision of entitlements to meet basic needs.

³⁸ Landman, J, "What is this developmental state business", in BOE Investment Research Team, in <https://boeprivateclients.nedsecure.co.za/dbdocument.axd?id=a8db2540-9666-4250-be23-4df11d913cd6>, accessed on 30 October 2009

Furthermore, the state becomes more decentralised in a bid to increase the participatory latitude for ordinary citizens, even though the activities of organised labour are regulated³⁹. The Indian state of Kerala (since 1956) and West Bengal (from 1977 to 1990s) fit this criterion fully.

Third way social-democratic states make attempts to mitigate and reduce poverty through the provision of the social services and safety nets. However, what distinguishes them from their classic counterparts is that the role of the state is quite moderate as it emphasises market-based growth. The goal is to make the state to adapt to the realities of the global market economy. The states of post-1990 Chile and Uruguay (from 1990 to 2004) fulfil the salient characteristics of the above-illustrated state. The classic social-democratic state devotes substantial amount of focus on the provision of universal and comprehensive welfare services. This type of regime is very consultative in nature and embraces participatory democracy; but most importantly, the classic social-democratic state seeks to achieve universal services (including pensions) through corporative interaction with the relevant stakeholders of organised labour and the private sector. The states of Costa Rica (from 1950 to 1980) and Mauritius (since the 1970s) seem to fit in the aforementioned criterion perfectly⁴⁰.

The classic democratic regime in Mauritius was mainly seen by the government's initial goals of diversifying the economy from a monocrop sugar economy at the advent of independence in 1968, to one that embraced the export-led garment and clothing sector in a bid to ensure that the ideals of social justice indeed bear fruition. This social developmental ideal was supplemented by the erection of institutions that would ensure that there is a successful trickle-down effect to advance the goals of provision of free health care and education - as well as the provision of universal non-contributory pensions to the elderly population, even during the times of economic predicaments. To date, Mauritius provides not only free quality health care services to its citizens, but it also makes provision of free education up to university level. Moreover, the country prides itself with the provision of universal non-contributory old-age pensions to the elderly - the only country in Africa to manage to provide such social security nets.

³⁹ Sandbrook, Richard, Op. Cit, 2007, p. 26

⁴⁰ Loc cit, see Sandbrook for detailed analyses of the above-illustrated states

Social democracy is a tenet which seeks to maximise equality with the free, active and continuing support of the population, which it can only do by maintaining growth through an efficient market for goods, capital and labour. The state must ensure that domestic conditions are favourable for social democracy to endure. The complementarity between the market and ideals of social justice at the base of the system means that in every generation the different groups must relearn how to live with compromise, and together maintain and develop the structures to bring it about. Business leaders have to live with the fact that, for all their economic importance, predominant socio-political power normally lies in the hands of representatives of labour; and labour must recurrently temper the egalitarian idealism of its most dedicated adherents with the realisation that ‘exploitation’ of the market economy is a precondition for economic prosperity. *This is totally a different case in Mauritius in the sense that the role of labour is limited by the centralised and regulated industrial system. But it is the corporatist character of the Mauritian welfare state that still gives labour, state and market to deliberate on salient matters pertaining to macroeconomic policy without the compromise or disregard of the interest of the organised working group and the general welfare of the citizenry.*

Thus, social democratic regimes, in principle, provide an antidote to the inequalities that seem to have accompanied market liberalisation. As a result, social democratic regimes tend to encourage equality across classes, based on high living standards, rather than the minima endorsed elsewhere. In order to achieve this, services and benefits have to be provided at the levels acceptable (and attractive) to the middle-class group, and members of the working class need to have access to the same rights as those of middle class⁴¹. According to Esping-Andersen⁴², “[t]his model crowds out the market, and consequently constructs an essentially universal solidarity in favour of the welfare state. All benefits, all are dependent; and all will presumably feel obliged to pay”. The attitude to the family within this model contrasts with those of the other two, because the state takes on and socialises many aspects of traditional family responsibilities (such as providing support for children and old people),

⁴¹ Sweson, Peter, “Bringing Capital Back in, or Social Democracy Reconsidered: Employer Power, Cross-Class Alliances, and Centralised of Industrial Relations in Denmark and Sweden”, in World Politics, vol. 43, no. 4, July 1991, p. 514

⁴² Esping-Andersen, G.: The Three Worlds of Welfare Capitalism, Cambridge: Polity Press, 1990, p. 28

effectively encouraging individual independence, particularly for women who choose to work. Full employment is a central element⁴³.

Henry Milner⁴⁴ stresses six fundamental values: “economic well-being, work, solidarity, democracy, participation and access to information”. These are seen as governing human relations in a modern social democracy, and they are explained as follows:

- 1) Economic well-being. This tenet suggests that the fruits of economic prosperity are distributed evenly and in such a way as not to undermine that prosperity
- 2) Work. Since human beings seek to live productively, fair distribution is to be effected through decently remunerated employment rather than simply cash or services.
- 3) Social solidarity. Individuals are members of communities through ties of culture and history. Members have reciprocal rights and obligations over and above the right of all human beings to be treated with tolerance and compassion without distinction as to race, sex and disability, to mention but three
- 4) Democracy. A society of justice must follow rules by leaders and followers alike—result from decisions made by the people themselves through free elections that fully safeguard fundamental political freedoms.
- 5) Participation. In modern societies where there are complex systems of economic coordination, democracy entails active decentralised decision-making and employee participation in management
- 6) Access to information. Democratic participation requires open and informed discussion, that is a free and responsible press, an informed, well-educated citizenry, full public access to information based on data reliability gathered and presented, and publicly accountable independent boards of inquiry into matters of controversy.

For a social democratic regime to be successful, it requires a confluence of factors ranging from structural to more proximate (configurational and conjectural factors). A key structural factor that most social democracies in the developing world (particularly Chile,

⁴³ Sweson, Peter *Op. Cit.*, p. 523

⁴⁴ Milner, Henry.: *Sweden: Social Democracy in Practice*. Oxford University Press, New York, 1989, p. 7

Costa Rica, and Kerala, including Mauritius) share is their early and deep, albeit dependent, integration into the global capitalist economy⁴⁵. While a large and unorganised labour movement is not a pre-requisite of social democracy, largely capitalist formation is. This is based on the premise that social democracy cannot survive in the oppressive environment engendered by the survival of quasi-feudal relations presided over by traditionalist landlord class or of a large dependent peasantry enmeshed in clientelist reliance⁴⁶. A relatively coherent and effective state with some autonomy from dominant classes must emerge, for social democratic regimes require a state that negotiates equitable social parts, guides market forces and administers social programmes.

The second, most proximate, level of analysis involves a configuration of socio-political opportunities. A major element is the configuration of class forces deriving from capitalist development, the most favourable pattern being one that weakens the landlords, while strengthening the working and middle class. As market relations erode the traditional forms of solidarity and reciprocity, social democracy emerges as a modern, national system for subordinating markets to norms of mutual security, trust and equity. A robust civil society is also critical in understanding the emergence of social democratic forces⁴⁷.

Finally, conjunctural factors shaping social democratic trajectories. A particular pattern of capitalist transformation, process of state formation, the reconfiguration of class structures, and civil society does not necessary produce a social democratic regime⁴⁸. However when it does happen, it is the consequence of critical junctures in a country's history in which social actors, through political struggles, propel societies down a particular path. Left-of-centre movements, parties or coalitions commanding substantial policy-based support are usually the central actor. But such parties or movements must be capable of maintaining control of their mass bases; failure to do so, the redistributive rhetoric or undisciplined asset seizures will panic the capitalist classes, leading to a coup, a debilitating capital flight or unsustainable

⁴⁵ Sandbrook Richard, Edelman Marc, Heller Patrick and Teichman Judith, "Introduction", in Sandbrook, Richard et. al (eds.): Social Democracy in the Global Periphery: Origins, Challenges, Prospects, Cambridge, Cambridge University Press, 2007, p. 30

⁴⁶ Loc cit

⁴⁷ Ibid. p. 31

⁴⁸ Ibid. p. 33

populist demands⁴⁹. *It is especially through the latter analytical point of departure that this thesis seeks to provide a broad historical overview of the factors which aided the construction of a social democratic regime in Mauritius. In short, the thesis focuses on the ways in which the state as a central actor of economic development sought to negotiate both external and internal conditions to lay the framework for Mauritius' developmental trajectory in tandem with the provision of some social security.*

1.6. Literature Review

In understanding the origins of the welfare state and social democracy in Mauritius, and the factors which led to emergence of the latter, a historical account is imperative. Richard Kearney (1989), Sheila Bunwaree (2001, 2002, 2005, 2007), James Meade (1961), Richard Sandbrook (2005, 2007), Larry Willmore (2003, 2006, 2007) and the 1989 World Bank report on Mauritius, attempt to give detailed accounts of such. While they come from a wide array of disciplines and ideological orientation, there seems to be quite a social and economic balance in addressing the abovementioned subject; they are also descriptive and historical in nature. There are even more striking similarities between Sandbrook and Sheila's works on Mauritius. They both give historical and descriptive accounts of old and contemporary welfare state debates on Mauritius from a social scientist's point of view; hence their focus on social services, particularly the plight of the education sector (within the context of the demands of the modern economy) and the proven efficiency of the public health care sector in that country. While the similarity is obviously striking, what distinguishes Bunwaree's works from Sandbrook's is that the former further explores the role of women in the alleviation of poverty within the broader welfare state context. The latter rather arouses debates about whether Mauritius serves a model of development to her African counterparts or not.

On the other hand, the works of Richard Kearney, James Meade, World Bank and Larry Willmore seem to be more economically oriented. However, their approaches in addressing Mauritius' developmental trajectory as well as the subjects which they touch upon are rather distinct. Meade serves as the first port of call to understand the economic situation prior to

⁴⁹Loc cit

independence. In his 1961 report, he paints quite a bleak picture about the future of Mauritius. Within this context, he cites how rapid population growth serves a potential harm to the fragile economy that is grossly dependent on a single commodity, sugar. It vehemently contends that social disharmony can only be ducked if the government of the day finds creative ways of diversification. Richard Kearney and the 1989 World Bank report on Mauritius seem to be sharing a certain degree of resemblance: the former provides an economic account of Mauritius, yet he focuses analysis on the comparison of the latter's economic trajectory with the NIC's. The World Bank does similar work, but it rather provides an economic overview to the evolution of the welfare state in that country. It certainly addresses the economic challenges that country faced prior to the adoption of the World Bank's structural adjustment programme in the 1980s and while the latter possessed a bad reputation in the continent, the government of the day in Mauritius was stern enough not to succumb to the conditionalities of the World Bank.

Larry Willmore touches on a thorny subject of economics (which has socio-economic implications) in his accounts of the welfare state in Mauritius - the issue of universal non-contributory old age pensions. While his work is rather qualitative than descriptive, he nonetheless implicitly incorporates the aforementioned issue into the radar of welfare state debates in Mauritius and the developing world alike. However, his work in this context rather focuses on the sequencing and patterns of the distribution of such pensions and sustainability of the latter (from the economic point view) rather than exploring the actual impact of these form of pensions on the mitigation of poverty and deprivation among the elderly.

Based on the works documented above, it is the intention of this study to keep the fire burning on issues of the contemporary welfare state in Mauritius, specifically Larry Willmore's works on the subject of pensions in that country. However this study will add the social dimension to it as it explores exactly the direct impact of the above pensions on the elderly and their households when poverty and deprivation are concerned, thus adding value to the work done on universal non-contributory old age pensions.

1.7. Methodology

This research project seeks to provide a descriptive analysis of Mauritius' socio-historical developmental trajectory and the creation of the welfare regime in that country. A case study approach is a qualitative research approach that involves the collection of detailed explanatory information about the subject in question⁵⁰. The data collection of this will primarily be based on secondary sources in the form of journal articles and books. The libraries of the universities of Stellenbosch, Cape Town, South Africa and Witwatersrand were used to address this subject.

Data was also collected from organisations that have specifically looked at the Mauritian development progress such as the Transparency International, International Bank for Reconstruction and Development / World Bank (WB), United Nations Conference on Trade and Development (UNCTAD), Electoral Institute of Southern Africa (EISA) as well as the United Nations Development Programme (UNDP). This leads us finally to a brief outline that will be undertaken in the research paper. The use of a single case study will help address the topic in-depth.

1.8. Chapter outline

The remaining part of this study is divided into four chapters. The second chapter is an introductory chapter to Mauritius where the historical context of the country will be explored as well as endogenous features that enabled Mauritius to kick-start its developmental endeavour. The third chapter looks at the economic accomplishments of the country and its shift from dependence on sugar as a major export commodity to being a manufacturing powerhouse in its own right. This part is crucial as it paints a picture of the economic turbulences the country faced at the advent of independence as well as the exploration of rapid growth strategies to mitigate those upheavals. This part also links the country's urgent need for diversification of its economic sectors within the context of the need to provide the welfare state that is sustainable. This also provides the context to illustrate Mauritius' strategic intervention into the economy by forging partnerships with the market and labour in a bid to make its social justice ideals bear fruition.

⁵⁰Palmquist, Mike, "Case Study: Introduction and Definition", <http://writing.colostate.edu/guides/research/casestudy/pop2a.cfm>, accessed on the 12 October 2009

The fourth chapter addresses the successes and challenges of the contemporary welfare state in Mauritius. It addresses issues of education and health care very fleetingly and focuses rather on an oft-overlooked, yet important aspect of the Mauritian welfare state - non-contributory old-age pensions. This will afford the author the chance to look at the impact of these pensions on alleviation of poverty and deprivation on the households of the elderly population as well as averting reduced functionality of this segment of the population once they reach end of their life-cycles. It will also indulge in debates about the sustainability of these pensions given the economic challenges the country is facing. The fifth chapter, concludes the findings of this thesis and summarises some lessons learnt from Mauritius' developmental successes and failures.

1.9. Limitations of this study

The primary limitation of this study is that it has taken a single case-study approach. The welfare state in Mauritius is not being compared with other countries on the continent of Africa that possess welfare systems that comparable lessons can be drawn. As a result, this limits the study to reach general conclusions about whether a social democratic welfare state can be pursued in other parts of the continent. The study can only identify some of the most salient factors that have contributed to the establishment of such a regime in Mauritius. It is in this respect that these factors can only be used as recommendations, but not as the basis to give the general *modus operandi* of how the prospective social democratic welfare state in Africa should be. Forcese and Richer⁵¹ put it succinctly and incisively when they posit that using a case-study approach increases the “possibility of idiosyncratic information”.

Social democratic regimes can be analysed from a gamut of issue areas – health care, education and various social assistance programmes. However due to space and time limitations, this thesis focuses on one aspect, namely state pensions. Since this study also addresses the impact of non-contributory pensions on the households of the elderly population in Mauritius, the use of surveys would have been crucial to this study. The use of surveys for this study would have been very costly. Taking a research break to Mauritius would have had an over-lapping schedule with the author's MA coursework tasks, which run

⁵¹ Forcese, Dennis and Richer, Stephen.: Social Research Methods, Prentice-Hall: New Jersey, 1978, p. 86

during the very same period. Absence of these obstructions would have allowed this study to obtain raw responses about the impact this type of social transfers may have had on the household of this segment of the population instead of relying on secondary analyses - which sometimes runs the risk of providing biased analysis on the subject matter.

Chapter 2:

The Role of Democratic Institutions and the Paving of a sustained Developmental Trajectory

“In the 21st century, capable, reliable and transparent institutions are the key to success [...] Africa doesn’t need strongmen, it needs strong institutions”⁵²

Barack Obama, President of the United States
and 2009 Nobel Peace Prize Laureate

2.1. Introduction

In the quest to unpack Mauritius’ miraculous economic success, it is imperative that a full understanding of the country’s history and the foundation of its polity is grasped. Comprehension of such will help in understanding the country’s development trajectory from its humble beginnings as a no-man’s land⁵³. In this case, the island’s pre-colonial history will be accounted for -- from the early discovery of the island right up to the country’s attainment of independence in 1968. It is at this stage that this chapter will demonstrate the need for the importation of slaves (from nearby Madagascar by the colonialists and later indentured labour from the Indian subcontinent to work in the sugar estates) becomes explicit. While events of post-independence Mauritius (such as the development phase of that country) will be accounted for, a comprehensive account of such, however, falls beyond the scope of this chapter as they will be addressed more in-depth in the chapter following this one.

The chapter continues to address the construction of the bureaucratic state in Mauritius during colonial domination, along with the country’s journey to independence and the politics around that subject. Given the significance of sugar during years of colonial domination, this section goes to show how the British colonialists had to sort out their differences with the Franco-Mauritian plantocracy so as to ensure that the colony remains financially independent from the Colonial Office in London. A focus on colonialism is for the most part insightful for both substantive and analytical purposes. To begin with, colonialism was a historically “contingent” that either created or dramatically transformed

⁵² Obama, Barack, “Obama’s speech in Africa: President Addresses the Parliament of Ghana”, <http://www.america.gov/st/texttrans-english/2009/July/20090711110050abretnuh0.1079783.html>, accessed on 14 October 2009, 11 July 2009

⁵³ The use of ‘no-man’s land’ in this case refers to the period prior to human inhabitation.

state institutions throughout the world⁵⁴. As a result, works on state-building and development in the Third World should seek to explore the potential impact of colonial domination on long-term processes of state-building. Moreover, due to the relatively high autonomy of the colonial state and a more apparent division between the state and societal actors, colonialism provides what Robert Merton⁵⁵ calls a “strategic research site” - a situation in which social processes occur with unusual clarity - for analyses of society’s impact on state-building.

On the post-colonial Mauritian front, this chapter takes a look at the nature of political leadership (and culture) as well as factors that foster democratic outcome in that country; while factors that induced Mauritius’ successful development, will last but not least, be paralleled with the ones of her counterparts in the Asia Pacific. Comparing Mauritius with the Newly Industrialised Countries is justified by the striking resemblance Mauritius shares with these countries. They are both poorly endowed in natural resources and Mauritius has patterned its development strategies explicitly on the NIC’s.

The fundamental lesson taken from this chapter is *that the post-colonial leadership was willing to inherit the colonial bureaucratic structure and its institutions of restraint*. This was inspired by the ambitious ideals of paving a path for economic prosperity *with the goal of yielding socio-economic transformation across all spectrum of Mauritian society*. To achieve this, relative political stability needed to be attained as well as the strengthening of state institutions and societal associations. This endowed Mauritius with the institutions necessary for broad-based development after colonial independence as well.

2.2. Early discovery of Mauritius and Colonial domination

Mauritius is an oceanic island 800 kilometres east of Madagascar with a population just over a million. The island has no indigenous population since all inhabitants are the descendants of immigrants, largely brought there through slavery and indentureship during

⁵⁴ Mamdani, Mahmood.: Op. Cit, 1996, p. 39

⁵⁵ Merton, Robert, “Three fragments from a sociologist’s notebook: Establishing the phenomena, specified ignorance, and strategic research”, in Annual Review of Sociology, vol. 13, 1987, p. 18

the eighteen and nineteenth centuries⁵⁶. It was first discovered by Portuguese sailors in 1507⁵⁷. It is said that the Portuguese paid little attention to the island because their normal sea route to India followed the African coastline through the Mozambique channel (far west of Mauritius) and because timber, the island's only noticeable resource, could easily be obtained from Brazil or India⁵⁸. The Dutch were the next Europeans to arrive in Mauritius in September 1598. They brought a few slaves from Batavia to cut down the indigenous vegetation for exportation purposes and to make way for the sugarcanes for the Dutch East India Company⁵⁹. But they were to leave the island in 1658 with not much economic progression attained under their rule⁶⁰.

France took ownership of the island from 1715 to 1810 and it was under their rule that the island developed a prosperous economy based on sugar production. However, it was after 12 years of British defeat of France during the Napoleonic Wars (1803-1815) that the British set out to take control of the island. France formally surrendered on 03 December 1810. Britain had appropriated the island solely for strategic reasons: to deprive the French of a base from which to harass her shipping and challenge her position in India. With Britain increasing its dominance in the Indian Ocean, the military and commercial stature of Mauritius lost its significance, which resulted in the settlers turning more and more to land⁶¹.

A political agreement developed between the British officials and the French speaking settlers, in which sugar provided the surplus required to administer the island and maintain troops there. The colonial regime provided little infrastructure and the coercive apparatus for the plantation system⁶². Consequently, slaves were imported by the settlers with a certain

⁵⁶ Eriksen, Thomas Hylland, "Ethnicity, Class and the 1999 Mauritian Riots", in May Stephan, Modood Tariq and Squires Judith (eds.): Ethnicity, Nationalism and Minority Rights. Cambridge University Press: Cambridge, 2004, p. 81

⁵⁷ Eriksen, Thomas Hylland. Op. Cit. p. 81

⁵⁸ Bowman, Larry, W.: Mauritius: Democracy and Development in the Indian Ocean. Westview Press: London, 1991, p. 8

⁵⁹ Ibid. p. 9

⁶⁰ Loc cit

⁶¹ Houbert, Jean, "Mauritius: Independence and Dependence", in The Journal of Modern African Studies, vol. 19, no. 1, 1981, p. 76

⁶² Loc cit

degree of government control, and later when this trade was abolished in 1808, cheap labour was introduced in the form of Indian indentured coolies. The British Empire provided a large market for Mauritian sugar. As the demand of this commodity showed some growth, and as the prices increased on the London market, the demands of this growing industry prompted the creation of an institutional structure: centralisation of mills, marketing, research, banking as well as insurance, which through economies of scale reinforced the profitability of sugar, relative to other forms of production in Mauritius⁶³.

With the sugar and its by-products accounting for 98 per cent of all exports, the island became overly dependent on the outside world, even for basic commodity as food⁶⁴. And since the economy by then had already been integrated into world economy, Mauritius had no control over the pricing and quantity of the sugar sold to the world market. In addition, both imports and exports were subjected to variations in costs of long-distance freight as well as external money market, over which Mauritius had little degree of influence⁶⁵. As the demand for sugar on large-scale increased, the number of slaves increased, and on the latter part of the British rule, indentured labourers from India increased too as slave trade was to be abolished.

2.3. Constructing the bureaucratic state in Mauritius

Equally important to the development of Mauritius was the establishment of the bureaucratic system. However, the construction of a bureaucratic state is something that did not happen overnight and obviously did not emerge immediately after that country's attainment of independence. The Mauritian bureaucratic state thus owes its origins to over centuries of French and Colonial rule. The Mauritian state had a bureaucratically organised state and society with numerous local associations as early as the 19th century. It is this type of embeddedness that contributed immensely to the expansion and success of state-building

⁶³ Loc cit

⁶⁴ Meade, J. E, "Mauritius: A Case Study in Malthusian Economies", in Economic Journal, LXXI, September 1961, pp. 521-34

⁶⁵ Houbert, Jean Op. Cit. p. 83

during late colonialism – thus paving and preconditioning that country for early economic take-off⁶⁶.

It all began with a more direct form French colonial rule, a form of domination that was dependent on formal and centralised state institutions. This kind of bureaucratic colonialism was peculiar to Mauritius since it was not implemented in other part of Africa. This set Mauritius on a distinctive trajectory at a very early stage⁶⁷. The British direct colonial rule after the World War II promoted strong ties between the state and societal factors and the colonial state reforms therefore made decentralised development possible. This is different to the indirectly ruled Sierra Leone where the colonial state’s “gate-keeping intermediaries” caused structural holes between the state and society and that the reforms therefore increased the extent of “decentralised despotism”⁶⁸. Under this direct colonial rule, the Mauritian state was staffed by over 4,000 non-military employees as early as 1900, a figure representing over 1 percent of the colony’s population⁶⁹.

During the French colonial period, formal institutions of law enforcement and representation were established in Mauritius, both of which were reproduced during the British colonial rule. It was because of the French legal legacy that British representatives could not serve as magistrates because Mauritian courts continued to use some aspects of the Napoleonic Code⁷⁰. As a result, the entire period of British colonialism, Mauritians with some French legal training administered the Mauritian legal system⁷¹. It was the establishment of

⁶⁶ For more on Rostowian stages of economic development, see: Rostow, Walt Whitman.: The Stages of Economic Growth: A non-communist manifesto, Cambridge University Press: Cambridge, 1960, pp. 4-17

⁶⁷ Lange, Matthew, “Embedding the colonial state: A comparative historical analysis of State-building and broad-based development in Mauritius” in Social History, vol. 27, no. 3, Fall 2003, p. 397.

⁶⁸ Lange, Matthew, “Structural Holes and Structural Synergies: A Comparative-Historical Analysis of State-Society Relations and Development in Colonial Sierra Leone and Mauritius”, in International Journal of Comparative Sociology, vol. 44, 2003, p. 372

⁶⁹ Lange, Matthew. Op. Cit. 2003, p. 397

⁷⁰ Napoleonic Code refers to French civil code emphasising clearly written and accessible laws. See, Holtman, Robert, B.: The Napoleonic Revolution, Louisiana State University Press, Baton Rouge, 1981, p. 176

⁷¹ Seidman, R.: The State, Law and Development, St. Martin’s Press: New York, 1978, p.

the Supreme Court, which was founded in 1850, together with colonial police force that enforced the colony's laws⁷².

Not only did the existence of the colonial police force maintain law and order into the day-to-day running of the colony, it also insured the government to have a direct rule and regulation of the colony's formal economy. With the sugar industry serving as the backbone of the colony's formal economy, the law enabled the establishment of *de facto* regulators of the sugar industry such as the Chamber of Agriculture to overlook the day-to-day running of the entire sugar industry so as to sustain the colony⁷³. It is these political and institutional factors that helped reinforce the predominance of the sugar industry.

It was during the colonial era that the plantocracy played a prominent role in the formulation and implementation of public policy through its representatives on the Council of Government. Indeed from the outset, the sugar industry could be described as a political partnership: the estate owners (mainly Franco-Mauritians) provided capital and management, and when it became necessary, a source of labour and imperial government (although with some interruptions) became a protected market⁷⁴. While sugar was already cultivated prior to the British domination in that country, the British stimulated its production by reducing tariffs and constructing hundreds of miles of roads to all the transportation of sugar canes⁷⁵. It was due to this type of support that a number of acres under sugarcane production increased fivefold during the first two decades of British domination in that country, resulting in Mauritius briefly becoming the largest sugar producer in the world⁷⁶.

⁷² Lange, Matthew.: Op. Cit. p. 405.

⁷³ Loc cit

⁷⁴ Lamusse, Roland, "The Achievements and Prospects of the Mauritian Export Processing Zone", in Appleyard, R. T and Ghosh, R. N (eds.): Economic Planning and Performance in Indian Ocean Island States, Canberra: National Centre for Development Studies: Australian National University, 1990, pp. 34 – 35

Indeed a healthy relationship between the new colonial government and the Franco-Mauritians was necessary, if not vital for the island to remain economically autonomous, thereby sustaining British dominance in that country. Again the Franco-Mauritians, the sugar estate owners, had to comply with their new colonial masters for they were guaranteed a large market in the rest of the British Empire. There is no doubt that this evolved into a mutually symbiotic relationship.

⁷⁵ Nepal, D.: The Development of Local Government in Mauritius, Mahatma Ghandi Institute: Moka, Mauritius, 1984, p. 13

⁷⁶ Ibid. p. 20

2.3.1. Road to independence

Although Britain began to show interests of ending its colonial rule in Mauritius in the 1960s, there were divisions amongst major political parties in that country on whether the colony should be granted full independence or not. The Parti Mauricien Sociale Démocrate (PMSD) advocated (backed by Creoles) a form of integration with Britain on the basis that integration with Britain would guarantee Mauritian sugar to enter the United Kingdom (UK) without contravening the treaty of Rome and with the UK about to be part of the European Economic Community (EEC), it would guarantee the country a large market, including high European prices⁷⁷. But it was to be learned that the PMSD's advocacy for continued integration with Britain was borne out of the fear of Hindu domination.

On the other hand, the Mauritian Labour Party (MLP), mainly backed by Indo-Mauritians, opted for independence and they contested that integration with Britain was not possible and in any case, Mauritius would continue to benefit from the Commonwealth Sugar Agreement even though Britain joined the EEC⁷⁸. But in the end it was Britain that had the final word and the decision to grant Mauritius her right for self-determination prevailed. Primary behind this decision was the aura that the Creole élite had made many of the British administrators felt unwelcome in their own Crown colony⁷⁹. Moreover, sustaining its rule in the colony was becoming more expensive as the island was confronted with socio-political and economic problems. These included: over-population and unemployment which the PMSD planned to resolve by emigration - the complete opposite of the British policy of restricting influx of coloured people. Over and above, formal attachment of any kind to the

As reflected on Appendix A (depicting the growth of the Mauritian sugar and world markets), the sugar production in Mauritius grew gradually right into the 20th century. The glory days for the Mauritian economy, however, was in the 1850s, when the island had clearly emerged as a major sugar producing colony within the British Empire. It was during period 1855-1859 that Mauritius produced 9.4 percent of the world's cane and 7.4 percent of the world's sugar – a figure never to be approached again. Also see: Allen, Richard B, "The Slender, Sweet Thread: Sugar, Capital and Dependency in Mauritius 1860-1936", in Journal of Imperial and Commonwealth History, vol. 16, no. 2, January 1988, 177-200

⁷⁷ Ibid. p. 83

⁷⁸ Loc cit

⁷⁹ Loc cit

colonial master was beginning to get out of touch with the political trends of that era, being decolonisation⁸⁰.

Having started to make internal arrangements for the creation of a neo-colonial regime, Britain was apprehensive to withdraw but played Mauritians along in order to strategic in the area. From the 1960s onwards Anglo-American experts had been surveying the small islands in the Indian Ocean for suitable site for one or more military bases. Mahe, the main island of the Seychelles, was the initial favourite to build the base but such plans were later terminated due to concerns over overpopulation on that island over concerns of security compromise and ineffectiveness⁸¹. Next in line was Aldabra, but over concerns of the island's rare fauna by the world scientific community led to the termination of such endeavour. Eventually the search ended on Diego Garcia in the Chagos archipelago⁸².

However, there were two concerns: Chagos belonged to Mauritius and they were uninhabited. Unable to buy the islands due to budgetary and legal constraints, it was decided that amputating the archipelago as part of the independence deal for Mauritius and to form British overseas territories, five years after the UN Resolution 1514 a new colony, which became as the British Indian Ocean Territories (BIOT) delegation at the Lancaster House conference in 1965 was to lead the Mauritians into thinking that Britain was willing to give the option of integration proposed by the PMSD much thought as an alternative to independence⁸³. With concerns from the MLP side, that Britain might lean on the side of PMSD and overwhelming opinion in Mauritius following the PMSD stance, the MLP faced the real risk of losing the prize of independence⁸⁴.

Eventually they (MLP) agreed not to object to the amputation of the islands or to their depopulation for the relatively small sum of £3 million. Following the agreement, the British Government then went ahead with deportation to Mauritius without their consent -- the 1,400 inhabitants of the Chagos who lived there for several generations. Afterwards they secured a

⁸⁰de Saint-Jorre, J. "An Impoverished Independence", in Journal of Commonwealth and International Affairs, vol. 58, no. 236, April 1968, pp. 217-19

⁸¹ Houbert, Jean. Op. Cit. p. 83

⁸² Loc cit

⁸³ Ibid. p. 85

⁸⁴ Loc cit

refund of \$14 million on Polaris missiles bought from the United States⁸⁵. An additional amount of £650 00 was given to the government of Mauritius by the British government, while the United States transformed Diego Garcia into their principal military base in the Indian Ocean at the expense of over \$175 million. Having secured the Chagos archipelago from the MLP, the British government rejected the PMSD request for a referendum on integration by ruling “it was right for Mauritius to become independent and take her place among sovereign nations of the world”⁸⁶.

Britain had a defence agreement with Mauritius on independence in order to look after its external and internal security, thereby ensuring that the key officials remain -- including the head of the civil service, the security advisers to the Prime Minister and the Commander of Special mobile force⁸⁷. Central to Britain’s decision to leave a sprinkle of its administrators behind was the objective to ensure that MLP stayed in power in Mauritius. This would be done by delaying of scheduled elections and formation of a coalition between MLP and Muslim Committee Action (CAM) to secure victory in the general election of 1968. In the end it was the MLP that emerged triumphant by a small margin of 54 percent⁸⁸. It was on March 12 1968 that Mauritius achieved independence within the Commonwealth with Seewoosagur Ramgoolam as prime minister. The country became a republic on March 12 1992⁸⁹.

2.3.2. Mauritius and the post-independence political culture

Political culture in Mauritius allows for consultative leadership through the Mauritian civic network by including all interested parties in the decision-making process, albeit they have no special expertise in the policy area under consideration⁹⁰. While political

⁸⁵ Ibid. p. 86

⁸⁶ Charman Mr. A . Greenwood.: Mauritius Constitutional Conference, Report, London, 1965, page number unavailable

⁸⁷ Houbert, Jean. Op. Cit. p. 86

⁸⁸. Ibid. p. 87

⁸⁹ Lange, Matthew. Op. Cit., 2003, p. 356

⁹⁰carrol Loc cit

competition is rife and less predictable in Mauritius, the country's legislative packages allow and ensure credible elections every five years. To make the election process more transparent and credible, the Constitution of Mauritius allows the presence of international observer missions to scrutinise the election process, under the auspices of the Representation of People Act of 1968⁹¹. However, the Representation of Peoples Act allows the presence of international observer missions on condition that (a) they are designated to do so by any international or regional organisations, and (b) they receive approval of the Electoral Supervisory Commission (ESC), authorised by the Electoral Commissioner⁹². To provide a perspective of the intensity of political competition, the Electoral Commissioner approved the participation of 70 political parties in the 2005 general elections in that country. The list of parties that participated in the elections is provided in **Appendix B**.

Progressing right into the twenty first century, Mauritius has grown into a vibrant multi-party democracy with highly unpredictable and contested elections. Since the advent of independence in 1968, the country has held eight, peaceful, free and fair elections that have allowed the political space for grand and small political parties alike. Even though it is apparent that political competition is rigorous in that country, more often than not, the electorate remains undecided about who to support prior to the actual elections. According to the report by compiled by the EISA's election mission's report reflecting on the 2005 elections in that country, they concluded that what adds to the electorate's uncertainty is the fact that parties and alliances are heavily dependent on the use of posters instead of presenting comprehensive election manifestos to the electorate⁹³. Consequently, this depletes chances of voter making informed decisions about which party holds their interests at heart. Moreover, it has become commonplace for political parties in Mauritius during the election

⁹¹ Darga, Amedee, "Election Update 2005: Mauritius" in Electoral Institute of Southern Africa (EISA), No. 1 available at: <http://www.eisa.org.za/PDF/eu200501mu.pdf>, June 17, 2005, accessed on July 27 2009, p. 2

Additional electoral legislations include the Rodrigues Regional Assembly Act of 20001 and the Local Government Council Elections Act of 2003.

⁹² Darga, Amedee Loc cit

In addition to the Electoral Supervisory Commission, the other body that has the constitutional responsibility for the preparation and management of the electoral process is the Electoral Boundaries Commission (EBC)

⁹³ Letsholo, Sydney, "Mauritius: Campaign Process", in EISA, available on <https://www.eisa.org.za/PDF/et23.pdf>, June 24 2005, accessed on 27 July 2009, p. 6

season to resort to public “mud-slinging” instead of providing voter education⁹⁴. Such disproportionate representation of women in Mauritius’ politics goes to show of the minimal role women play in public policy.

Notwithstanding the reality that political inclusiveness forms an integral part of Mauritian polity, however, the country’s fundamental democratic shortcoming lies in its failure to implement mechanisms that enhance the increased participation of women in politics. In the Southern African Development Community (SADC) region, Mauritius has the lowest representation of women, with only 5.6 per cent of women represented in Parliament⁹⁵. This has elicited frustrations causing a number of women to form a political party called Parti de la Majorite in the bid to increase the number of female parliamentarians.⁹⁶

Nearly a third of Mauritius’ population (commonly known as the Creoles) are the descendants of slaves brought from the African mainland. Most Creoles have remained at or near the bottom of the country’s socioeconomic ladder. But subsequent to a typical colonial pattern, those who have attained a measure of prosperity are virtually invariably of mixed descent and lighter skin colour. Large proportion of the Creole population is Christians, for most part Roman Catholics⁹⁷. One of every six Mauritians is a Muslim whose ancestors hailed from pre-partition India. Strong concentration of Muslims is found in the southern part of the island, notwithstanding, the fact that no villages have Islamic majorities. As independence approached, riots broke out between Muslims and the Creoles. Most of this unrest was concentrated in Port Louis, the capital city of Mauritians, as a result led to a permanent migration of Creoles into the countryside and to Curepipe, the country’s second largest city⁹⁸.

Islamic fundamentalism, even though it has taken a much gentler in these latitudes, has begun in the late 1980s to make inroads among the Mauritian Muslims. Half of all

⁹⁴ Letsholo, Sydney Loc cit

⁹⁵ Chiroro, Bertha, “The forthcoming elections in Mauritius”, in EISA, no. 23, available on: <https://www.eisa.org.za/PDF/et23.pdf>, June 24 2005, accessed on 27 July 2009, p. 1

⁹⁶ Chiroro, Bertha, Loc cit

⁹⁷ Miles, William, F.S, “The Mauritian Enigma”, in Journal of Democracy, vol. 10, no.2, 1999, p. 91

⁹⁸ Miles, William, F. S Loc cit

Mauritians are the immediate descendants of non-Muslim indentured labourers from the Indian sub-continent who were recruited to work on Mauritius' sugar plantations. While apparently sharing a common religion (which is Hinduism), yet they remain divided on the basis of Caste, ancestral language, and religion of descent. The major fault line that divides Indo-Mauritians separates "Hinduism" (of northern Indian origin) from "Tamils" from the Dravidian south⁹⁹.

Additionally, colour also plays a crucial factor here; in the sense that people from the North of India are generally lighter-skinned than those from the south. Smaller numbers of other Indian communities of origin, for example Gujarati, Marathi and Telegu, mark the Mauritian ethnic landscape. And while the entire array of Castes from the subcontinent is not replicated in Mauritius, the Vaish - a caste just below the Brahims - have preserved virtual dominance and presence at the highest levels of the country's political governance¹⁰⁰.

While that seems to be the case, a disproportionate amount of wealth is in the hands of the few - particularly the Chinese and French islanders, with the former as small shopkeepers and international entrepreneurs and the latter a landowners and business people. Also bearing importance in this context, it would be crude but not entirely unjustified to generalise that Hindus are politically dominant a group as a result of universal suffrage while Franco-Mauritians, Sino-Mauritians and upper-class (generally lighter skinned) Creoles continue to hold the economic reins, while Afro-Mauritians are at the bottom of the economic pyramid¹⁰¹. This, as you will see on the latter part of this chapter, has created a certain degree of ethnic cleavages.

Successive governments have appealed for such unity, in concept as the "rainbow society" and multiculturalism. Yet the irony is that all three prime ministers have hailed from the same caste, religion and ethnicity (Vaish/Hindu/Indian), and the current head of government, Navin Ramgoolam, is the son of the Prime Minister, Seewoosagur Ramgoolam¹⁰². As it was reflected earlier in this chapter, political parties in Mauritius have

⁹⁹ Loc cit

¹⁰⁰ Loc cit

¹⁰¹ Loc cit

¹⁰² Loc cit

begun to demonstrate the country's ethnic cleavages. Recall only the Mauritian Militant Movement (MMM) under the leadership of Franco-Mauritian Paul Berénger has consistently espoused class-based, trans-ethnic platform with any degree of persuasiveness, and it has even been plagued by ethnic factionalisation and calculation¹⁰³.

The Mauritian Social Democratic Party (MSDP) is a thinly veiled Creole movement that initially disapproved British withdrawal from the island fearing Hindu majority¹⁰⁴. Despite its origins as an ethnically open syndicate, the Labour Party, founded by Seewoosagur Ramgoolam in the 1930s has transformed into a preferred party of a loyal Hindu electorate. Even the ironically named Mauritian Socialist Movement (MSM), which under the leadership of Sir Anerood Jagnauth was able to assume power from 1983 until 1985 and advocated a distinctive free-market pathway, thus perceived as a party of the Hindu elite¹⁰⁵.

The next sections addresses the contemporary socio-ethnic challenges the Mauritius' political system is being confronted with. It goes to show the inextricable link existing between politics, ethnicity and wealth.

2.3.3. The paradox of inter-ethnic 'harmony' and the 1999 ethnic riots

2.3.3.1 The Plague of Ethnic cleavages

Mauritius, like most of its post-colonial African counterparts, was plagued by ethnic tensions in the years immediately preceding independence; hence, Hindu-Creole clashes that caused fatalities in 1964 and Creole-Muslim riots which erupted in 1968, only six weeks prior to the country's declaration of independence. It became evident that these riots were motivated by the perception that the Indo-Mauritian majority gained progressively at the expense of other groups as suffrage was extended¹⁰⁶. These riots were fuelled by the

¹⁰³ Ibid., p. 93

¹⁰⁴ Loc cit

¹⁰⁵ Loc cit

¹⁰⁶ U.S. Library of Congress, "Independent Mauritius", available on <http://countrystudies.us/mauritius/6.htm>, accessed on 13 August 2009

country's declining social and economic conditions. These conditions dated back to the years following the end of World War II (WW II). As provision of health, education, pension and other public welfare services expanded, expectations began to rise. The eradication of malaria and parasitic diseases in 1940s and 1950s improved the life expectancy of the poor and helped fuel a population increase of 3 percent per year¹⁰⁷. Family planning measures reduced the population growth rate in the 1960s and 1970s, but the labour force continued rapidly. With elevated population growth pressures, the modest economy was unable to provide employment for everyone, hence rising to 12 percent on the eve of independence¹⁰⁸

2.3.3.2. Understanding the socio-economic dimension of the riots

While the culture of ethnic tolerance is admirable, ethnic inequality in government apparatus as well as the lack of energy to address salient social justice concerns in some segments of the society remains a concern. The 1999 February riots that erupted in Mauritius proves the notion that impeccable multi-ethnic peace in that country remains a fallacy. It is evident that the most marginalised segment of the society, the Creoles, were grieved over inability to reap their fair share of the country's economic success.

A large proportion of Mauritian Hindus are rural and poor, while there are many rich Muslims and influential Creoles. The media sphere is dominated by Catholics, the sugar industry by Franco-Mauritians and small trade by Sino-Mauritians¹⁰⁹. Therefore, it could be argued that Mauritius has to a great extent achieved a viable, if precarious, model of power-sharing ensuring members of all ethnic groups the possibility of social mobility along different lines. That is to say, this holds true with one notable exception: other things being equal, working-class Creoles are generally faced with fewer opportunities than other Mauritians. They live in appalling housing conditions, do not have access to employment opportunities, no upward mobility in the work place, visibly underrepresented in a number of

¹⁰⁷ Loc cit

¹⁰⁸ Loc cit

¹⁰⁹ Eriksen, Thomas Hylland, "Ethnicity, Class and the 1999 Mauritian Riots", in May Stephen, Modood, Tariq and Squires, Judith (eds.): Ethnicity, Nationalism and Minority Rights, Cambridge University Press: Cambridge, 2004, p. 81

vital professions and parallel to other groups, the general infrastructure leaves much to be desired.

What serves as the major glass-ceiling for the Creoles is Kinship, clientelism and nepotism. Creole kinship is based on the nuclear family, with shallow, bilateral genealogies and loose connection with remote kin. On the other hand, the patrilineal Hindu, Muslim and Sino-Mauritian families form the backbone of strong corporate lineage-based groups with deep moral obligations towards relatives. This suggests that a Hindu in a power position is compelled to help his or her relatives in a way that a Creole would not. The “social capital of Creoles”, as Thomas Eriksen describes it, gives more limited possibilities for investments than that of other groups¹¹⁰. In any case, the Creole elite, many of whom belong to the category formerly known as *gen de couleur*, and who are of mixed European-African or Asian-African origin, is concentrated in the liberal professions, where it is neither customary nor easy to help distant relatives with job opportunities and where ethnic identification tends to be weak¹¹¹.

By the early 1990s, it was well-established in Mauritian public discourse that Creoles had generally enjoyed weaker social mobility than the rest of the population during the otherwise booming 1980s, and they were affected by social problems much less common in the other groups¹¹². Complaints against what was and is perceived as unjust Hindu dominance in politics and the state apparatus have been common since independence, but Creoles are weakly politically organised. Their organisations were hapless and short-lived or they had formed parties that would never achieve power, hence PMSD, or had formed coalitions where non-Creoles were leaders, hence, MMM¹¹³.

During the latter half of the 1990s, a social movement, which later became a political party, Mouvement Républicain was established, led by Gaetan Duval¹¹⁴. The fundamental flaw of this party is that its leader used the ethnic card as a tool of the party’s political

¹¹⁰ Ibid., p. 83

¹¹¹ Loc cit

¹¹² Loc cit

¹¹³ Loc cit

¹¹⁴ Loc cit

operations even though it went into strategic alliances with non-Creoles. During the lengthy negotiations for independence in the mid-1960s, he infamously created the slogan *malbar nou pa oulé*: meaning “we don’t want Hindus”, *malbar* being a derogatory term comparable to *nigger* in English¹¹⁵.

2.3.3.3. The 1999 ethnic riots in Mauritius

Two of the essential symbols of new Creole movement are cannabis and seggae music, incidentally the most popular domestic music in the island¹¹⁶. In February 1999, a mass meeting in favour of legislation was held, and among the participants was the island’s most popular singer who performed and recorded under the Sobriquet Kaya¹¹⁷ in deference to Bob Marley. Kaya openly smoked cannabis at the meeting, and was detained by police. However, four days later, on Saturday February 21, it was discovered that he died under police custody. According to the police, he had died from a violent epileptic fit, but his supporters were convinced that he had been murdered. Violence against the police broke out in three Mauritian towns resulting in police stations being set on fire¹¹⁸.

While peace was restored a few days later with life seemingly going back to normal, more unrest was nevertheless still to come. It was in mid-May that a minor riot erupted following an accident in the village of Palma and week later, disaster struck in the capital. In the final and decisive match in the first division of the Mauritian football league, the Creole team Fire Brigade met the Muslim team Scouts on May 2003. Following an 89th minute goal, the Fire Brigade won the game and as a result, became the champions of Mauritius. However, the Scouts had two goals annulled by the referee, as well as an equaliser on overtime¹¹⁹. It was as a result of the above developments that Scouts supporters vandalised

¹¹⁵ Loc cit

¹¹⁶ Loc cit

¹¹⁷ A Mauritian singer whose real names were Joseph Reginald Topizo

¹¹⁸ Ibid. p. 86

¹¹⁹ Ibid. p. 87

the stadium and fire set to surrounding cane fields. Instantaneously, the violence had diffused to the capital, Port Louis¹²⁰.

The Muslim/Creole dimension is common in other parts of the world, and if this incident had no ethnic dimension, it could have been seen merely as an isolated tragedy - the first of its kind in Mauritius. However, it would be unfounded to see football riot as a clear display of deep Creole/Muslim hatred. It was however, an outburst of rage and anger and in any case, most of the casualties happened to be Sino-Mauritians -- members of a community that have little to do with politics or sports. Mauritius, being ethnically politicised as it is, such violence was more likely to be falsely explained in ethnic terms.¹²¹

Yet kinship and obligations that come with it should not be erased completely to account for the riots. The marginalised reality of this segment of the Mauritian society, with weak kinship connections in places of influence aggravated the initial outburst of these series of incidences. In a liberal state, kinship solidarity may be tolerated in family business, accepted in larger enterprises; but it should be rebuked in the public sector. However, this ethos of reciprocity and caring for the family, values that have been incidentally of ten highly praised by politicians in non-specific ways during rural campaigning, has resulted in feelings of exclusion among Creoles. The modest number of Creoles in high bureaucratic positions justify these feelings, which are further fuelled by the sense of relative downward mobility which is so prevalent among Creoles.

Actual discrimination, especially in the parastatal agencies that were beyond the purview of the Public Service Commission (PSC) was apparent¹²². In reality, the informal preference for Hindus in public sector employment seems to have actively toned-down ethnic tensions. It certainly removed one of the main grievances of the Hindus. The majority of Hindu are poor, but enough members of the predominant community have attained a significantly standard of living, a measure of political influence and an acclaimed social

¹²⁰ Loc cit

¹²¹ Loc cit

¹²² In a confidential interview in March 1999, a senior public servant disclosed to Carroll and Carroll. Op. Cit. p. 41, that cabinet ministers actively sought the expansion of parastatal organisations rather than their own ministries solely so that they can avoid the control of the Public Service Commission, thus allowing them to use employment in these organisations as a reward for supporters and clients.

stature -- that those that have been left behind are generally perceived to be victims of their own individual failures and circumstances, instead of suffering from any form of communal obstruction to success¹²³. Even though attempts for proportionate representation by the ruling elite expose another splendour of Mauritian leadership, it is apparent that these attempts have not always been successful. Member of minority groups within the Hindu community, such as Tamils and Telugus, who often raise complains about discriminatory practices that favour Bhojpuri-speaking Hindus at their expense¹²⁴.

Writing in the 1980s, it was as if Simmons Smith¹²⁵ was prophesying the outbreak of these riots as he contested that what perpetuates divisions even more, is that ethnic groups do not live together and because they rarely mix except at official functions. Mauritians have generally had little understanding of class and social differences within communities other their own -- and “each community has a stereotyped ad monolith impression of each other”¹²⁶. Certainly, this lack of understanding resulted in view of each other in derogatory terms, thereby leading to an atmosphere of suspicion and distrust.

2.3.4 Paralleling Mauritius with the Newly Industrialised Countries (NIC's)

Largely due to its impressive growth rates in the 1980s, relative to its African counterparts, Mauritius has been deemed to resemble some of the fundamental characteristics of newly industrialising states (NIC's) of the ones of four Asian Tigers: Hong Kong, South Korea, Singapore and Taiwan. Those key characteristics include: a favourable conjunction of circumstances and events; social stability, political stability; and consensus-based decision making on an outward-looking and export-led macroeconomic approach as key drivers of development in that country.

¹²³ carrolIbid, p. 30

¹²⁴ Loc cit

¹²⁵ Simmons, Smith.: Modern Mauritius: The Politics of Decolonisation, Indiana University Press: Bloomington, 1982, p. 14

¹²⁶ Loc cit

2.3.4.1. Favourable conjunction of circumstances and events

Mauritius economic success is largely attributed to a confluence of circumstances and events. Western Europe during the era of the Industrial Revolution, the New World in the Nineteenth and Twentieth century as well as the Newly Industrialised Countries in the 1960s and 1970s are classic examples of that reality. This was largely due to the fact that their exports enjoyed relatively unhindered access to the markets of industrialised countries, particularly the ones of Western Europe and North America¹²⁷. This trajectory is similar to the one of the countries of Taiwan and South Korea as their exports had unobstructed access to the United States' market during the peak of the Cold War as the latter sought to contain Soviet influence in the Asia Pacific¹²⁸. This set them on a successful developmental course.

In addition, to that factor, historical incidents and relations shaped the future and prosperity of these countries. For instance, in the cases of South Korea and Taiwan, Japan played a significant role in preparing those countries for economic take-off by developing agricultural sectors and also defence-related manufacturing. As for the case of Taiwan, the People's Republic of China used Taiwan's agricultural surplus to finance industrialisation, which was later supplemented by aid from the United States (US)¹²⁹. Similarly, the United States injected large sums of capital into Korea's post-war reconstruction and rebuilding of the economy and became a major trading partner of both Taiwan and Korea¹³⁰.

Similarly to the Japanese and American involvement into the rebuilding of economies of Korea and Taiwan, Singapore's and Hong Kong's economic successes are owed largely to their coloniser Britain. Kearney argues that these states developed "an early mentality" as the "city states" capitalised on the strategic locations to develop entrepôts¹³¹. This allowed the United Kingdom (UK) to retain the two "city states" major partner prior to the 1960s, joined

¹²⁷ Loc cit

¹²⁸ Kearney, Richard. Op. Cit., p. 198

¹²⁹ Recall that the United States' active involvement in this part of the world (Asia Pacific) was largely motivated by the goal of containing the United Soviet Socialist Republic's (USSR) ideological expansion during the hostile days of the Cold War between the two superpowers

¹³⁰ Loc cit

¹³¹ Loc cit

by Japan and the U.S. in the 1960s. Likewise, Hong Kong also benefited from China's access to the Western markets¹³².

Colonisation in the NIC's allowed the diffusion of infrastructure to these countries in preparation for the take-off; mainly transportation networks, communication systems and other aspects of physical infrastructure. The Newly Industrialised Countries focused also on the advancement of education systems, particularly on primary and secondary levels so that they can adjust to the capital-intensive industrialisation phase¹³³. Furthermore, immigration of skilled and unskilled workforce improved human capital in Hong Kong, Taiwan and Singapore. While economic stagnation of economies of Latin America (Uruguay, Chile and Argentina) show that an educated, skilled workforce does not always yield economic success, but focus on skilling of the workforce as well as rigorous initiatives to continuously advance the education system became an important attribute to the success of NIC economies which was also supplemented with high work morale and submission to the economic elite as to yield productivity in their phases of economic growth¹³⁴.

Similarly to the NIC's' economic successes, Mauritius also displays an economic success that is largely indebted to favourable circumstances and events. A historical account can help shed some light in this regard. Mauritius had no indigenous inhabitants, hence, the first settlers, the Dutch arrived in 1598. Not much economic development was yielded as a result of Dutch colonialism except for the destruction of the island's ebony forests and the extinction of the dodo bird¹³⁵. The French claimed the island subsequent to the departure of the Dutch who developed the sugar plantations with slave labour from Madagascar and the Malabar Coast. The French were later succeeded by Britain who exerted their rule in

¹³² Loc cit

¹³³ Loc cit

Also: Levi-Faur, D. "The Developmental State: Israel, South Korea and Taiwan Compared", in Comparative International Development, vol.33, no. 1, 1998, p. 66

¹³⁴ Loc cit

This assumption is fully endorsed by Thompson as he asserts it builds the human capital necessary for learning driven industrialisation, but he warns against the premise that education builds the industries themselves. See: Thompson, M. "Late Industrialisers, Late Democratizers: Developmental States in the Asia Pacific", in Third World Quarterly, vol. 17, no. 4, p. 639

¹³⁵ Kearney, C Richard. Op. Cit. p. 199

Mauritius in 1810 conferred to it as under the Treaty of Paris as a prize of war. Under their rule, the slaves were emancipated but the island saw the massive importation of close to half a million indentured labourers from India to work in the sugar plantations and 150 years later (in 1968) the island underwent a smooth and peaceful transition to independence¹³⁶.

Due to the preference of the majority of the population to remain in the British fold, a referendum suggesting integration with Britain was advocated by the PMSD, but Britain in the end imposed Mauritian independence. It is largely due to this historical integration with its British colonial master that it adopted the Whitehall-Westminster model of governance and parliamentary democracy. Similar to the NIC's, Mauritian interaction with the two former colonisers (France and Britain) did result in positive developments, much being relevant to its economic success today. This is because positive elements of both cultures remain embedded in the education system, where the medium of instruction is in English and French as well as in the native Creole. The country's trilingual education as well as embracement of British system of education proved to be important assets for the work force¹³⁷.

In addition to the importation of both systems of education, Mauritius received preferential economic treatment from its former colonisers, thereby allowing unhindered access to their markets. The French have an umbilical attachment to the island, partly because the French language and culture enjoy formal status under the Treaty of Paris¹³⁸. Because of the assistance from Britain and France, Mauritius was able to become the first associate member of the European Economic Community (EEC), a party to the Lomé Conventions and member of the African Caribbean and Pacific States (ACP)¹³⁹. Even though Mauritian products are subject to certain quotas, they nonetheless enjoy duty-free access to European markets¹⁴⁰.

¹³⁶ Loc cit

¹³⁷ Loc cit

¹³⁸ Loc cit

¹³⁹ Loc cit

¹⁴⁰ Under the Lomé Convention signed in 1975, Mauritius along with former colonies of European powers in Africa, the Caribbean and Pacific, was provided agricultural and mineral exports to enter the then European Community (EC) free of duty. Preferential based on quota system was agreed for products such as sugar and

Important to note is the fact that Mauritius had the largest sugar quota of all ACP countries in 1989, with 506 000 tons, comprising 70-80 percent of the average annual sugar harvests in Mauritius and almost 35 percent of the total ACP allowance¹⁴¹. In the early 1990s, Mauritius sugar continued to receive a highly favourable guaranteed price well above world market rates¹⁴². One needs to take cognisance of the fact that this ‘favoured-nation’ status of Mauritius is similar to the special relationships with Japan, the United Kingdom and the U.S. that paved the development successes of the Newly Industrialising Countries.

2.3.4.2. Mauritius as a symbol of social stability

Another development Mauritius shares with the NIC’s is its social stability character, although it was partly a consequence of circumstances and events. The country has been able to acquire substantial savings, investments and business commitments appropriate to prepare for economic take-off-- achievements which are difficult to sustain if a country is plagued by series of social, ethnic or religious violence. Notable examples whose development progress was hindered by social instability include Iran, the Philippines, Nigeria, Sri Lanka and most East African states¹⁴³. Where multi-ethnic and religious groups co-exist the ideal of national coherence is almost improbable particularly if the country is undergoing a rapid development phase since distribution in this context would more likely be associated (or at least believed) to be concentrated to a particular segment of a society.

This is, however, a different relative to the NIC in that their populations are racially and culturally homogenous. However, that should suggest that the aforementioned are preconditions for social stability, hence, the Korean War and the partition of the peninsula caused lasting social strains and immigration has caused many social problems in Singapore

beef in competition with EC agriculture. Secondly, the EC committed ECU 3 billion for aid and investment in the ACP countries. See: McQueen, M, Philips, D. Hallam, Swisbank, A. The Lomé Convention Banana Protocol, in “ACP-EU Trade and Aid Co-operation Post-Lomé IV”, available on: <http://www.acpsec.org/summits/gabon/cwealth/chap8rev.htm>, 1997, accessed on August 09 2009

¹⁴¹ Kearney, C. Richard. Op. Cit. p. 199

¹⁴² Loc cit

¹⁴³ Ibid. p. 200

and Hong Kong¹⁴⁴. Similarly there were a series of cultural and ethnic cultures in Taiwan during and subsequent to the National Chinese invasion. Conversely, in comparison to the Least Developed Countries (LDCs), where social conditions are substantially affected by where colonial powers drew the cartographic lines historical relations of the people were seldom respected, the NIC's have enjoyed a substantial degree of social cohesion largely motivated by the homogenous population, open systems of education, low level of unemployment, increased probabilities for upward mobility in the labour market irrespective of background, provision of social safety nets for the poor, decline of absolute poverty as well as less disproportionate distribution of income¹⁴⁵.

Contrary to her NIC counterparts, a far less coherent structure was innate to Mauritius, since the country was constituted by multiple races, ethnic groups, caste and religions when it attained independence in 1968, which Kearney argues was "an indication of the brewing of social and economic disaster"¹⁴⁶. Be that as it may, a nation was easier to define in Mauritius than in many LDCs since its political unit had clearly defined boundaries and all citizens had immigrant backgrounds and other shared experience.

There are various reasons Mauritius emerged as an economic success notwithstanding its heterogeneous societal nature. First, it is based on the fact that communalism in that country knows no regional attachment since Hindus, Muslims, Chinese, Creoles and Franco-Mauritians are indeed separate communities in terms of various social variables such as marriage, lifestyle, social patterns and other aspects of daily existence. Even though that might be the case, in a peculiar case such as Mauritius, one cannot turn a blind eye to the fact that residential patterns are not connected with ethnic identification even though they are associated with socio-economic status¹⁴⁷.

Secondly, contrary to culturally and ethnically heterogeneous societies, a range of communal variety in Mauritius played a positive role in diffusing conflict. Thirdly, communal tranquillity was also attributed to the reality that the communities themselves are

¹⁴⁴ Ibid. p. 201

¹⁴⁵ Loc cit

¹⁴⁶ Ibid. p. 197

¹⁴⁷ Loc cit. p. 201

internally diverse; hence, the majority of the Hindu population is factionalised by a Tamil group and three major castes. The majority of the Muslims are Sunni, albeit there are large groups Shias and Ahmadis. As for the Creoles, they are a mixture of French, English, Chinese or African blood and skin colour is associated with some differentiation among Creoles¹⁴⁸. In essence, Mauritius reflects ethnically a fragmented society that would not allow significant group mobilisation for prolonged ethnic violence.

2.3.4.3. Political Stability

The fundamental reason the African Renaissance philosophy is embraced by both the New Partnership for Africa's Development (NEPAD) and the African Union (AU) is solely influenced by the need to redefine and revive governance in Africa so as to be the one that is submissive to codes of good governance in the bid to effect socioeconomic transformation by attracting foreign investors. This view is based on the premise that the reason Africa had experienced stagnant economic growth (and progression) is largely due to recurrent cycles of political instability and conflict. Addressing such shortcomings would stimulate much needed foreign investor confidence. Kearney concurs; as he argues that a certain degree of stability is necessary for a government to design and carry out coherent and sustainable development policies¹⁴⁹.

Contrary to many countries in Africa, Latin America and Asia, the governmental stability of Newly Industrialised Countries has proven to be a precondition and a functional tool for a successful economic 'take-off' and sustained period of economic growth. Political stability prevailed in military dictatorships in Korea, Singapore and Taiwan and even in the fragmented government arrangements of Hong Kong by then. Relative to most LDCs, the NIC's generally maintained periods of political stability, even in the least conducive conditions. Regime change were peaceful, in exception of Korea, low levels of corruption, efficient public services and policies that sought to achieve social justice through equitable distribution of resources which have been pre-eminent in those countries¹⁵⁰.

¹⁴⁸ See, Loc cit

¹⁴⁹ Ibid. p. 202

¹⁵⁰ Loc cit

Likewise, Mauritius has been relatively stable even in the midst of heterogeneous ethnic make-up upon which its political system rests and this has to a greater extent been influenced by the provision of space for political participation even at the citizenry level -- an attribute owed to the country's historical interaction with Great Britain¹⁵¹. Britain allowed greater administrative participation than in most colonial settings and provided a lengthy transition period to independence. It is argued that large a part of Mauritius' peaceful transition and sustenance of politically stable governance was orchestrated by Seewoosagur Ramgoolam, a British-educated medical doctor who became the country's first prime minister and leader of the Socialist Mauritian Labour Party (MLP), currently known under the abbreviation LP. It became Mauritius dominant political party from 1947-1968¹⁵².

Since the advent of independence, the policies that were implemented by the ruling elite were developmental in nature. In the quest to diversify the economy so as to reduce dependence on a single commodity, the post-colonial government put in place policies to encourage investment in manufacturing by affording factories the freedom from tariffs on imported materials and machinery as well as major tax concessions on profits¹⁵³. The government allowed these export processing zones to be located anywhere in the country; encouraging investment in tourism and guaranteeing foreign investors the right to repatriate profits.

Given the government's willingness to consult with business through public-private sector dialogue (to be addressed in detail in chapter three), it inevitably created the embeddedness that would enable the government to drive economic policy-making while business largely responded to government proposals¹⁵⁴. Moreover, the highly qualified, independent and efficient public service had provided conducive conditions for the development and implementation of these policies¹⁵⁵. Additionally, the 1980s saw the

¹⁵¹ Loc cit

¹⁵² Loc cit

¹⁵³ Carroll, Barbara Wake and Carroll Terrance, "Trouble in Paradise: Ethnic Conflict in Mauritius", in Commonwealth and Comparative Politics, vol. 28, no. 2, July 2000, p. 29

¹⁵⁴ Hadley, Antoinette.: Business and the State in Africa: Economic Policy-Making in the neo-liberal Era, Cambridge University Press: Cambridge, 2008, p. 102

¹⁵⁵ Loc cit

booming of the tourism sector, which became the third leg of the economy. This, as a result, enabled the trickle-down effect to proceed to address salient issues concerning Mauritian social development.

Notable of Ramgoolam's leadership was the role he played in constructing social security net programmes and economic development approach that exists today through public-private partnership¹⁵⁶. Paramount to creating a politically and social stable country was the need to adopt an inclusionary governance and that suggested that Ramgoolam was charged with the responsibility of implementing social policies that accommodated the Indian, Muslim and Creole segment of the population while also assuming the responsibility of political leadership from Franco-Mauritian political elite that had served as *de facto* rulers since the eighteenth century¹⁵⁷. It is assumed that had Ramgoolam not assumed the role as advocate of both inclusive systems of governance as well as all-inclusive social net policies, communal division in Mauritius might have elicited violence of intractable nature. On the social policy front, chapter four touches on factors that influenced social consciousness by the post-colonial leaders of Mauritius, Seewoosagur Ramgoolam being one of them.

Mauritius has experienced periods of peaceful transfer of power through free, fair and open elections since 1968. From 1968-1982, Mauritius was ruled by a shaky coalition of government comprised of Ramgoolam's party, MLP in conjunction with the small, Hindu-based Independent Forward Bloc and the Muslim Comité Action Musulman (CAM), the Creole-dominated Parti Mauricien Social Democratic (PMSD), and other small parties. The Movement Militant Mauricien (MMM) emerged in the 1970s led by Paul Berenger, which attracted urban electorals by adopting a class-based approach that sought to span the communities, and it later proved to be a major electoral threat to the MLP powerhouse¹⁵⁸.

Under Berenger's leadership, a leftist Franco-Mauritian, MMM, swiftly gained support of some segments of trade unions as well as educated young electorates from the Indian and Creole constituency. MMM's presence into the Mauritian discourse proved to be

¹⁵⁶ Seegobin, Ram and Lindsay, Collen. "Mauritius Class Forces and Political Power", in Review of African Political Economy, vol. 8, January-April 1977, p. 115

¹⁵⁷ Leuprecht, Christian. "Migration as the Demographic Wild Card in Civil Conflict: Mauritius and Fiji", in Environmental Change and Security Program, ECSP Report, Issue 13, 2008-2009, p. 36

¹⁵⁸ Kearney, Richard. Op. Cit. p. 202

a nuisance to the MLP when the MMM-led strikes in 1970 and 1971 in the important sugar and port sectors were retaliated with strong repressive measures by the government¹⁵⁹. MMM leaders, including Berenger were imprisoned and certain trade unions were banned until 1976, elections were postponed as well as invocation of press censorship. Notwithstanding such hardship, yet the leadership of the party continued advocacy for a much more comprehensive approach for redistribution of wealth and property through a nationalisation programme¹⁶⁰.

While MMM's continued vocal character attracted significant votes and parliamentary seats for the party in the 1976 elections, the MLP was able to forge a small coalition with the Creole-based Parti Mauricien. It was in the years following the elections of 1976 that exogenous factors caused internal economic conditions to deteriorate rapidly. As a result of that, world sugar prices declined, oil prices sky-rocketed (which negatively affected foreign exchange balances and tourism) and the island was constantly hit by strong cyclones. Inflation and the level of unemployment increased and foreign exchange reserves were virtually non-existent¹⁶¹. Consequently the World Bank and the International Monetary Fund came on board to help revive the country's economy. Typical of the Structural Adjustment Programmes (SAPs), the Mauritian rupee was devalued substantially price subsidies on food were cut, along with the spending on some social welfare programmes¹⁶². Chapter four illustrates social welfare programmes that were spared.

The 1982 general elections showed that the MLP's dominance was to come to an end. This was largely attributed to the fact that the party was overly dependent upon its coalition partners, particularly the PMSD. This party proved to be MLP's partner of necessity rather than of conviction as it played an eminent role from 1969 to 1982, when the MLP was in power. Other than dependence on the PMSD, the party's leadership was aging. Throughout its tenure, the LP was led by a group of political veterans, many of whom had served in

¹⁵⁹ Mannick, A. R.: Mauritius: The Development of a Plural Society, Spokesman: Nottingham, 1979

¹⁶⁰ Loc cit

¹⁶¹ Kearney, Richard. Op. Cit. p. 203

¹⁶² Loc cit

government well before the country attained its independence¹⁶³. In a country distinguished by its youthful population, it became incredibly difficult for the LP to rejuvenate its leadership and to appeal to the demands and needs of the young electorate. The MMM capitalised on the opportunity and entered into an alliance with PSM and for the first time won the 1982 elections sweeping all 62 parliamentary seats through a process of free, fair and open elections in a multi-party system¹⁶⁴.

However, the MMM's assumption of power was to become a true test of its character and endurance. Once in government, it had to face the hard reality of economic crisis. But even with the sheer victory, the party had internal factional problems. These factional problems perpetuated by Berenger's inability to consolidate power within the MMM prompted a moderate faction led by Aneerood Jagnauth, hand-picked to be Berenger's "Hindu Prime Minister" who challenged for the control of the party¹⁶⁵. Berenger later resigned as from the government, allowing Jagnauth to piece together a new government coalition with the Alliance Party during the 1983 elections. His Alliance Party won a two-to-one victory over the MMM which had been tarnished for its leftist policy positions, a dismal performance of approximately 20,000 public servants as well as other unpopular domestic policies that were submissive to the macro-economic conditions of the Bretton Woods sisters¹⁶⁶. It was in 1987 that the Alliance Party won another two-to-one majority¹⁶⁷.

2.3.4.4. Consensus on an outward-looking, export led macroeconomic approach

Outward looking and export-looking approach to economic growth has been deemed to be one of ways to boost the economies of developing countries, hence, access to free and fair trade remains such a contentious subject, especially in the context of developing

¹⁶³ Mozaffar, Shaheen, "Negotiating Independence in Mauritius", in International Negotiation, vol. 10, 2005, p. 266

¹⁶⁴ Loc cit

¹⁶⁵ Kearney, Richard Op. Cit. p. 205

¹⁶⁶ Bretton Woods sisters in this context is used to refer to both the World Bank and the International Monetary Fund

¹⁶⁷ Kearney, Richard Op. Cit. p. 205

countries. Central to the growth of economies of NIC's has been macroeconomic policies that were geared toward export-led manufacturing within the context of an open, outward looking economy¹⁶⁸.

South Korea and Taiwan adopted this strategy in the mid-1960s subsequent to the shift from import substitution. As for Hong Kong and Singapore, the shift from entrepot to export-oriented development came innately from their small size and for not being endowed with agriculture and natural resources. Therefore, to the NIC's, export-led approach to development was paramount and the focus would be on exploiting the comparative advantage of low prices, encouraging a submissive, disciplined, loyal and productive workforce; generating investment capital through a blend of foreign investments and domestic savings¹⁶⁹, rationalising prices and exchange rates and creating an enabling climate to stimulate partnership and innovation¹⁷⁰. Furthermore, equity in income distribution, reduced levels of absolute poverty and focus on achieving high levels of education came at the forefront of domestic policies of the aforementioned states¹⁷¹.

Also worthy of being noted for the development of the NIC was the export-led macroeconomic policy that allowed the government to take the driver's seat on the management of the economy. While the neoliberal logic suggests that macroeconomic policy of the NIC's primarily embraced market fundamentalism, it happens that there is no truth in that claim. With Hong Kong being a unique case, relative to its fellow NIC's counterparts, the rest of the NIC's' development experience was mainly attributed to the "long hand of the state than the invisible hand of the free market"¹⁷². Even Hong Kong's development does not display submission to market fundamentalist characteristics. Government policies were

¹⁶⁸ Balassa, Bela. "Exports and Economic Growth: Further Evidence", in Journal of Development Economics, vol. 5, no. 2, June 1978, p. 185

¹⁶⁹ Lin, Tzongbiau and Mok, Victor, "Trade, Foreign Investment and Development in HongKong" in Galenson, Walter (ed.): Foreign Trade and Investment: Economic Development in the Newly Industrialising Asian Countries, University of Wisconsin: Madison

¹⁷⁰ Adelman, Irma "Development Economics -- A Reassessment of Goals", in The American Economic Review, vol. 65, no.2, 1975, p. 305

¹⁷¹ Loc cit

¹⁷² Krueger, Anne, O. "Experience and Lessons of Asia's Super Exporters" in Chen, Edward, K Y (ed):. Hyper-Growth in Asian Economies: A Comparative Study of Hong Kong, Japan, Korea and Singapore, MacMillan: London, 1979, p. 188

constructed so that management of public housing, public services, social welfare, promotion of export surplus, economic diversification and technological improvement in the workplace could prevail¹⁷³. Similarly, the government of Taiwan owned approximately 20 percent of the enterprise economy¹⁷⁴. Likewise, the government of Singapore was heavily involved in state monopolies and parastatals, while the government of Korea substantially intruded into private markets¹⁷⁵.

Similar to the economies of Singapore and Hong Kong, Mauritius is a country not endowed with natural resources but it has a strong and well-established agricultural sector just like the economies of Taiwan and Korea. One of the major developmental challenges for Mauritius was its monocrop economy since sugar comprised 93 percent of total exports and consumed 95 percent of arable land¹⁷⁶. As a result, enacting policies that would stimulate foreign investments in tourism and Export Processing Zones in 1970 became paramount in the bid to diversify such an economy. The first ten years after independence were marked by impressive growth rates, largely attributed to high world prices of the sugar commodity. However, as noted, the honeymoon phase of economic prosperity was to be over in the 1970s when exogenous economic decline had direct negative effects on Mauritius, resulting in inflation, unemployment, labour unrests and balance of payment problems. This prompted the World Bank and International Monetary Fund to make provision of a comprehensive economic stimulation package and long term development programmes based on market regulated, open economy and private sector initiatives¹⁷⁷.

With world economy beginning to show signs of resuscitation at the dawn of 1980s, by mid-1986, the IMF pronounced the structural adjustment regime in that country to be successful and Mauritius in particular was declared a model of economic success for other

¹⁷³ Nyaw, M. K and Chan, C. I, "Structure, and Development Strategies of the Manufacturing Industries in Singapore and Hong Kong: A Comparative Study", *Asian Survey*, vol. 22, May 1982, p. 456

¹⁷⁴ Tsiang, S. C and Wu, Rong-I, "Foreign Trade and Investment as Boosters for Take-off: The Experience of the Four Asian Newly Industrialising Countries", in Galenson, Walter (ed).: Foreign Trade and Investment: Economic Growth in the Newly Industrialising Asian Countries, University of Wisconsin Press, 1985, p. 322

¹⁷⁵ Loc cit

¹⁷⁶ Kearney, Richard. C Op. Cit. p. 205

¹⁷⁷ Ibid. p. 206

LDCs¹⁷⁸. While it is notable that international financial institutions, notably the Bretton Woods sisters, encouraged the Mauritian economy to pursue an export-led, outward-looking strategy, the foundation for that macroeconomic path had already been laid. That was evident in previous governments' policy decisions that allowed the building of physical and human infrastructure required to kick-start the development path. Physical infrastructure that was built prior to the introduction of the SAPs includes a reliable road transport system, dependable supplies of potable water and electricity and well-maintained giant crop irrigation systems¹⁷⁹.

With assistance from the Chinese government, Mauritius was able to improve its air transport facilities served by international airlines thereby allowing Air Mauritius to increase its share of the tourist market to 53 percent of arrivals in 1989¹⁸⁰. Also notable was the expansion and improvisation of the country's telecommunications system with the endeavour of making it one of the most efficient among LDCs. With regard to energy production, by 1980s, Mauritius had become a world leader in energy production from bagasse (sugar refuse), comprising 25 percent of total energy consumed and significantly cuts down petroleum expenditure¹⁸¹. In addition, the country also emphasised the development of human resources infrastructure through free universal education; early and highly successful adult literacy and population control campaigns, let alone the provision of free health care¹⁸².

¹⁷⁸ Zeiger, Laura, "Mauritius: Success Offers a model for other developing countries", in Business America, April 23 1990

¹⁷⁹ Kearney, Richard. C Op. Cit. p. 206

¹⁸⁰ Loc cit

¹⁸¹ Loc cit

¹⁸² Adele Simmons described Mauritius as soon as it attained independence as a "microcosm of the twentieth century megabirth nightmare". Between 1957 and 1968, the population jumped approximately 50 percent. The birth-rate was increasing and the death rate due to malaria control declined. In spite of a staunch opposition from Muslim and Catholics, the government established the Mauritian Family Planning Association in 1966. This saw the establishment of more than 100 fully-operational family planning centres by 1968. As a result, the rate of reproduction fell from about 3 percent in 1962 to 1 percent by 1980. Be that as it may, the economic repercussions of the decline of reproduction resulted in labour shortages. Simmons, Adele.: Modern Mauritius: Politics of Decolonisation, Indiana University Press: Bloomington, 1982, pp. 117-118

2.3.5. Factors Fostering Democratic Outcome in Mauritius

2.3.5.1. Sequential Colonialism

Mauritius historical experience of sequential colonialism does to a certain extent account for its status as a ‘democratic exception rule’. Recall it was first a French colony (1767-1810), and later a British colony (1810-1968). As a result, Mauritius adopted a complex, dualistic institutional structure¹⁸³. The terms of the Treaty of Capitulation in 1810 stipulated that the French colonists could preserve their customs, property and religion; the British on the other hand preferred to administer Mauritius instead of settling it. Consequently, parliament, schools and the judiciary (even though the French civil-law system was retained) follow British model the while the media and local elite are unambiguously Francophone in language as well as in orientation¹⁸⁴.

Colonisation in Mauritius gave rise to a complexity of attitudes and responses. Even though Britain abolished slave trade in its colonies 25 years (in 1835) after taking ownership of Mauritius, but local governors decided to bend over backwards in an attempt to remedy the financial shock to French planters¹⁸⁵. According to the Creoles, the British rather imperfectly played the role of liberators. When the British as a result organised convoys of Indian labourers to replace the slaves on the plantations, it turned out that Creoles preferred France as their metropolitan model. The century and a half before the declaration of independence in Mauritius, the French language was used as a tool to resist British colonialism¹⁸⁶. Indian immigrants, consumed with adapting to the island of Mauritius were themselves barely enamoured of the British. It was until independence, however, that the colonised population was divided over which model to choose: The educated Indo-Mauritians tended to be Anglophiles, while upwardly mobile Afro-Mauritians (mostly of mixed African and European ancestry) tended to be Francophiles¹⁸⁷.

¹⁸³ Houbert, Joubert, “Creolisation and Decolonisation in the Changing Geopolitics of the Indian Ocean”, in Jayasuriya, Shinandes and Parkhurst, Richard (eds.): The African Diaspora in the Indian Ocean, Africa World Press: Trenton, New Jersey, 2001, p. 137

¹⁸⁴ Loc cit

¹⁸⁵ Loc cit

¹⁸⁶ Loc cit

¹⁸⁷ Miles, Willian, F.S Op. Cit. p. 96

Therefore, sequential colonialism impelled Mauritians to make a distinction, if not to choose between two different metropolitan models. What is more, in Mauritius the French colonial settlers did not take control of the colonial administration and the British metropole did not impose colonial culture. Therefore, anti-colonialism was not a clear-cut affair as it was in mono-colonial countries, for while the British represented political rule imposed from without, economic and cultural domination exercised by Francophones. Unlike in much of mainland Africa, post-colonial government was not inertly regarded with suspicion and despise in Mauritius as a foreign imposition¹⁸⁸. For Hindus and Muslims, British administration served a role check-and-balance on the Franco-Mauritian and upper-class Creole aristocracies, while the French language provided a medium of resistance to British colonial rule for these latter groups. It is therefore contested that dealing simultaneously with two different types of colonial influences develops unusually sophisticated political skills¹⁸⁹.

Equally important is the reality that Mauritius is amongst a cohort of few countries in the world that are pure off-springs of colonial rule. Recall, Mauritius was uninhabited preceding colonialism, thus no community on the island can claim indigenous attachments to the soil. Similar to the West Indies, Mauritius is made of diaspora communities that underwent cultural adoption, if not indoctrination, as well as linguistic creolisation under conditions of colonial governance.

2.3.5.2. Bilingual advantage

Similar to her mainland African counterparts, where existence of multilingual groups has been responsible for political instability, Mauritius linguistic diversity has channelled potentially intractable ethnic divisions and anti-democratic communalism in less threatening directions. Being the original colonial language, and the first language of the Franco-Mauritian elite, French is retained as the language of those who are influential into the day-to-day running of the country¹⁹⁰. It is the language of those who have higher educational attainment and those with higher socio-economic status, as well as the language of the

¹⁸⁸ Loc cit

¹⁸⁹ Loc cit

¹⁹⁰ Ibid. p. 97

newspapers and the electronic media. Not many Mauritians acquire French as a first language, yet it is used as a tool of reaching highest echelons of social promotion and advancement¹⁹¹.

Complex and ironic enough, the English language, not French is the medium of instruction of the country's education system. In fact the education, almost in every respect, is patterned after that of Britain, not France and it is end-of-cycle examinations are prepared and granted in Cambridge. English is legislative and administrative language, although oral interventions in French are admitted. It is the language of the courts, therefore, making it critical for Mauritian governance. But it is the most unaccepted and looked-down language in social settings¹⁹².

On the other hand, Kreol (Creole) - the language all Mauritians speak is the most marginalised, since it has no official status. To put things into perspective, few Mauritians even recognise it as a language at all, hence, the perception that it is a sort of pidgin French. Attempts by society organisations agitating for the recognition of Kreol have been made, particularly in the education system, but it is small¹⁹³. Kreol is the language that binds together the people of Mauritius; however, it does so outside the confines of constitutionality and officialdom. Another complex reality is that politics of the country is conducted mostly in Kreol¹⁹⁴.

Also appearing on the linguistic radar of Mauritius is the ancestral languages preserved among the various Asian communities that migrated to Mauritius in the last century: Hindi, Tamil, Telegu, Marathi, Urdu and Chinese. It is Hindi music and film industries that help in giving this language the preferred status, but the other aforementioned ones are also taught as optional languages in school and command a certain amount of airtime on television and radio. In addition to the 'ancestral' languages mentioned above,

¹⁹¹ Loc cit

¹⁹² Loc cit

¹⁹³ Ibid. p. 98

¹⁹⁴ Loc cit

Bhojpuri and Gujarati exist without playing any curricular role in the country's education system¹⁹⁵.

It is apparent that the co-existence of these languages serve different societal functions and it is the successful management of such complex balance of languages that is a demonstration of the success of Mauritian democracy -- which is particularly borne out of compromise, negotiation and proceduralism¹⁹⁶. While it is clear that different languages serve different societal functions, there is, however, no language that possesses disproportionate power upon any particular community. While the English language comes closest to claiming official status, it is not connected with any ethnic group. French on the other hand, also the language of social status, can be learned relatively easily (in its spoken form) by the 'native' Kreol. Mastery of French, particularly English is, of course correlated with access to education. Even though there is a vast discrepancy in the quality of schools (with urban schools generally better than rural ones, and private schools better than their private counterparts), widespread educational access is the basic foundation of Mauritian polity¹⁹⁷ (this point is further elaborated in chapter four, albeit from a social policy perspective).

In a country where English is the language of official government business, ordinary politicking takes place in Kreol and French is the language of the media. Whether on the government radio and television stations of the Mauritius Broadcasting Corporation (MBC), or in the privately owned newspapers, *L'Express* and *Le Mauricien*, news, information and editorials are conveyed mainly in the language that long served as the language of colonial resistance. As for the freedom of the press, the cornerstone of any democracy, has come a long way in Mauritius. The readership is large and political communication and commentary still takes place in the language that long served as a check to British colonial dominance¹⁹⁸ underpins the democratic weight of "bilingual advantage".

¹⁹⁵ Loc cit

¹⁹⁶ For a detailed case study that specifically examines the politically charged challenge to the linguistic balance in Mauritius, see: Miles, William, F.S., "The Politics of Language Equilibrium in a Multilingual Society: Mauritius", in Comparative Politics, vol.32, no. 2, 2000, pp. 215-230

¹⁹⁷ Miles, William, F.S.: Op. Cit. p. 98

¹⁹⁸ Loc cit

2.3.5.3. Democratic institutions and culture

Structure of institutions and leadership. The Mauritian political system has historically built governing coalitions to ease ethnic, religious and ideological divisions through parliamentary coalition-building. Seewoosagur Ramgoolam, the founder of the Labour Party (LP), led a series of governing alliances that governed the country from independence to 1982, when the government were swept out of office by MMM resulting in the leader of that party, Sir Anerood Jugnauth, becoming Prime Minister. Shortly afterwards, in 1983, Jugnauth and his supporters left the MMM to form MSN.

Moreover, political platform and latitude exists to ensure that the democratic principles are truly upheld and this is depicted by the existence of civil society organisations. Some of these organisations are affiliated to certain religious dominations, yet religious prejudices hardly exist. For instance there is a Muslim organisation in Mauritius with the alarming name Hizbulla, yet it has so far operated as a social movement with municipal electoral ambitions than as major Muslim extremist group in Mauritian politics.

Mauritius is one of a few countries that have no defence force and for that reason has no discrete defence budget. Order is maintained by a National Police Force (NPF), partly made of the Special Mobile Force (SMF), a parliamentary unit formed by the British in 1960 that has no more than one-third as the 4000 strong regular police¹⁹⁹. Commendable is the fact that those who possess immense political influence have never attempted to transform the SMF into a personal or partisan army. The responsibilities of both the SMF and the regular police are to maintain law and order and seek not to protect hegemonic goals of its own. It is by training of security personnel both at home and abroad that effectively inspires the SMF submission to democratically elected government. While the SMF are armed, it is believed they nonetheless not dangerous and they remain professional and apolitical²⁰⁰.

“Vibrant Civil Society”: The true test of the reliance and quality of any democracy is not just the ability to host elections but tolerance of freedom of speech, critical scrutinisers of public policy as well as provision of political platforms for social movements as independent agencies of restraint that keep the checks and balances in government, let alone keeping them

¹⁹⁹ Loc cit

²⁰⁰ Loc cit

on their toes. According to records at the Registry of Association on Port Louis, 519 private non-governmental organisations (NGOs) had already been registered by the time the country was declared independent in 1968²⁰¹. Amid the first of these were the Chamber of Commerce and Agriculture, Fire Brigade Sports Club and the Notre Dame Congregation of Sisters of Charity. Ever since, more than 3,600 other private organisations were given recognition²⁰². These figures confirm nothing but the active character of Mauritian civil society. Certainly, given the country's reasonable high per-capita NGO ratio, one could safely describe Mauritius as a "vibrant civil society".

While the 1999 riots seem to depict a bleak picture of national disunity in Mauritius, it nonetheless displays a false image of the state of affairs in that county. Mauritius may be ethnically fragmented and may have a sprinkle of ethnic riots particularly during the election season but it is not in the state of intractable ethnic division proportions. The country has a great degree of the aura of ethnic unity and it is apparent that a key factor in maintaining interethnic harmony in Mauritius is the presence of an active and healthy civil society that undoubtedly cuts across cultural and ethnic divides. The existence of ethnically mixed musical bands, some of which deflate social cleavages in a distinctly Mauritian genre (Seggae)²⁰³, are case in point. Inter-communal communication, which is largely owed to the Kreol language, has as a result encouraged the formation of trans-ethnic unified society that binds the whole nation together²⁰⁴. This makes the spirit of nationalism in Mauritius not to have any ethnic connotations and attachments; noticeably, one can safely deduce that the common concept of the true essence of being a Mauritian are negotiated in manners that accept all subcultures without insisting that they lose their own actual familial and private traditions.

Admirable about the freedom every Mauritian enjoys is that it guides intercultural differences in positive directions. Mauritians of all faiths favour acceptance for the religious and spiritual beliefs of other Mauritians. It is precisely because of the spirit of religious

²⁰¹ Loc cit

²⁰² Ibid. p. 99

²⁰³ Seggae is a fusion of Sega, Mauritian traditional music, and reggae.

²⁰⁴ Carmeli, Yoram . S and Eriksen, Thomas. Hylland.: Common Denominators: Ethnicity, nation-building and Compromise in Mauritius, Berg Publishers: Oxford, 1998, p. 87

tolerance that no religious community claims superiority, either in earthly or in spiritual terms. In point of that, the religious philosophy of Mauritius is *Sakenn pe pried dan sa fason* - meaning “everyone can pray as he likes”²⁰⁵. Multi-religious tolerance itself is the basic foundation for civil liberties, together with political freedom and assures constitutional protection for religious freedom.

Another aspect that deserves praise about Mauritian polity that supplements the already-vibrant civil society is the existence of relatively free media. Indeed, Mauritius is among the few countries in Africa that enjoy political security and media freedom in practise²⁰⁶. Even more encouraging about Mauritian media is the variety of influential and independent print media. They include a number of private daily and weekly publications, offering a well-balanced coverage in several languages and they are mercilessly critical of both government and opposition parties. Be this as it may, the government has the ability to counter press criticism by using stringent liberal laws²⁰⁷. It is due to these common incidences that the government has been accused of portraying undemocratic tendencies since state can constrain critical views of the government.

Furthermore, concerns over the regulation of broadcasting media have thrown the “freedom” of the Mauritian media into question. While the National Assembly has passed the Independent Broadcasting Authority Act of 2000 (ABA), which is meant to regulate and license all private radio and television broadcasting, it suggests, however, that the jurisdiction of these legal institutions does not apply to public media. This has resulted in public media being impartial and being the official mouthpiece of the government, albeit the new government has put forward propositions to depoliticise Mauritian Broadcasting Corporation (MBC)²⁰⁸.

²⁰⁵ Miles, William, F.S.: *Op. Cit.* p. 100

²⁰⁶ Kadima, Denis, “Mauritius Election Observer Mission Report”, in Electoral Institute of Southern Africa: Johannesburg, 2000, p. 3

²⁰⁷ Kadima, Denis, *Ibid.* p. 7

²⁰⁸ *Loc cit*

2.3.5.4. The Indian work ethic

Paradoxically, it appears that both political conflict and the country's economic success share the same starting place in Mauritius - and that is the work-ethic. The Indian work-ethic assists to account for both the Mauritian economic success as well as the ethnic rivalry that detracts from it. Generally, Asian and Middle Eastern immigrants hold the reputation for being active in and dominating commerce in certain parts of Africa, especially in Francophone West Africa and coastal East Africa. As minorities in mainland Africa, they have been prone to nationalist campaigns such as anti-Asians--one led by former Ugandan dictator Idi Amin in Uganda in the 1970s, for instance. In the case of Mauritius, however, people of Indian origin are seemingly in the majority, since Hindus themselves are divided by caste and community of origin and they do not identify with Muslims of the same South Asian geographical origin²⁰⁹. It is also attributed to the 'Indian work ethic' that the country has acquired the upper middle income status. According to the International Monetary Fund's (IMF) World Economic Outlook Database -April 2009 and the World Bank (WB), Mauritius is ranked 68 and 59 respectively in terms of Gross Domestic Product per capita listings, which stands at \$6872²¹⁰, which places it just between Botswana and Bulgaria. But it is even more of a miracle that Mauritius was able to ensure the sequencing of economic resources to effect socio-economic transformation at the grass-roots level. Currently Mauritius' Human Development Index (HDI) stands at 0.804 giving the country a rank of 81st place out of 182 countries²¹¹.

²⁰⁹ Loc cit

Mauritius as a result defends Horowitz's claim that a fluid structure of decentralised ethnicity helps to facilitate conflict management better than a solid or bipolar ethnic denomination. See: Horowitz, Donald, L.:Ethnic Groups in Conflict. University of California Press: Berkely, 1985

²¹⁰ Data refer to the year 2008, International Monetary Fund, "World Economic Outlook Database - April 2009",<http://www.imf.org/external/pubs/ft/weo/2009/01/weodata/weorept.aspx?sy=2008&ey=2008&scsm=1&sd=1&sort=country&ds=.8br=1>, available at: accessed on 20 July 2009; Data refer to the year 2008, World Bank, "World Development Indicators Database", <http://www.web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,contentMDK:21725423~hlpk:1365919~isCURLY~menuPK:641359~page>, accessed on 20 July 2009

²¹¹ UNDP, "Human Development Report 2009: Mauritius", in https://hdrstats.undp.org/en/countries_fact_sheets/cty_fs_MUS.html, accessed on 12 September 2009

2.3.5.5. Electoral System

Mauritius electoral system guarantees up to eight seats in the 70-member parliament for two non-elected candidates from each of the four constitutionally recognised ethnic or religious communities (Hindu, Muslim, Chinese and ‘general population’, that is whites and creoles). These eight seats are distributed among the political parties according to their proportional representation in parliament. While it might seem as if the ‘best loser’ system is a paternalistic holdover from the colonial era, nonetheless, its existence appeases those portions of Mauritian polity that conscientiously count the number of parliamentarians from their respective communities²¹². Moreover, it strengthens the spirit of constitutionalism that all Mauritian communities, particularly the minority communities, share.

However, ‘constitutionalism’ in the context of Mauritian ‘best loser’ system has been criticised by Hasraj Manthor for exciting constitutionalism of ethnicity since each group’s total population became linked to ethnically-based parliamentary representation and therefore perpetuates the communal divisions of society²¹³. Another critic of the system, Ari Naye, contends that it is both anachronistic and essentialists in that it “legitimises the use of communal labels to predict the behaviour of individuals” and so “is a propagator of stereotypes”. Be that as it may, the unifying effect of this system should not be made null and void. As it was noted by Monique Dinan et. al, “this commitment to ethnic and political balance in government may be the secret of Mauritian ethnic harmony and relative social balance”²¹⁴. Deborah Brautigam presents a much stronger reasoning by asserting that “[t]he inclusion of all major ethnic groups in the political system, within a form of ‘modified consociationalism’, has enabled democratic consolidation to proceed”²¹⁵

²¹² Ibid. p. 101

²¹³ Hansraj, Marthu, “Parliamentary Representation of Minority Communities: The Mauritian Experience”, in Africa Today, vol. 44, no. 1, January-March 1997, pp. 60-64

²¹⁴ Dinan, M et.al, “Mauritius: Cultural Accommodation in a Diverse Island Polity” , in Young, C (ed.): The Accommodation of Cultural Diversity: Case Studies., St. Martin’s Press: New York, 1999, p. 100

²¹⁵ Brautigam, Deborah.: “The ‘Mauritius Miracle’: Democracy, Institutions and Economic Policy”, in Joseph, R (ed.): State, Conflict and Democracy in Africa, Lynne Rienner: Boulder, CO, 1999, p. 158; also: Brautigam, Deborah, “Institutions, Economic Reform and Democratic Consolidation in Mauritius”, in Comparative Politics, vol. 30, no. 1, October 1997, pp. 53-59

2.3.5.6. Geography

Geography serves as one of the explanations for the Mauritian political miracle: Isolation supposedly encourages democracy. Having no land borders with the potentially destabilising neighbours and faced with a geographical imperative to compromise (physical exit is not as easy as it is in continental societies), island societies are often seen as predisposed toward sustainable democratic transition²¹⁶. In addition to Mauritius political detachment from mainland Africa (and its impact on African identity in this context) has been used to account the country's political stability.

While Mauritius is generally grouped within the African region, however, its comparability to African societies is thrown into question, hence, the island status and the immigrant origin of its inhabitants²¹⁷. Mauritius political success, goes the argument, has little to do with its Africanness²¹⁸. It is contended rather, small island nations are inherently in an advantageous position in the context of the demonstration of ethnic tolerance and economic performance. Overlooked, however, is that the island atrocities as Sri Lanka sadly teaches are no less thinkable than continental genocide²¹⁹.

2.3.6. Concluding remarks

Mauritius is no different from its mainland African counterparts. It is a country that was confronted with immense socio-economic challenges at independence: modest economy, high level of unemployment and poverty; and ethnic divisions, to mention but a few. The significance of the political chronology provided in this chapter was to provide a political and historical account of the Mauritian polity as the bases for understanding the current political

²¹⁶ Miles, William, F. S, Op. Cit. p. 95

²¹⁷ Loc cit

²¹⁸ Loc cit

²¹⁹ Loc cit
 Between 1983 and the current juncture, there was on-and-off civil unrest against the government by the Liberation Tigers of Tamil Eelam (LTTE), a separatist militant organisation who fought to create an independent state named Tamil Eelam in the North and East of the island. See: Grobar, Morris and Gnanaselvam, Shiranti, "The Economic Effects of the Sri Lankan Civil War", in The Economic Effects of the Sri Lankan Civil War, vol. 141, no. 2, 1993, pp. 395-405

discourses of that country as well as the foundation of its political and economic prosperity, which the latter will be dealt more in depth in the chapter following this one.

Commendable about the Mauritian polity is that the political system embraces the culture of free, fair and open elections that are administered by independent agencies of restraint, notably the parliament and the constitution of the country, in a bid to aid the smooth transfer of power from the ruling elite to the successor. Indeed these institutions, along with others, have proven to be the safeguards of Mauritian democracy and checkers and balancers of good governance in that country. Even more commendable is the political leadership that is submissive to these institutions as well as the rule of law. According to the Corruption Perception Index of Transparency International, Mauritius is placed 2nd after Botswana out of 47 countries in Africa, placing it right ahead of Cape Verde and South Africa respectively²²⁰; while the country takes the number 1 ranking on good governance by the 2008 Ibrahim Index of African Governance, placing it ahead of Seychelles, Botswana and South Africa respectively²²¹.

While Ramgoolam's presidency was notably defined by suppression of labour unions for purposes of restoring order, yet the intensity of such actions cannot be benchmarked to severe repressive measures demonstrated by some of her LDCs counterparts. Notwithstanding short-comings of early post-independence leadership, his leadership instilled and implanted the spirit of conciliation, compromise and relative national unity the ethnically-fragmented Mauritius enjoys today. While politics and elections are largely driven by communalism, it remains to be a relatively non-violent force operating within a tranquil atmosphere that is conducive for democratic tolerance to prevail.

Clearly, such government attributes put many developing countries to shame and it serves as a possible explanation for the lack of successful developmental transitions in those countries. Be that as it may, that should not suggest that U.S or Western style of democracy is a functional precondition for growth, hence, the impressive development miracles of the NIC's between the 1960s and 1990s (as they were clearly illustrated in this chapter relative to

²²⁰ _____. "2008 Corruption Perception Index: Regional Highlights", www.transparency.org/policy_research/surveys_indices/cpi/2008/regional_highlights_factsheet, 2008, accessed on 17 August 2009

²²¹ Mo Ibrahim Foundation, "The Ibrahim Index of African Governance Index", www.moibrahimfoundation.org/index-2008, accessed on 17 August 2009

the Mauritius' early development), tell us authoritarian leadership played an imperative role to the early development phases of those countries. However, in the Mauritian case, it seems that a different leadership style and some government attributes were innately crucial for long-term success of that country. These included: relatively stable political climate, political tolerance, honest and competent public servants and administration, proportional distribution of wealth as well as inclusive participatory governance.

However, it should not be forgotten that the small island is no impeccable political paradise. Even though the 1999 riots that occurred in that county were largely attributed to deeply-rooted ethnic divisions, they reveal only the tip of the ice-berg. Ethnic cleavages continue to plague Mauritius and they are mainly perpetuated by disproportionate representation of certain segments of the society in the higher echelons of government structures as well as the sense of pre-meditated social exclusion deeply embedded in some segments of the Mauritian society. Notwithstanding such a shortcoming, it did not deter the political leadership from having dreams of the country having its full growth and developmental potential being unlocked from the early days of independence -- an ambitious project many African governments aspired to achieve on paper but not so much so in practice since they sought, first and foremost, the political Kingdom in a bid to advance their narrow self-interests instead of achieving broad-based economic independence for the greater good of society. Indeed it was as if the post-colonial political leadership in Mauritius was on a mission to prove Benedict Burton wrong, who expressed the sentiment that "further development is limited by its smallness, its isolation and its lack of natural resources"²²².

²²² Burton, Benedict.: Mauritius: Problems of a Plural Society, Institute of Race Relations, London, 1965, p. 5

Chapter 3:

The Economic Diversification Challenge and the Quest for the sustenance of the Welfare State

“It is going to be a great achievement if Mauritius can find productive employment for its population without a serious reduction in the existing standard of living...The outlook for peaceful development is poor”²²³

James Meade, Nobel Prize Laureate for Economics, 1961

3.1. Introduction

The chapter preceding this one provided a point of departure in understanding the country’s political discourse within the context of overall economic development of the island of Mauritius. This chapter is solely designated to address, the evolution of development in Mauritius from being a monocrop economy, with the sugar industry noticeably being the backbone of the country’s economy, to one that progressed into being the custodian of a dynamic and more sophisticated garment-dominated manufacturing industry. Condemned with the misfortune of not being endowed with natural resources, relative to her mainland African counterparts, Mauritius, nonetheless, was able to break the shackles of limited economic options and one of being the ‘basket-case’ to gradually evolving into being the upper-middle-income country - thus depicting it to be one of the most encouraging economies within the developing world.

Indeed it is captivating that the fruits of the island’s prosperous sugar industry went a long way in meeting the island’s diversification agenda. The precedence of this chapter to social democratic welfare state debates cannot be over-emphasised, particularly in the context of Mauritius. It shows that the need for rapid economic diversification was primarily motivated by the urgent need to sustain and make comprehensive the already existing social welfare system. There was no hierarchy of priorities in the case of Mauritius as it will illustrated in this chapter that economic take-off did not precede the welfare state, rather the two co-existed in a complementary form. The structural adjustment phase of Mauritius’

²²³ _____. “The New Emperor’s New Clothes: Why Rich Countries want a WTO investment Agreement”, in Oxfam Briefing Paper, no.46, <http://www.citizen.org/documents/wtoinvestoxfam.pdf>, p. 20

during the 1980s goes to show of the significance of the ideals of social justice became to both Mauritius' economic and social development trajectory.

Certainly, this would not have been the case if sensible, accountable and transparent management of sugar revenues was not emphasised (and practised by political office bearers) from the advent of independence. Equally important, the public-private sector dialogue that exists in Mauritius, which rarely happens in most parts of the developing world, enabled the government to respond to the needs of business and reach a compromise where consensus failed to be arrived at. The fundamental lesson learned from this chapter is that Mauritius epitomises a developmental aspiration that became a reality even in the least encouraging economic circumstances and geographical position.

This chapter begins by exploring the historical evolution of the Mauritian economy. A shift from dependence on the sugar industry prior to dependence to a garment-dominated manufacturing in the late 1970s will be looked at. Illustrating the change of the world economy the economic landscape due to the world oil crisis during the eve of the 1980s, this chapter goes on to look at the structural adjustment regime imposed on Mauritius following request for financial assistance from the international financial institutions. This part further explores policies put in place to stimulate the export-oriented industrialisation through market fundamentalist policies of the Bretton Woods sisters in a bid to tackle unemployment. While it is evident in most African countries, notable Zambia, that the Bretton Woods did more damage than good, it is evident in the Mauritian case that it elicited converse economic results. Looking at the post-structural adjustment phase of the Mauritian economy, the relations between state and the business community will be accounted for as it will be learned in this part that the dialogue created a consensus on macroeconomic policies undertaken by the government.

Due to the change of trade preferences in the new millennium from the country's reliable market, the EU, along with the change of rules in world trade, this part explores the challenges both the sugar and garment industries of the Mauritian economy are confronted with. In this respect, the impact of the emergence of AGOA on the Mauritian textile industry will be explored along with the government's attempts to tap the SADC market amid others. While the country explores ways of stimulating information technology in a bid to diversify the economy and increasing competitiveness of the overall output of manufacturing, the

chapter in conclusion explores the fundamental challenges the Mauritian economy is confronted with. In this respect, issues surrounding education reform as well as the large variation of the use of technology between the large firms and small medium enterprises will be brought to the fore.

3.2. Historical account of Mauritius' Economic Trajectory (1964-1979)

During 1964-1972, the Mauritian economy had been characterised by stagnant economic growth, conservative approach to economic management and the emergence of a major unemployment problem. There was not a lot of foreign investment in the economy, while domestic savings did not show any improvement and the resource gap was maintained below 1 per cent of GDP whenever it did not show surplus²²⁴. This encouraged the government to follow a conservative economic policy as the government was more reluctant to borrow from external sources and thus Mauritius' total external debt outstanding amounted to only US\$32.6 million and debt service represented only 0.7 per cent of export earnings²²⁵.

Even though the economy was slackening, the labour force expanded at an annual average of 3.3 per cent reflecting a post-war population boom. Be this as it may, employment as well as relief work only grew by 2.1 per cent a year; thus from around 3,000 persons in 1962 unemployment had grown to reach a record level of 39.3 per cent in 1972, which was 14.9 per cent of the labour force to be precise²²⁶.

However the country's bleak economic outlook was to be temporarily over as the economy showed signs of economic resuscitation during 1973-1979 as the economy grew at the rate of 8 per cent. Such a positive economic outlook was largely attributed to the following factors: a) a sharp increase in world sugar prices, especially the good sugar crop years of 1973 and 1974 and the effect of the expansion of the sugar industry to the rest of the economy; b) the development of Mauritian exports of manufactured products; c) the increase in demand resulting from a government policy until the end of the decade of increasing

²²⁴ Devaux, Michel J.C.: Mauritius: Economic Memorandum: Recent Developments and Prospects, The World Bank Group: Washington, D.C, 1983, p. 2

²²⁵ Loc cit

²²⁶ Ibid. p. 3

wages and salaries faster than the cost of living to improve income distribution; and d) the growth of imports financed through extensive external borrowing²²⁷.

A lot of factors played an influential role in compelling the political leadership to explore policies that would reduce Mauritius' gross dependence on the sugar industry to diversification of the country's economic activities. One of them was the country's physical size along with massive population growth which surpassed the rate of employment. While the country attained the living standards of a middle-income developing country at the beginning of 1980s²²⁸, the population boom threatened the sustenance of that title. In view of the physical limit to sugar expansion and the pressures of population growth, the government adopted a series of measures to encourage the export of manufactured products and the development of tourism. These measures were designed to support the government's policy of employment creation and social objectives involving the provision for health care, education and food subsidies to the poor²²⁹.

However, during the course of 1979, it was apparent that Mauritius' economy was experiencing another phase of economic downturn. The economy was slackening and as a result of reduced growth of manufacturing exports, the government initiated restrictive demand management measures²³⁰. This was to be followed by the devaluation of the Mauritian Rupee by 30 percent in a bid to correct the balance of payments imbalance by restoring the competitiveness of the country's manufacturing industry. However, such attempts were to be proved to be in vain as the cyclones of 1980 reduced the sugar crop, and the appreciation of the dollar, to which the Rupee was related to through the special drawing rights (SDR), in relation to the currencies of Mauritius' main European export markets²³¹.

²²⁷ Ibid., p. 4

²²⁸ Loc cit

²²⁹ Ibid., p. 2

It was also indicated in this report that relative to her counterparts in the developing world, Mauritius' was among the front-runners in the provision of general education and health care services.

²³⁰ Ibid., p. 4

²³¹ Loc cit

3.3. The Drive towards Industrialisation and Development in the 1970s

Following the conclusions and recommendations of the Meade Report commissioned for the Royal Commission in 1960, which was headed by Professor J.F. Meade, debates around the economic direction the newly independent Mauritius had to take featured prominently on the country's macroeconomic discourse. The French plantocracy feared that focus on industrialisation would erode their influence on the economic front. The Meade Report highlighted *inter alia* that first and foremost, economic diversification was inevitable if Mauritius was to lessen dependence on the sugar industry. This could only be achieved through a massive industrialisation process. Reluctance to do so, it warned, would result in social and political unrest and economic bankruptcy²³².

In the light of the recommendations of the Meade Report, which implicitly suggested that the government adopts the strategy of import-substitution industrialisation (ISI), the government chose the latter over the option of undertaking the export-oriented industrialisation (EOI). Thus in order to encourage manufacturing activities in the economy for import replacement purposes, legislation was passed in 1964 whereby a host of incentives were offered to stimulate the setting up of these ISI industries. Those companies or industries set up within this legal framework were issued with Development Certificates (DC)²³³. See **Appendix C** regarding the specifics of Developmental Certificates Scheme.

While this strategy did succeed in setting up a certain number of industrial activities in the economy, it failed, however, to cope with the unemployment situation which worsened as the decade of the 1960s came to its end. Between 1964 and 1968 only 1200 jobs were created in those industries and the growth of the labour force surpassed that of job-creation, which was in the vicinity of 20 per cent²³⁴.

²³² Meade, J.F.: The Economic and Social Structure of Mauritius: Report to the Governor, Frank Cass & Co. Ltd: London, 1968, p. 230

²³³ YeungLamKo, Louis "The Economic Development of Mauritius Since Independence", available at www.docs.fce.unsw.edu.au/economics/Research/.../1998_6.pdf, School of Economics, University of New South Wales, 1998, p. 6

²³⁴ Loc cit

To antidote the stagnant trend in the economy, the government eventually decided to go with export oriented industrialisation (EOI) as it was adopted by the “Tiger” economies, drawing inspiration particularly from the Kao-Hsiung Export Processing Zone in Taiwan. Taiwan was even more of an inspiration for Mauritius because both islands share similar traits: an important agricultural sector, relative smallness of the domestic market and lack of natural resource endowment. Moreover, Taiwan had adopted an EOI strategy since the mid-1960s. As for other Asian Tigers such as Singapore and Korea, they switched to EOI strategy after the failure of ISI in those countries. In the case of Hong Kong, the EOI strategy was adopted in the 1950s placing it a decade ahead of Mauritius²³⁵.

As a result, through the passing of the Export Processing Zone (EPZ) Act No.51 of 1970, an exported processing zone, also known as a free zone, was created. According to Basile and Germadis²³⁶, “[a]n EPZ may be defined as an administratively, and sometimes geographically, distinct area enjoying special status allowing for free import of equipment and other materials to be used in the manufacture of goods earmarked for export. This special status generally involves favourable legal provisions pertaining taxation”. In most countries EPZs are restricted to specific areas in the country. In the case of Mauritius, although in the beginning were concentrated in an area called Plaine Lauzun, by 1980 export manufacturing firms were encountered all over the country²³⁷.

Since 1970-1977 market the initial phase of the EPZ and the very infancy of this sector of the economy, they struggled to get a foothold in the industrial landscape of the country. In this it saw the emergence of pioneering firms, most of which were local. They were aided by the sugar boom of 1973-1974, which provided the foreign exchange for import of raw materials and machinery. By 1977, 86 firms were in operation in the zone employing 17,474 workers, of which 80 percent were women²³⁸.

²³⁵ Ibid. p. 7

²³⁶ Basile, Antoinete and Germadis, Dimitri. : Investing in Free Export Processing Zones. Development Centre of the Organisation for Economic Co-operation and Development, OECD Publications: Washington, D.C, 1988, p. 20

²³⁷ YeungLamKo, Louis. Op. Cit. p. 8

²³⁸ World Bank.: Mauritius: Managing Success. The International Bank for Reconstruction and Development/The World Bank Group, Washington, D.C, 1989

Also crucial to the growth of this sector was the availability of plentiful supply of a literate and adaptable labour force which guaranteed low wages. Likewise there were also possibilities of foreign investors to enter into a joint venture with the local dynamic private sector which was not completely devoid of entrepreneurship as it became a tool of knowledge transfer, thus increasing the competitiveness of this particular sector of the economy. Most importantly the joining of the Yaounde II Convention in 1970 and its membership to the European Economic Community even before its former colonial master, the UK, to do join the European Common Market in 1973, had earned it preferential access to the European market²³⁹. The Yaounde II Convention was a special arrangement and agreement that France negotiated on behalf of its colonies in Africa. Developing countries belonging to the Yaounde Agreement were granted preferential trade arrangements such as the duty-free access of specified African goods into the EU²⁴⁰. Although Mauritius was controlled by Britain and not France, yet it was able to join this club simply because of its foreign policy as well as its cultural affinity with the French culture. This implied that trade restrictions would not apply on exports of products manufactured in Mauritius to the EEC countries²⁴¹.

During the first half of the 1970s, the EPZ project seemed to be paying off as manufacturing enterprises were set up and the level of employment was encouraging. This would not have materialised without the implementation of the Four Year Plan, a post-independence development strategy framework that sought to provide incentives by government in a bid to indirectly influence the allocation of resources in the economy by the government along with allowing significant amount of capital injection in the private sector of the economy²⁴². Through this strategy, the government allocated infrastructure necessary (such as roads, electricity and water-suppliers, training of labour, internal and external

The proportion of women employment into the EPZ has declined since the 1970s. By the 1980s the number sat at 66 per cent according to the World Bank. See Kusago Takayoshi and Tzannatos Zafiris, "Export Processing Zones: A Review in Need of Update", in World Bank, Social Protection Discussion Paper no. 9802, January 1998, p. 9

²³⁹ Lister, M. : The European Community and the Developing World, Gower, Aldershot, 1988, p. xiii

²⁴⁰ Ibid. p. 76

²⁴¹ Loc cit

²⁴² YeungLamKo, Louis. Op. Cit. p. 12

communications such as telephones, telex, air services and sea port facilities) to create a conducive environment for growth²⁴³.

The 1971-1974 Four-Year Plan set targets at output in the manufacturing sector, which excluded the processing of sugar and other agriculture-related manufacturing, to grow from Rs 54 million in 1969 to Rs 142 million in 1975. It yielded much desired results: The manufacturing sector's contribution to GDP in 1974 attained a level of Rs 214 million while the level of employment exceeded its target by reaching 30, 000 with almost 11, 000 jobs created in the new EPZ industries alone. In the same year the latter accounted for 9.5 per cent of the GNP²⁴⁴.

Even though the focus was not on the development of the sugar sector of the economy, the early days of the Four-year plan, which coincided with the 1973 oil crisis, saw the major expansion of this sector. The boom of the primary sector was crucial for Mauritius because the price of sugar on the world market skyrocketed during this period and reached record level of 300 pound sterling per ton in 1974 - a price tag that was way above average. During that time, Mauritius' access to major market was unhindered as it was still exporting its sugar to the United Kingdom under the Commonwealth Sugar Agreement (CSA), and to other countries that were a party to the Yaounde Convention²⁴⁵.

The market for sugar was certainly assured and the high demand of this commodity during that time of the century yielded much needed and desired financial gains for Mauritius. But such a prosperous transition was to prove to be both a blessing and poison gift to the economy of Mauritius. They were a blessing in the sense that the profits derived from the sugar boom were able to make the expansion and modernisation of the sugar sector as well as diversification into other sectors of the economy (such as manufacturing and tourism) possible, because as a result of foreign exchange control regulations, it was not likely to invest overseas²⁴⁶. So to a large extent, the economy was able to tone-down the effects of the

²⁴³ Loc ci

²⁴⁴ Loc cit

²⁴⁵ Ibid., p. 14

²⁴⁶ Alladin, Ibrahim. :Economic Miracle in the Indian Ocean : Can Mauritius Show the Way ?, Stanley: Rose-Hill, 1993, p. 103

1973 elevated oil prices as well as providing a major boost for the balance of payment, which was on a deficit.

However, the immediate effect of the booming of this sector was the large increase in wages and salaries, not only in the sugar industry, but in all the other industries of the private sector, government departments and parastatals. This resulted in price inflation to the economy. In addition, laws were passed in 1974 to maintain the real purchasing power of workers in the economy through the cost of living allowance or adjustment²⁴⁷. In essence, workers were compensated for any increase in prices occurring in the economy.

But the real inflationary effects on the domestic front were to be felt during the latter part of the 1970s. Certainly, it resulted in higher labour costs, higher water and electricity rates, high absenteeism, strikes and go-slows which all contributed to the lack of competitiveness of Mauritian products in the export markets, not leaving out disequilibrium of a balance of payment as a result of too much imports of consumption goods²⁴⁸. To aggravate the situation, the two cyclones that hit Mauritius in 1975 and 1979 (hurricane Gervaise and Claudette respectively), damaging a third of the sugar cane crop at the time when sugar prices were high²⁴⁹.

3.4. Structural Adjustment Regime in Mauritius (1979-1986) and the Development of Manufacturing-Dominated Economy

The economic activities of 1980 in Mauritius were extremely disappointing, despite an aggressive Export Oriented Industrialisation (EOI) strategy to diversify the economy away from mono-dependence on the sugar industry. In fact whilst the decade of the 1970s was launched, it was characterised by an ambitious economic programme whereby full employment of the economy was to be attained by 1980; however, in 1979, things on the economic front were depressing.

²⁴⁷ Loc cit

²⁴⁸ Loc cit

²⁴⁹ Loc cit

Notwithstanding the successful creation of the Export Processing Zone (EPZ), the level of unemployment was considerably high, in double digits. In 1980, the level of unemployment was 11 per cent and sky-rocketed to 17 per cent in 1983²⁵⁰. The lowest for the decade was less than 7 per cent in 1977 but rose to 7.1 per cent in 1978. Even on the macroeconomic front, diversification objectives did not reach much maturity as the sugar industry was still the dominant economic sector in terms of employment, output and export earnings. In 1979, the sugar industry accounted for 52,668 jobs or 22 per cent of total employment in the economy²⁵¹.

To add insult to injury, the two cyclones that hit Mauritius in 1975 and 1979 made economic recuperation almost impossible. In 1980, Cyclone Claudette destroyed much of the sugar crop by 30 per cent compared with 1979 and the impact of the shortfall was transmitted immediately to the rest of the economy, and there was a sharp decline of economic activity. Equally so, it was reported that the cyclone that hit Mauritius in 1975 reduced sugar output substantially and as a result, export earnings dropped dramatically in 1976 reducing the capacity to import for the economy²⁵².

As if that was not enough, in 1979, the second oil crisis, evoked 100 per cent increase in the prices of petroleum products, thereby hitting the world as well as Mauritius. To aggravate the situation, this time there was no corresponding increase in sugar prices to antidote the damaging economic and financial effects of this second oil price shock²⁵³.

The financial situation, indeed, was dire as Mauritius had only foreign currency reserves amounting to only two weeks of imports. In addition, the balance of payments was on disequilibrium, the aggregate of savings was low and the level of employment and inflation reached almost intractable economic proportions²⁵⁴. Having vainly sought financial assistance from other sources such as the Euro-currency market to prevent the dislocation of the economy, Mauritius' only hope at that juncture was the International Monetary Fund and

²⁵⁰ Devaux, Michel, J.C. Op. Cit. p. 4

²⁵¹ YeungLamKo, Louis. Op. Cit. p. 17

²⁵² Loc cit

²⁵³ Loc cit

²⁵⁴ Loc cit

the World Bank to explore the structural adjustment policy package for the economy which was approved in October 1979²⁵⁵.

To enable Mauritius to increase chances of its structural adjustment programme (SAP) succeeding, it required two structural adjustment loans (SAL) from the World Bank valued at US\$ 55 million and five IMF stand-by agreements totalling 320 millions of SDRs and supplemented by two other loans on a bilateral basis. At the same time, the first World Bank Structural Adjustment Loan for an amount of US\$ 15 million was also negotiated in April 1981, with the second one negotiated in 1982 and 1983²⁵⁶. Consequently, the Rupee was to be devalued and government expenditure was significantly reduced (in a bid to increase government revenue), but it was the primary goal of the structural adjustment regime to liberalise the trade sector by doing away with import restrictions. Be that as it may, it should be noted that the SAP regime in Mauritius was quite peculiar and different to other structural adjustments implemented elsewhere on the continent. It was different in the sense that it did not have drastic impact on the welfare measures in that country. The government refused to make drastic cuts in public spending, particularly on health care and education. This is what the Mauritian political leadership called ‘development with a human face’²⁵⁷ (more to follow in chapter four).

This period of structural adjustment, which lasted from 1979 to 1986, can be explained into three phases: 1979-1983, 1983-1986 and 1986-1993. The first phase of course was the implementation of the adjustment policies by Government and it was “more effective in reducing Government budget deficit than in correcting the external accounts, particularly the external trade balance” which remained largely in the negative territory²⁵⁸. To an extent, this was attributed to some non-tariff barriers to trade quotas in favour of Mauritian exports towards Europe and North America, joined with the high debt service ratio which moved from 15 per cent in 1981 to 23 per cent in 1983. Conversely, in the public sector, the government budget deficit fell from 14 per cent in 1980/1981 to only 6.4 per cent in

²⁵⁵ Ancharaz, Vinay Dey, “FDI and Export Performance of the Mauritian Manufacturing Sector”, in University of Mauritius, Department of Economics and Statistics, November 2003, p. 2

²⁵⁶ Loc cit

²⁵⁷ Sandbrook, Richard, et. al. Op. Cit. p. 76

²⁵⁸ Ibid. p. 19

1983/1984. Also the rate of inflation which was 42 per cent in 1980 dropped to 14.5 per cent in 1981 and 5.6 per cent in 1983. Be this as it may, there was no significant change in the curbing of unemployment as it remained at an all-time high of 17 per cent in 1983²⁵⁹.

The years 1983-1986 marked the second phase of the adjustment process and in that period the international economic environment had become more favourable. The prices of petroleum products and imported cereals by Mauritius had declined. Moreover, the Mauritian Rupee had been losing strength, world interest rates had dropped and the industrialised world displayed signs of economic recuperation²⁶⁰.

This was certainly good news for Mauritius as, once again, would be enabled to increase domestic economic activity, particularly in the EPZs and ultimately re-enter the Western markets at more cost-effective rates. This was surely the case in this phase of structural adjustment as it was marked by the achievement of strong economic growth due mainly to increased textile exports of the EPZ and the booming of the tourism sector of the economy as depicted in table 1-4 in **Appendix D**. Moreover the budget deficit was toned down to the level of only 3.3 per cent of gross domestic product (GDP) in 1986/1987 and for the first time in ten years the current account showed a budget surplus²⁶¹.

On the macroeconomic policy front, the government moved swiftly in taking drastic steps. To begin with, internal prices determination was on dependent free market forces and import policy had already been liberalised after 1983. Between 1968 and 1975 the government remained reluctant to interfere with the import sector. But because of the decline in the terms of trade due to fluctuating sugar prices in 1976 and imports accounting for virtually 60 per cent of GDP at factor cost²⁶², a package of import restrictions were adopted until 1982. They were then dealt away with in 1983²⁶³. Moreover, government put in action

²⁵⁹ Government of Mauritius, Development Plan 1984-1986, Ministry of Economic Planning and Development, Port Louis, 1985, p. 20

²⁶⁰ YeungLamKo, Louis. Op. Cit. p. 19

²⁶¹ Loc cit

²⁶² Ghosh, R.N, "Macroeconomic Policy and Structural Change in Mauritius", in Appleyard, R.T and Ghosh, R.N (eds.): Indian Ocean Islands Development, National Centre for Developmental Studies: Canberra, 1988, p. 78

²⁶³ Jhumka, Hamid, "Mauritius as a location for foreign investors", Paper presented at the workshop on Management and Usage of Export Processing Zones, Mauritius, 1988, p. 57

a comprehensive and accommodative tax system in a bid to encourage investors to set up more lasting firms as well as to encourage import substituting industries to export abroad²⁶⁴. Be this as it may, it is important to note that domestic investors got involved in the garment industry very early on and later surpassed FDI to the extent that a majority of the garment firms were now owned by Mauritian nationals, particularly the Indo and Franco-Mauritians²⁶⁵.

While the structural adjustment regime noticeably failed in many African countries, it is apparent that the effects of that regime had converse economic effects in the case of Mauritius. Certainly, the years of structural adjustment yielded a shift from monocrop dependence to a much more manufacturing-oriented economic character of Mauritius - thus indicating dramatic change in the economic landscape. Such development had much more socio-economic as well as macroeconomic benefits. Recall the sugar sector contributed over 20 per cent to the total GDP of the economy, but that figure fell to less than 14 per cent in the late 1980s. Even more astounding, the sugar imports which accounted for more than 60 per cent of export earnings in 1979 also saw a decline in its share of total export receipts in 1987 to 37 per cent. Conversely, the role of the EPZ had simultaneously become more influential both as a contributor to the total GDP, which recuperated from less than 4 per cent in 1979 to nearly 15 per cent in 1987, and a valuable foreign exchange earner²⁶⁶. This gradual evolution of the sugar sector would persist into the early 1990s. See Table 3.1 and 3.2 in **Appendix D**.

Years 1986 to 1993 marked the post-structural adjustment period of Mauritius economic development. Not only was it marked by impressive growth rates but it was also marked by the dispersion of effective protection rates among industries and sought to

²⁶⁴ Ghosh, R.N, *Op. Cit.* p. 90, Wellisz, S and Lam, Shin Saw, "Mauritius", in Findlay, R and Wellisz, S (eds.): *Five Open Small Economies*. Oxford University Press: New York, 1993, pp. 247-248

The tax was fixed at 15 per cent for EPZ industries and a tax of 35 per cent for import-substituting industries willing to invest abroad. Tax reduction would solely be based upon the proportion of output which is sold overseas.

²⁶⁵ Andersson Jen, Bonaglia Federico, Fukasaku Kiichiro and Lesser Caroline, "Trade and Structural Adjustment Policies in Selected Developing Countries", OECD Developmental Centre, Working Paper No. 245, July 2005, p. 41

²⁶⁶ YeungLamKo, Louis. *Op. Cit.* p. 22

It is to be note that in 1979, share of EPZ exports in total exports was 25 per cent and it reached 58 per cent in 1989.

promote exports by providing overseas marketing support and preferential interest rates on development loans. Export and investment promotion became more intensified during this phase of structural adjustment and it was also coupled with the creation of institutions such as the Mauritius Export Development and Investment Authority (MEDIA)²⁶⁷ to overlook progress and growth along with streamlining and regulation in that respect. These institutions became part and parcel of a strong public framework for promoting business. Moreover, the economy became more out-ward oriented and market-oriented focuses than in the previous years²⁶⁸

It is no surprise that by the mid-1990s, Mauritius possessed one of the most liberal economic regimes in Africa with import bans imposed only on second-hand motor vehicle spares and explosives²⁶⁹. This is made apparent by tax incentives provided by the government of Mauritius in the mid-1990s dating back to the early days of the export oriented industrialisation of the 1970s, thus making Mauritius an investment destination (see **Appendix E** for specifics regarding investment incentives). This helped Mauritius to become more and better integrated into the world economy. However, it is also implied that Mauritius was becoming more dependent on the external economic circumstances for its survival and the continuation of its well-being, particularly through its links with the EEC, the Sugar Protocol of the Lomé Convention and free access of its manufactured products to the European Union²⁷⁰.

While economic liberalisation of the Mauritian economy is owed to the structural adjustment regime²⁷¹, it is imperative to note, however, that at the end of the programme the Government of Mauritius still remained apprehensive to apply policies recommended by the Washington

²⁶⁷ Other institutions that were erected during that phase of economic growth in Mauritius were the National Productivity and Competitiveness Council (NPCC), Industrial Vocational Training Board and Development Bank of Mauritius (DBM) which has played a key role in providing long-term financing and investments in infrastructure to the garment industry. See Andersson Jen et. al Op. Cit. p. 41

²⁶⁸ Wignaraja, Ganeshan, "Firm Size, Technological Capabilities and Market-Oriented Policies in Mauritius", in Oxford Development Studies, vol. 30, no. 1, 2002, p. 92

²⁶⁹ Loc cit

²⁷⁰ Loc cit

²⁷¹ This point no way tries to discount the liberal nature of EPZ from the very take-off of export-oriented manufacturing in the early 1970s

Consensus to exist in its pure form. In fact, Mauritius was classified in the early 1990s as one of the least open countries in the IMF Trade-restrictiveness Index²⁷². While the government provided tax incentives for foreign investors, it carefully monitored their entry by limiting openness of priority sectors such as EPZs, tourism and banking by putting constraints on foreign ownership. For instance, the government, concerned with over-capacity in hotel rooms in the 1990s, restricted entry of foreign investors, especially in the sector of small hotels. Unlike in some countries, domestic investment in EPZs in Mauritius was strongly encouraged²⁷³. As a matter of fact, most investors in Mauritian EPZs are national companies. *This enabled the government to foster the establishment of strong links between the EPZ and the rest of the economy.*

At the same time the tourism sector featured prominently as the third leg of the economy during this phase of economic progression in Mauritius, and continues to do so to date. Ironically, this is the sector of the economy that was not given consideration in the Meade recommendations to the Governor of Mauritius in 1961 as it was deemed too weak a sector to make a meaningful contribution to economy. Whilst the sector possessed the potential for growth prior to independence, it came as no surprise that the economic prospects of this sector as well as the possibility of becoming the third leg of the economy were gloomy. In 1954 there were only 1803 tourists visiting the island, but by 1964 the number had grown to 10 000 and almost three-fold during the boom years of the mid 1970s. Such growth however, was not without turbulence. There were an inadequate number of hotels with limited hotel capacity. But that was to be cured in the late 1970s as the number of hotels increased significantly²⁷⁴.

Due to very vigorous advertising campaigns, better communication networks through Air Mauritius to Europe and first-rate and improved hotel accommodation in the country, in 1991, almost 300, 000 tourists visited the island, thus creating in its wake much needed

²⁷² _____. "The New Emperor's New Clothes: Why Rich Countries want a WTO investment Agreement", in *Oxfam Briefing Paper*, no.46, <http://www.citizen.org/documents/wtoinvestoxfam.pdf>, p. 20

In the early 1990s Mauritius elicited a rating of 10, the highest rating possible category of policy restrictiveness. It was only in the late 1990s that conventional measure of trade protection started to decline.

²⁷³ Loc cit

²⁷⁴ YeungLamKo, Louis. Op. Cit. p. 13

employment and bringing into the country substantial foreign exchange as gross earnings reached the level of Rs.4 billion²⁷⁵. By the end of the 1980s or early 1990s, it can be said that the economy of Mauritius was walking on three legs: sugar production, EPZ manufacturing and the tourism sector.

However given the population size Mauritius possessed and the booming economic growth that country was experiencing, it had become clear by the early 1990s that the country had become a victim of its own success. By early 1990s, it can be said the country had reached full employment as the record level of unemployment was below 3 per cent. Moreover, for the first time since the days of indentured labour in the 19th Century, Mauritius was compelled to import some labour from China and Sri Lanka to work in the EPZ manufacturing industry²⁷⁶.

This booming phase of the Mauritian economy had other economic repercussions too and the most noticeable one was the high inflation rate which had reached double digit figures in 1989 and 1990 although it had been brought down to 7 per cent in 1991²⁷⁷. This would have important repercussions in the economy as the competitiveness of its exports would be undermined. On the wage front, workers had also been granted substantial increases, which were partly responsible for the sharp increase in prices in the economy²⁷⁸.

3.5. Public Sector - Private Sector Dialogue

While the well-managed investment incentives and promotion have played an important role in attracting foreign enterprises, allowing them to exploit the country's comparative advantage to the fullest extent, however a key element for success has been the country's stable and inclusive democratic traditions (as they were dealt more in-depth in the previous chapter) -- of which the participatory facet of this deeply embedded tradition

²⁷⁵ Ibid. p. 22

²⁷⁶ Ibid. p. 23

²⁷⁷ Loc cit

²⁷⁸ Loc cit

became the key defining factor of government relations with the private sector in general and particularly the garment sector.

Firstly, the government was responsive to demands from the business groups to establish the EPZ in 1970. Secondly, a deal was struck between sugar exporters and the government; as the property rights of the sugar owners were guaranteed while a share of the sugar rents was transferred to the public sector. In that way earnings derived from the sugar exports were available for private investment in the garment industry, while the government could pay for civil servants and social protection (refer to next chapter on social policy). Moreover, the private sector and organised working group participates in trade policy discussion and negotiations which is made possible through its apex organisation, the Joint Economic Council (JEC)²⁷⁹, thus enhancing the possibility to reach an outcome supported by all sectors and stakeholders involved. It is corporatist character of Mauritius' governance that ensured that the interests of all stakeholders are taken into account before major decisions are taken. A corporatist society is the one "in which policy is the outcome of competing interests mediated by the state, but of 'concentration', a social partnership' between 'peak' or encompassing representative organisations",²⁸⁰

While a relationship exists between the government and labour, it is worth-noting that Mauritius has a centralised and highly regulated industrial relations system. The Industrial Relations Act, enacted in 1973 has made it difficult for unions to state a legal strike; and the prime minister has the authority to determine even a legal strike unlawful, especially if according to his discretion, it is deemed to pose severe economic risks²⁸¹. Not only does this contradict the fundamental tenets and principles sought in any democratic regime, but this regulation has become irrelevant in current day Mauritius given the country's economic achievements thus far. Notice should be taken on the year of the enactment of this legislation. It was enacted during the early phase of the export processing zones in that country.

²⁷⁹ The JEC operates as the coordinating body of the nine major multi-sectoral institutions and industry associations in Mauritius. These include: Chamber of Commerce, Chamber of Agriculture, Employers' Federation, Sugar Producers' Association, Export Processing Zone Association, Bankers' Association, Insurers' Association, and Hotels and Restaurants Association. See <http://www.jec-mauritius.org/>, accessed on 02 September 2009

²⁸⁰ Warda, Howard, J.: Corporatism and Comparative Politics: The Other Great'Isms", New York: Columbia University Press, 1997, pp. 29-30

²⁸¹ Sandbrook, Richard. Op. Cit. p. 2005, p. 563

3.6. Challenges and Opportunities for Growth

While the mid-1980s paved a path for a successful developmental trajectory right into the 1990s, current day Mauritius is confronted with economic challenges. These will certainly have an impact on the efficacy of the welfare state in Mauritius, but the government has come-up with creative ways to antidote this turbulence.

3.6.1. Is AGOA a disincentive or a functional tool for economic growth in Mauritius?

There is no doubt that the rise of China and India as efficient producers for quality textiles and clothing at lower prices since the advent of the new millennium pose a serious peril to the Mauritian textile and garment industry. Therefore the existence of the African Growth and Opportunity Act (AGOA), passed in May 2000 was a much welcomed development by the Mauritian government as it would guarantee unhindered access to the American market. AGOA seeks to spur African exports by offering duty-free and quota-free entry to products, like textiles into U.S. market. Certainly AGOA has a critical role to play in stimulating initiatives from both public and private sectors. The U.S. represents a vast market for products of Sub-Saharan Africa. The region accounts less than two percent of U.S. merchandise imports, which indicate huge potential for trade growth²⁸².

Speaking at the second annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum in 2003 Port Louis, former Prime Minister Jaugnauth, hailed AGOA as the catalyst for Africa to move out of poverty and underdevelopment²⁸³. Despite AGOA's ostensibly broad product coverage, it seems however, that AGOA has failed to benefit Mauritius in sectors other than the textile and clothing industries. According to the United States International Trade Commission released in the Trade Law Centre for Southern Africa (TRALAC). The data reveals that the country's exports are still largely concentrated in the garment sector which in 2003 accounted for 90 per cent of exports to the U.S. Even more staggering, over the first three months of 2004, this figure rose to 91 per cent of total US-

²⁸² Naumann, Eckart, "Mauritius: AGOA Benefiting only the Textile-Clothing Industry", in Trade Law Centre for Southern Africa (TRALAC), available on <http://www.agoa.info/?view=.&story=news&subtext=336>, 01 June 2004, accessed on 07 September 2009

²⁸³ AGOA News, "Market Access Moves Africans out of Poverty, Say Mauritian Prime Minister", in Trade Law Centre for Southern Africa (TRALAC), available on <http://www.agoa.info/?view=.&story=news&subtext=77>, 13 January 2003, accessed on 07 September 2009

bound trade²⁸⁴. Together with textiles, Mauritius has exported electronic products and minerals (non-industrial diamonds), yet only the clothing sector has benefitted from the AGOA arrangement. AGOA extends duty-free market access to approximately 7,000 tariff line items, of which approximately 2,400 were not eligible for Generalised System of Preference (GSP) benefits, which qualify also duty-free market access.²⁸⁵

Even though Mauritius has significantly grown AGOA-eligible exports from US\$ 39 million (out of a total of US\$275 million) in 2001 to US\$ 135 million (out of a total of US\$ 298 million) in 2003, the focus of Mauritius' exports to the U.S. in the clothing industry is largely in accordance with the country's domestic industrial capabilities²⁸⁶. These in turn were brought about by economic policies that guided the country away from its dependence on the sugar industry.

While AGOA affords Mauritius an excellent opportunity to further diversify their export market and the upgrading of domestic enterprises with regards to improving the quality of products and services, stimulation of innovation and productivity as well as competitiveness, it has resulted in the dominance of one sector being replaced by that of another -- which has resulted in Mauritius becoming vulnerable to global developments in the textile industry and clothing industries. For instance, the WTO's Agreement on Textiles and Apparel, which was commonly known as the Multi-Fibre Agreement (MFA), saw the phasing out of quotas in January 2005, which exposed Mauritian producers to much more efficient and competitive Chinese and Indian producers²⁸⁷. Therefore it is apparent that AGOA has failed to increase Mauritius' overall exports to the U.S. even in the clothing industry, hence, the 17 per cent year-on-year decline since 2004²⁸⁸. It has though, lowered the

²⁸⁴ Naumann, Eckart, Op. Cit. p. ____

²⁸⁵ Loc cit

²⁸⁶ Naumann, Eckart, Op. Cit. p. ____

²⁸⁷ Writing in 1998, *The Economist* gave a fore-warning that Asian competitors are the biggest threat to the Mauritian miracle: "...surprises don't go well with the Mauritian private sector and the crises in South East Asia came as a particularly nasty one. In the past decade Asian style policies in Mauritius produced an export-led boom which transformed this previously sugar dependent economy into a mini miracle, an African tiger cub. Now Mauritian textile prices are being undercut by cheaper Asian garments..." See *The Economist*, "Miracle in Trouble", 28 February 1998, p. 47; also see: Bunwaree, Sheila, "The Marginal in the Miracle: Human Capital in Mauritius", in International Journal of Educational Development, vol. 21, 2001, pp. 257-271

²⁸⁸ Loc cit

aggregate tariff faced by Mauritian exports by increasing the share of goods entering the U.S. duty-free²⁸⁹. Certainly, AGOA is perpetuating the dominance and over-dependence of one sector as attention is devoted to that specific sector of the economy, thus discouraging further diversification of services within respective sectors of the economy.

Even though AGOA appears as an antidote to mitigate the harsh economic reality of reduction of trade preferences from the EU, the truth of the matter is that the global revision of trade rules led to a steep contraction of the EPZ and the sugar sector, thus leading to important job losses. Women in this case are the most affected, which Sheila Bunwaree²⁹⁰ describes as the “feminisation of poverty”. But the irony about the unemployment situation in Mauritius - which sits at 9 per cent - is that whilst it sheds-off labour from the EPZ, there is an increasing number of foreign workers, especially women from China and Sri Lanka to work in the EPZs²⁹¹.

3.6.1.1. Feminisation of Poverty in Mauritius in a rapidly expanding economy

If anything is solely responsible for the perpetuation of feminisation of poverty in Mauritius, it has to be the country’s rapid level of growth which needs to be matched by equally efficient and highly skilled human capital, along with the increased competition world-wide in basic, low-tech and mass market manufactured textiles. Consequently, this has put the viability of the EPZ that was so instrumental in the 1970s in the diversification of the Mauritian economy away from its colonial mono-crop sugar economy. Given the fact that women count for 70 percent of the labour force in the textile industry, restructuring programmes are affecting women in employment more adversely than their male counterparts²⁹². The Ministry of Women Rights, Child and Development and Family Welfare (MWRCDFW) estimates that 27 percent of women textile employees have been thus

²⁸⁹ Loc cit

²⁹⁰ Bunwaree, Sheila, “The Ballot Box and Social Policy in Mauritius”, in Bungura, Yusuf (ed).: Democracy and Social Policy, New York: Palgrave MacMillan, 2007, p. 239

²⁹¹ Loc cit

²⁹² Day-Hookoomsing, Patricia, “Women and the New World Economy: an island’s experience”, in Women in Management Review, vol. 17, no. 7, 2002, p. 312

affected. The overall unemployment rate for 2000 stood at 9.6 percent, about 48, 100, compared to 2.1 percent in 1996, about 10, 00 people²⁹³.

The projections for the first quarter of 2002 show 50,000 unemployed. On the whole, 13.1 percent of women of an age to work are unemployed, as opposed to 6.3 percent of men²⁹⁴. Breaking these figures down by education level clearly depicts that there are now two generation of workers: the pre and post 1976 generations, with very different levels of potential to adapt to the new high-tech economy. A total of 62 percent of unemployed women have not passed the School Certificate and 27 percent of these women did not even pass the Certificate of Primary Education. Day-Hookoomsing²⁹⁵ maintains that the generation of women who formed the bulk of the workforce in the textile industry at its beginnings in the 1970s “had and still has only basic skills for routine manual machining and make-up”. Their elementary literacy and numeracy skills have become utterly inadequate in the present sophisticated economy. To date they are being overtaken by the younger post-1976 generation who enter the labour market with a higher level of basic skills and more potential to progress.²⁹⁶

Since the year 2000, as part of the restructuring process, numerous factories have had to close down and one of the leading and oldest textile factories implement a major cut-back programme for the first time in its existence²⁹⁷. This torment could be felt by women in the 45-plus category who were made redundant for over three decades. Day-Hookoomsing²⁹⁸ recalls that these women were concerned about “mortgage repayments, feeding the family and paying for decent health-care, all of which depended on both the husband and wife working”.

As a matter of fact, the situation in Mauritius with respect of the role of women in the economy depicts a consistent trend of women many countries of all women all over the

²⁹³ Loc cit

²⁹⁴ Ibid. p. 313

²⁹⁵ Loc cit

²⁹⁶ Loc cit

²⁹⁷ Loc cit

²⁹⁸ Loc cit

world, especially those in the emerging markets, the NIC's and the Small Island Developing States (SIDS)²⁹⁹. In these countries, it is shown that economic necessity can still correspond with basic survival in the absence of sophisticated social welfare systems covering unemployment and child welfare benefits. Moreover, if there is any lesson to be derived from Mauritius in this context is the fact that the latter has grown to become a victim of its own success.

3.6.2. Exploiting the untapped market in SADC

Given the change of rules in governing trade within the context of developing countries accessing the European markets (and Mauritius in particular), the government of Mauritius is exploring the market in the Southern African Development Community in a bid to diversify its sources of export earnings and not allow the Western market to be the sole driving force of the Mauritian economy. This is also seen as a move to reduce dependence on the American market and terms of trade. Therefore the shift of attention from the European market to SADC is only strategic for Mauritius since both the US and EU have removed the quota system that had protected European, American and Canadian textile industries from cheap Asian imports while guaranteeing easy access to African textile and apparel producers³⁰⁰.

The phasing out of the Multi-Fibre Agreement in January 2005 suggested a gloomy picture for those developing countries that remained highly dependent on the textile market. With the European market more liberalised, thus reduced preference of textiles for the ACP countries under the auspices of the Lomé Convention, developing countries (including Mauritius) were left no choice but to have to compete with their cheap and more competitive Chinese and Indian textile producers. It was reported just before the wrapping up of the Lomé Convention that the accession of China into the WTO in 2005 was already overwhelming the market on the textile front. The report highlighted that China accounted for about 17 percent of global textile sales and it was believed that this figure could rise to 50 percent³⁰¹.

²⁹⁹ Loc cit

³⁰⁰ Loc cit

³⁰¹ Appelbaum, Richard, P, "Assessing the Impact of the phasing-out of the Agreement on Textiles and Clothing on Apparel Exports on the Least Developed and Developing Countries", in Center for Global Studies,

As for countries of Southern Africa, the situation could not get worse than this. Unable to withstand tough competition from their Chinese and Indian counterparts, the result was the closing down of many firms in SADC. In the case of Mauritius to be precise, 30 companies (between 2003 and 2005) that employed 15, 000 textile workers shut-down, thereby resulting in high unemployment³⁰². Not only did the turn of the century spell the end of the safety-net provided by trade preferences of the EU for the Mauritian textile sector, but the sugar sector was dealt a severe blow as it also saw the reform of the EU Sugar sector reforms. The Sugar Protocol has been dismantled and a drastic cut in the guaranteed price of sugar by 36 percent over four years, which started in 2006. The EU has also reviewed its non-reciprocal preferential treatment of the African Caribbean and Pacific Group of States (ACP) to be compatible with the World Trade Organisation (WTO) international trade regulations. This paved the way for trade between Mauritius and the EU, which will be based on the new arrangements under the Economic Partnership Agreement (EPA)³⁰³. No study exists detailing the impact of EPAs to Mauritian exports to the EU currently, but it is anticipated (if it is to be conducted) that Mauritius faces, if not failing to keep up with stiff competition in the European market, particularly from its Chinese and Indian counterparts.

In light of the above developments, SADC possesses a potential market which is yet to be tapped by Mauritian exporters. The establishment of Free Trade Area (FTA) in SADC on 17 August 2008 provides even more of a reason for Mauritius to deeply penetrate that market. Moreover, it has been estimated that the formation of the FTA creates a regional market worth US\$ 360 billion with a population of 170 million³⁰⁴. One of the obvious attractions and benefits of the SADC FTA is the elimination of tariffs and trade barriers

Institute for Social, Behavioural and Economic Research, available at:
<https://escholarship.org.uc.item/2z94r6z1>, May 10, 2004, p. 13

³⁰² AGOA News, “Mauritius: Country Eyes Southern Africa as US, EU Textile Exports Founder”, in Trade Law Centre for Southern Africa (TRALAC), Available at <http://www.agoa.info/index.php?view=.&story=news&subtext=692&term=rkets>, 27 June 2006, accessed on 08 September 2008

³⁰³ Ragoour, Vishal, “Mauritius: New AGOA amendment gives textile sector a breather”, in Trade Law Centre for Southern Africa (TRALAC), available at: <http://www.aoa.info/?view=.&story=news&subtext=980>, 15 October 2009, accessed on 08 September 2009

³⁰⁴ Narrainen, Rooma, “Launching of the SADC FTA”, <http://www.mcci.org/readmorechamber.aspx?id=368>, 18 August 2008, accessed on 07 September 2009

among member states on an estimated 85 per cent of all trade on goods³⁰⁵, which is a welcome development for Mauritian exporters.

This development suggests that Mauritian exports to the SADC region will experience a much more enhancing curve complementing the already increased exports to the region. Since 2006 exports to some SADC countries increased substantially with South Africa being Mauritius' second-largest regional market after Madagascar with domestic exports reaching Rs. 2 billion in 2007³⁰⁶. The rapid growth of Mauritian exports to South Africa is attributed to largely the domestic exports of textile and garments which amounted to nearly Rs. 1.5 billion in 2007 with the top exports being t-shirts, trousers and jerseys. Moreover, the South African market now accounts for 5 per cent of the total value of Mauritius' domestic exports for textile and garments³⁰⁷.

Mauritius joined SADC in 1996 and it has been actively involved in developments affecting trade and business-related matters and the country was an active member of a team which negotiated the SADC Trade Protocol. Since the implementation of the Trade Protocol, Mauritius has invested significant amount of time and resources by participating regularly in meeting of the SADC Trade Negotiating Forum to further the trade integration process³⁰⁸. In addition, the country has played a leading role in the launching of the Association of SADC Chamber of Commerce and Industry (ASCCI) and held the Chair and Secretariat of the Association for three years. The slow take-off of preferential trade under SADC remains a concern though³⁰⁹. In addition, Mauritius is also a member of the COMESA (Common Market for Eastern and Southern Africa) FTA, where most of its intra-COMESA products are destined to Madagascar, Seychelles, Kenya, Zimbabwe and Comoros³¹⁰.

³⁰⁵ Mbola, Bathandwa, "SADC launches free trade area", in <http://www.southafrica.info/africa/sadc-fta.htm>, 18 August 2008, accessed on 08 September 2009

Malawi, Angola and the Democratic Republic of Congo are yet to join the FTA

³⁰⁶ Narrainen, Rooma, Op. Cit. p. _____

³⁰⁷ Loc cit

³⁰⁸ Loc cit

³⁰⁹ Loc cit

³¹⁰ COMESA, "Mauritius: Regional Perspective 2007-2008", http://about.comesa.int/attachments/028_Mauritius_country_profile.pdf, p. 1

3.6.3. Expanding horizons into Africa

While Mauritius participates in intra-regional economic activities through SADC and COMESA FTAs, the country envisages large economic gains to be reaped from investing within the rest of Sub-Saharan Africa (SSA). The project to invest elsewhere in the region has been facilitated by the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank also headquartered in Washington, D.C. The agency is working to further strengthen relations with the local business community, creating combined-efforts that will continue to support development into the SADC region and other parts of Africa³¹¹.

For the second year running, the Board of Investment (BIO), which was created in 2000 to promote and facilitate investment, foreign and local, officially has supported and facilitated MIGA's missions to Mauritius. These missions have certainly put MIGA as a value-adding institution to cross-border investors to and from Mauritius. The BIO office has helped to identify more than 30 investors with the potential of using MIGA services. MIGA may not have any exposure in Mauritius, but it does support Mauritian investors venturing abroad³¹². At this juncture, the agency's total outstanding exposure resulting from Mauritian sponsored investment reached a sum of US\$ 54.3 million, in support of the investments in the agribusiness, infrastructure and tourism sectors in Burundi, Madagascar and Mozambique³¹³.

Since 2002, MIGA has issued four contracts guaranteeing a total investment of US\$ 58.6 million in support of an agribusiness project by Mauritian investors in Mozambique. MIGA has also provided technical support to the Mauritian Export Development and Investment Authority (MEDIA)³¹⁴. Given the favourable investment climate in Mauritius, the role of MIGA *per se* is relatively limited, relative to its role in facilitating Mauritian investments in nearby African countries. With the International Finance Corporation (IFC) present in Mauritius, focus in the next few years would be directed towards the promotion of foreign direct investments (FDI) by Mauritian entrepreneurs in countries such as Madagascar,

³¹¹ World Bank, "Mauritius Country Brief: Key Facts", in <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/MAURITIUSEXTN/0,,contentMDK:20211139~pagePK:1497618~piPK:217854~theSitePK:381974,00.html>, September 2008

³¹² Loc cit

³¹³ Loc cit

³¹⁴ _____. "MIGA in Mauritius", http://www.miga.org/projects/index_sv.cfm?pid=688

Mozambique, Tanzania and Comoros³¹⁵. Likewise, Mauritian entrepreneurs have entered into joint ventures³¹⁶ in information technology (IT) in Namibia and elsewhere³¹⁷.

However, it seems success in this endeavour for the Mauritian government would not require the assistance of MIGA alone. Surely, it equally requires a great deal of entrepreneurial spirit and competitive edge of services stemming from the Mauritian business society so as to withstand tough competition from similar investors who have already made their mark (and presence) on mainland African continent. Certainly *Mauritius is confronted with a serious challenge of creating a reputation that will enable it to penetrate that particular market.*

3.6.4. Adding a New Dimension to the Tourism Sector

Notwithstanding its modest beginnings, the tourism sector has been seen as a beacon of hope for robust economic growth and employment creation particularly at this juncture of the erosion of trade preference and change of rules of trade within the WTO. To antidote this situation the government has added a new dimension to the tourism sector. Drawing inspiration from the United Arab Emirates (UAE) city of Dubai and Singapore, the government of Mauritius announced in April of 2004 of the creation of duty-free shopping paradise on the island in a bid to re-invigorate the tourism sector. As a result 80 per cent of tax was abolished on around 1, 850 different types of goods: fabrics, clothing, electronic's and jewellery³¹⁸.

This is in the wake of the sharp decline in prices and preference of country's major export commodities, particularly the sugar and textile industry. As noted above, in the case of the textile industry to be precise, this sector is facing rigorous competition of exports from

³¹⁵ Loc cit

³¹⁶ Sandbrook, Richard, "Origins of the Democratic Developmental State: Interrogating Mauritius", in Canadian Journal of African Studies, vol. 39, no. 1, 2005, p. 775

³¹⁷ Lincoln, David, "Beyond the plantation: Mauritius in the global division of labour" in Journal of Modern African Studies, vol. 44, no. 1, 2006, p. 73

³¹⁸ Newhouse, Doug, "Duty-free plan in Mauritius", in Travel Retail Executive News Digest (TREND), available at <http://www.trend-news.com/default.asp?newsid=149>, 06 April 2005, accessed on 08 September 2009

China and India which are eroding Mauritius global market share. According to Central Statistics Office (CSO), presently the island is attracting 930,456 tourists a year, a figure that shows a huge variation in the number of tourists that visited the country in year 2007 -- which was 906, 971 -- with the majority of arrivals coming from Europe but recently the sector has also seen a steady increase of tourists from Africa.³¹⁹

With regard to hotel capacity; over the years, Mauritius has seen a steady rise in the number of hotels. In December 2008 for instance, there were 102 registered hotels in operation with a total room capacity of 11, 488 and 23, 095 bedplaces³²⁰. Be that as it may, concerns remain in Mauritius by industry analysts over liberalisation of the Mauritian economy on the basis that it will afford countries like South Africa an opportunity to dump their goods and expose local manufacturers to unfair foreign competition, particularly on the textile and clothing industry which have over the years been inextricably linked to the success of Mauritius' economy.

Notwithstanding such encouraging developments about the country's tourism sector, the latter has suffered setbacks after the 2004 Tsunami that hit the islands of the Indian Ocean³²¹. Moreover, natural disasters coupled with the fear of terrorism can have a damaging effect on the industry.

3.6.5. The Rise of the New Sector of the Economy: Could the ICT sustainably be the fifth leg of the Mauritian Economy?

Given the economic environment Mauritius finds itself in, given, the phasing out of the sugar and textile preference, there is no doubt that it will be difficult for the country to realise a sustainable growth rate equivalent to what it had achieved in the past -- which the

³¹⁹ Central Statistics Office (CSO), "International Travel and Tourism, Year 2008", Ministry of Finance and Economic Empowerment, available at: <http://www.gov.mu/portal/goc/cso/ei746/toc.htm>, 2008, Accessed on 07 September 2009

³²⁰ Loc cit

See also, AGOA News, "Mauritius: A Duty Free Island in the Making", in Trade Law Centre for Southern Africa (TRALAC), <http://www.agoa.info/?view=.&story=news&subtext=588>, 12 September 2005, accessed on 08 September 2009

³²¹ Loc cit

aforementioned sectors played an enormous role in that regard. Thus the possibility of accentuating growth would depend primarily on the performance of its service sectors, and the relatively new pillar of the economy; namely, information and communication technology (ICT).

Surely Mauritius has taken this sector seriously, as it is not only envisaged as a potential source of growth for the economy over a medium term but as a means to buttress business processes in this knowledge-based economy where information will flow within and across economic activities, thereby resulting into an increase in value-added at national level³²². This is in accordance with the endeavours of the National Information and Communication Technology Strategic Plan (C) of making the ICT sector the fifth leg of the economy, after the garment, sugar and banking sectors respectively. In this respect, a concessionary loan of US\$100 million has been secured from the Government of India to build a cyber tower that will house several entities involved in business products outsourcing through intensive use of ICT networks³²³. It is anticipated that further funding will come on the fore as the project gains momentum.

The goal of developing Mauritius as a cyber island is certainly within the government's reach. Mauritius has the labour force potential as it possesses 1500 IT professionals³²⁴. However, according to the recommendations of the United Nations Conference on Trade and Development (UNCTAD) on the investment policy of Mauritius, a rapid increase of such personnel is paramount if the IT sector is to fully develop. Secondly, Mauritius possesses the workforce that can communicate in both English and French. This

³²² Government of Mauritius, "National ICT Strategic Plan 2007-2011", in Ministry of Information and Communication Technology, http://www.gov.mu/portal/site/telcomit/?content_id=bdcf551cf8b86110VgnVCM1000000a04a8c0RCRD, accessed on 14 September 2009, 11 September 2009

Further detail available at Republic of Mauritius, "NICTSP National Strategic Plan 2007-2011", <http://www.gov.mu/portal/goc/telecomit/files/NICTSP.pdf>, 2007, pp. 1-184

³²³ UNCTAD, "Mobilizing Domestic Financial Resources in Africa: Mauritius Case Study", in United Nations Conference on Trade and Development (UNCTAD), http://www.unctad.org/sections/ldc_dir/docs/ldc2007_008-Mauritius_en.pdf, July 2007, p. 5

³²⁴ UNCTAD, "Investment Policy Review: Mauritius", in United Nations Conference on Trade and Development (UNCTAD), Geneva, 2001, also available at: http://www.unctad.org/en/docs/iteipcmcs1_en.pdf, p. 60

certainly will enable the Mauritian firms to work with both English and French partners, in terms of collaborative programming or providing technical support³²⁵.

Furthermore, Mauritius boasts a pool of skilled diaspora of professionals around the world, which if lured back can be instrumental in building the IT sector. Some of the international firms that have set up IT operations in Mauritius, including MR Services Ltd and CAPS Logistics, which recently acquired by the Dutch company, Baan, did so because of a personal connection to Mauritius among a decision-maker at the parent company³²⁶. Be that as it may, few international IT managers responsible for international site selection are aware of the potential of Mauritius³²⁷. Thus the Government is faced with the challenge to determine how best it can reach out to individuals in the diaspora to seek their help in branding Mauritius as an IT centre.

Notwithstanding the strengths noted above, Mauritius is confronted with major shortcomings. While the existence of a pool of IT professionals is encouraging for the materialisation of the IT hub ideal, the 1,500 IT professionals the country possesses remains insufficient to build a vibrant IT sector. According to the National Information Technology Strategic Plan (NITSP), Mauritius needs to produce over 6,000 IT professionals and without a concrete plan of action and the full backing of the Government for human resource development of IT professionals, the development of a vibrant IT sector in Mauritius will be hindered³²⁸. To address this problem in particular, it has been suggested that inclusion of IT into senior levels of the school system and through delivery of an IT literate workforce for national development will be paramount in this regard³²⁹.

The second fundamental shortcoming of Mauritius' IT sector is the cost of local and international telephone services and internet access which are high by world standards and is a weakness for Mauritius in trying to attract foreign investment. Relative to most countries in

³²⁵ Loc cit

³²⁶ Loc cit

³²⁷ Loc cit

³²⁸ NITSP, "Mauritius National Informational Technology Strategy Plan: Integrated Strategic Action Plan for 1998-2005", National Computer Board (NCB), <http://www.gov.mu/portal/sites/nictspncb/nictsp1/NITSP%20Summaryv3.pdf>, November 1998, p. 9

³²⁹ Loc cit

Sub-Saharan Africa³³⁰, Mauritian international calling rates are lower but higher than in many parts of the world. To be internationally competitive, Mauritius needs to benchmark itself with countries such as Singapore which has brought down its telecommunication charges to Organisation for Economic Co-operation and Development (OECD) countries since 1997³³¹.

Furthermore, the lack of international players in Mauritius plays a major inhibiting role. This is precisely because international players watch where competitors, and certainly firms from other industries, are investing internationally, assuming that these companies have done their due diligence as to the suitability of the investment of the country. The fundamental problem faced by Mauritius is that it suffers from the fact that there are relatively few major foreign industrial players with operations in the country³³². A factor that is inextricably linked to the above problem is the size of the Mauritian market, which is too small to serve as a primary reason for firms to invest³³³. Even though access to the SADC and COMESA markets is of some value, however, domestic or regional market access will only ever be a secondary reason for firms to invest in Mauritius.

This might seem like an over-ambitious project for Mauritius, but it is certainly within the country's reach and it will certainly yield much desired economic gains. After all, Mauritius is a classic example of a democratic development case. It respects the rule of law, intellectual property enforcement and has an excellent track record in political pluralism, freedom of expression and stability -- which are all very attractive to foreign investors. On the socio-economic front, this project will assist in curbing the unemployment problem as it is expected by the government to create 5, 000 jobs initially³³⁴.

³³⁰ According to International telecommunications costs of 1999 released by the International Telecommunications Union, Mauritius (\$4,20) far surpasses Botswana (\$3,55), South Africa (\$2,49) and Zimbabwe (\$2,81) for a 3 minute call to the United States. See UNCTAD, "Investment Policy Review: Mauritius", p. 62

³³¹ The "Investment Policy Review" by UNCTAD makes no indication of the costs of international communications in Singapore due to data unavailability, but since the liberalisation of telecommunications in Singapore since 1997, the cost of telecommunication has dropped considerably. See IDA, "Statistics on Telecom Services for 2007 (Jul-Dec)", <http://www.ida.gov.sg/Publications/20070815141811.aspx>, 28 October 2009

³³² UNCTAD, *Op. Cit.* 2001, p. 61

³³³ *Loc cit*

³³⁴ *Loc cit*

The section below suggests some of the creative means the Government of Mauritius may want to explore if they are to stimulate further growth of the already-existing sectors.

3.7. Development Policy and Further Diversification

As it has been noted above, the pillars of Mauritius's economy are the sugar sector in agriculture, the EPZ mainly textile sector in industry, and the tourism sector. Discussed below is the current government policy for the sectors and then the macroeconomic framework proximate these sectoral policies.

With respect to the agricultural sector, the government has provided much encouragement and incentives (in the form of taxes as illustrated earlier in this chapter), are being provided to non-sugar production. Even though further expansion of the sugar sector may be envied, there is no longer additional physical land available for more sugar cane plantation and the sugar varieties best suited to the climatic conditions of the island are already being used in the fields. But a certain degree of agricultural diversification has taken place with the production of potatoes, peanuts and peas in the "inter-lines" of the sugar cane fields³³⁵. Indeed this is an encouraging development for a country that was depended almost entirely on imports to meet basic needs of population at independence. While these crops are for basic consumption, it has been suggested that policy in this sector of the economy should be more geared towards production of other crops which can earn export income. In this regard, the production of fruits, particularly fresh tropical fruits such as litchis, bananas and mangoes, other vegetables and flowers should be seriously considered as part of the diversifying the agricultural sector which is still dominated by sugar produce and its by-products³³⁶.

In the manufacturing sector of the economy, a similar diversification policy is vital to shift from too much dependence on textiles, but it should not suggest that the textile industry, which has been instrumental in success of EPZ, should be pushed away and eventually abandoned, but it simply means that other industrial products should be promoted. It would

³³⁵ YeungLamKo, Louis. Op. Cit. p. 24

³³⁶ Loc cit

seem that leather goods, jewellery, electroNIC's, informatics, optical goods and agro-industries could become more important sectors in the future³³⁷.

The section below addresses some of challenges the contemporary economy of Mauritius is being confronted with.

3.8. Constraints to diversification

3.8.1. The Plight of the Education Sector

Acknowledging the fundamental importance of diversifying economy, the government of Mauritius has embarked on a mission to transform Mauritius into a high-tech, high-income services and knowledge economy; by increasing competitiveness and productivity of the sugar and EPZ sectors, expanding the Information and Communication Technology (ICT) and financial services sectors along with bringing about deeper social development and cohesion³³⁸. With regards to the garment-dominated EPZ sector, specific measures are being evaluated to promote skills and technological upgrading, the re-engineering of business processes, development of clusters and linkages, product and market diversification, along with encouraging Small Medium Enterprises (SMEs) to exploit exporting opportunities³³⁹.

To materialise this goal the Government is particularly interested in participating in regional initiatives in a bid to meet the goals of the objectives of the New Economic Agenda (NEA)³⁴⁰ of increasing the country's competitiveness and preserving and protecting Mauritius' fragile economic environment. It would be linked to the East African Submarine System (EASSY) fibre optic submarine capable. This would lower telecommunications costs and increase interconnectivity with the rest of the world - a particularly important role if

³³⁷ Loc cit

³³⁸ World Bank.: Mauritius Country Assistance Strategy 2002-2004, International Bank for Reconstruction and Development/World Bank: Washington, D.C, 09 April 2002, available on-line at web.worldbank.org/.../MAURITIUSEXTN/0,,menuPK:381987~pagePK:141132~piPK:141105~thesitePK:381974,00.html, p. 12

³³⁹ Ibid. p. 15

³⁴⁰ The NEA is also referred to as the Economic Agenda of the New Millennium

Mauritius is to become an ICT hub in accordance with the goal of upgrading and restructuring of the technology of EPZ enterprises in order to compete in international markets³⁴¹.

While Mauritius has set such growth targets the problem of inadequate availability of skilled, let alone semi-skilled labour, it serves as a major obstruction to achieving those development aspirations. No doubt this particular problem is inextricably linked to the country's poor education system.

Therefore to achieve the goals of the NEA, the government of Mauritius is going to be compelled to address the loop-holes that exist within its education system. This is paramount now that the economy is rapidly shifting from labour-intensive to financial services and Information Technology (IT)-inclined economy. Education is the one area where Mauritius' economic success does not measure up to the performance of countries with similar levels of per capita income. On average, a Mauritian worker has completed 7 years of education compared with 10 years in Singapore and 9 in China and the Republic of Korea³⁴². And about a third of the students, most from poor families fail to complete primary education at 12 to 13 years old, with no vocational schools to upgrade their skills³⁴³.

Too many children, especially from poorer families drop out of school. The quality of schools, of which the great majority are publicly financed, greatly differ and tend to be biased towards the better off³⁴⁴. To add insult to injury, the length and quality of education at levels of schooling are much lower than in East Asian countries while many skills taught at technical school are of little relevance to the demands of today's labour market, especially school leavers³⁴⁵. While it is apparent that capital spending to build schools and upgrading of the education system is required from the side of the government, it seems also, that private

³⁴¹ World Bank.: Country Partnership Strategy for Republic of Mauritius, International Bank For Reconstruction and Development (IBRD)/World Bank: Washington, D.C, 12 October 2006, available on-line at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/11/27/000020953_20061127115847/R/endered/PDF/37703.pdf, p. 16

³⁴² World Bank, Op. Cit. 2002, p. 10

³⁴³ Loc cit

³⁴⁴ Ibid, p. 1

³⁴⁵ Loc cit

sector involvement in a form of training of existing employees will make a significant difference. This will enable the government the semi-skilled labourers to adapt easily to the rapidly evolving capital-intensive economy so that the employment problem already faced by the country is not aggravated (chapter four addresses the problem of the education sector in Mauritius in detail, albeit from social policy perspective)

While addressing these aforementioned problems are paramount in the case of Mauritius, the government of Mauritius, however, faces a moral challenge of prioritising the needs of the economy over socio-economic imperatives. The improvement of the education system will play a key role in the diversification of the sectors and services, but diversification may create problems by increasing the high unemployment rate currently around 9 per cent³⁴⁶.

Certainly, diversification may create a period of job-less growth, as more emphasis is placed on knowledge-intensive financial services and information technology, demanding high skills and creating fewer jobs. Most unemployed people have a low-level of education and jobs created in the new economy may not help them. Moreover, the modernisation programmes within the sugar and EPZ sectors makes them more capital-intensive, thus demanding less manual labour and higher skills. While education is given first priority within the context of responding to the diversification needs of the economy, it comes with major policy implications on the side of the government and the decision-making front: that the government must have readily available social safety nets that address the needs of the newly unemployed due to the rapid progression to high-tech economy.

3.8.2. Large variation of technological sophistication between SMEs and Large Firms

For an economy that has become dependent on external market forces due to integration to global economy from the very infancy of its economic take-off such as the one of Mauritius, it is imperative that the benefits of advanced technology are exploited so as to keep up with the market demands of the twenty-first century. Even more important to take

³⁴⁶ Amoako, K. Y.: "Economic Report on Africa 2003: Accelerating the Pace of Development", in United Nations Economic Commission for Africa (UNECA), available on www.uneca.org/era2003/, Addis Ababa, 2003, p. 249

this endeavour seriously in regard to garment-dependent Mauritius, is the erosion of preferential trade relations from the European market which exposes Mauritian exporters to unfair competition from their Chinese and Indian counterparts. Certainly the bars have been raised too high for Mauritius when it comes to competitiveness of the manufacturing particularly the one of the textile industry; however, Mauritius is left with no choice but to adapt and keep up with pace of the rapidly changing standards.

Mauritius has a reasonable technology support system for industry. There are institutions to provide standards and quality services, improvement of productivity, extension of SMEs as well as training and technological diffusion³⁴⁷. The technology system has also improved over the years, particularly for quality and standards of technology diffusion courtesy of the World Bank as part of a competitiveness project. The productivity improvement agency for exports, the Export Processing Zone Development Agency, and the SME agency were assessed as doing useful work³⁴⁸.

However, according to the ‘Technological Readiness’ pillar of the World Economic Forum’s (WEF) Global Competitiveness Index (GCI) for 2009-2010, the overall terms of technology infrastructure seemed inadequate in terms of the needs to support export diversification and SME upgrading. The same goes for ‘Innovation’ pillar where all variables scored competitive disadvantage³⁴⁹. The GCI of the WEF also revealed that higher education, particularly tertiary education, are inadequate in terms of size, quality, financial resources and man-power to respond to the technical challenges facing the industrial sector. Moreover, there is no support for research, development and design in industry while the research conducted at the university has little relevance to the competitiveness needs of manufacturing³⁵⁰.

³⁴⁷ Lall, Sanjaya and Wignaraja, Ganeshan.: Mauritius: Dynamising Export Competitiveness, Commonwealth Economic Paper No. 33, Commonwealth Secretariat: London, 1998, p. 25

³⁴⁸ Wignaraja, Ganeshan. Op. Cit. p. 93

³⁴⁹ Blanke Jennifer, Browne Clara, Geiger Thierry, Mia Irene and Xavier Sala-i-Martin, “Mauritius”, in Blanke Jennifer (et. al.): The Global Competitiveness Report 2009-2010, World Economic Forum: Geneva, 2009, p. 221

³⁵⁰ Loc cit

Relative to large firms, SMEs in technological capability and level of sophistication is lagging. Using the technology index (TI) to assess the technology use of 40 garment enterprises, Wignaraja (2002) discovered that large firms seem to have acquired the capabilities to produce to the high standards of price, quality and delivery demanded by foreign buyers. SMEs on the other hand, they have inadequate quality control and management systems and only a modest number of them have systems for preventative maintenance. This certainly limits their capacity to copy, adapt and design new products since they make little use of contractual technology imports and they have few relations with foreign technical consultants³⁵¹.

The TI's comparison of large firms with SMEs showed that the latter have lower levels of capabilities, are less export-oriented, have less foreign equity, conduct less training and they make little use of external technical assistance³⁵². The time is ripe for Mauritius that all sectors of the economy be equally benchmarked when it comes to competitiveness and the level of technological exploitation, particularly if it is to increase preference of its exports within the targeted foreign markets. But it appears the small local and foreign market play a discouraging factor for SMEs to come on board as invaluable sectors of the economy.

3.9. Concluding Remarks

Contrary to the gloomy predictions of the eminent Nobel Prize winner, James Meade, Mauritius became a success case that put many countries in the developing world to shame. Meade was justified to reach such pessimistic conclusions, in 1960. With sky-rocketing population growth during the years approaching independence, nominal per capita of US\$ 260, no natural resource endowment, significantly low levels of unemployment and over-dependence on the not so lucrative commodity, sugar, certainly one would affirm that Mauritius was sitting on the brink of intractable economic quagmire.

Having successfully undergone the transition from a low-income mono-crop economy, with a narrow production base at the time of its independence in 1968, to a middle-income country with a more diversified structure, today the country is largely reliant on four

³⁵¹ Wignaraja, Ganeshan. Op. Cit. p. 100

³⁵² Loc cit

pillars of the economy: manufacturing, sugar, tourism and banking services. At this juncture, the country has embarked on an enormous mission of building a cyber city to supplement the aforementioned sectors. Due to those successes, this has earned it the title of the “Hong Kong” or “Singapore of Africa” - a hub for sourcing products from reliable and quality-conscious suppliers (in Africa) - important measures to reposition the country as an attractive FDI destination. Certainly Mauritius is an investment destination currently experiencing an inward flow of 17.9 per cent for gross fixed capital formation (GFCF) of foreign direct investments³⁵³ - a figure that is significantly higher than its precursors. Foremost among investors are those from Hong Kong, followed by French, South African, German and Indian.

Credit is deserved by the political leadership for taking an ambitious project of creating an export-oriented industrialisation process from modest revenues of the sugar industry. The political leadership of Mauritius adopted appropriate, coherent and well-sequenced domestic policies within the framework of a comprehensive national development strategy that is at the heart of a successful adjustment process, yet this required political leadership, efficient institutional and governance frameworks as well as adequate infrastructure facilities. Currently, what makes the Mauritian macroeconomic environment more attractive to investors is the provision of healthy dialogue between the government, labour and investors, thus enabling the government to respond to the needs of business as well as reaching a compromise where consensus failed to be arrived at. This goes to show the ‘autonomy’ of Mauritius’ state institutions - which in this case enabled bureaucratic organisations to clearly define and promote their strategic developmental objectives - as well as the ‘embeddedness’ of the state to form coalitions and collaborations with key strategic groups that helps it to make its growth endeavours materialise.

To be able to make provision of social assistance on sustainable basis and maintain a comprehensive welfare state, the Mauritian state has played a very important role on the economic front. The state provides a host of incentives to the private sector and has

³⁵³ UNCTAD, “Mauritius: Foreign Direct Investment (FDI) overview”, http://www.unctad.org/sections/dite_dir/docs/wir08-fs_mu_en.pdf, 24 September 2008

Gross Fixed Capital Formation measures the value of conditions to fixed assets purchased by business, government, households less disposal of fixed assets sold off or scrapped. These assets are tangible assets, although one does find intangible cases, i.e. intellectual property. See Morgenstem, Oskar.: On the Accuracy of Economic Observations (2nd Ed.), Princeton University Press, New Jersey, 1965, p. 34

developed a strong private-public partnership. This goes to show that in *the heart of a welfare state in Mauritius lays a developmental state*. Evan's concept of 'embedded autonomy' in this respect is depicted by the state's ability to intervene in the economy strategically and effectively by focusing on sectors, markets and technology, which are regarded as important toward achieving sustainable growth and socio-economic transformation.

Export especially in the export-processing zone has played a critical role in industrial diversification, employment creation, export development and growth. It helped the economy emerge from agricultural dependence and backwardness to a modern, dynamic and technologically-advanced economy with higher per capita incomes and greater equity. More importantly, perhaps the EPZ will be hailed as a catalyst in the process in the emancipation of women in the country since it permitted women with few alternative employment opportunities to enter the formal labour market and to contribute to the economic development of Mauritius. It is clear that the battle to keep the competitiveness and effectiveness of dominant textile producers such as India and China should not just be the battle of large firms only, but commitment and aspiration of SMEs to become global producers will make a significant impact in improving Mauritius' competitiveness score, relative to its peers within the developing world.

Of late, though, Mauritius is faced with constraints that hinder further growth of its economy primarily precipitated by an erosion of its preferences in the international community in sugar and textile sectors, general dismantling of subsidies worldwide and the rapid emergence of low-cost competitor nations across the world. Equally important, Mauritius faces endogenous factors that constrain further development of the economy: the education sector in every respect is not producing adequate economically productive and skilled workforce. Investment in human capital is important, thus taking of rigorous steps to tackle the education problem will only be for the benefit of the economy in the long run. As if those challenges were not enough, the competitiveness of small medium enterprises, relative to the technological usage as well as sophistication large firms, reduces the country's performance in that regard.

Moreover, while Mauritius may be a point of reference in EPZ success, it pales in comparison to industrialised counterparts such as Malaysia, Taiwan and Hong Kong, which

had similar foundations such as Mauritius but rapidly moved out of clothing into more technologically intensive sectors such as electroNIC's and assembly. To date there is practically no diversification into other simple labour-intensive exports (such as toys and footwear) or into technologically sophisticated exports (such as electroNIC's and engineering) witnessed in East Asia in the 1960s and 1970s. This extreme dependence on garments makes Mauritius vulnerable to competitive pressures from countries with much lower wages after the MFA, which provided it with quota-protection from other developing countries.

But Mauritius has taken a courageous step to explore the market of SADC as well as expanding its investment horizon into the rest of Africa instead of just being receivers of investments. Regional integration promises to expand domestic markets and open up new opportunities for Mauritius. The country's strategy is to position itself as a provider of services to the region in offshore business and financial services and outward FDI. This is in the wake of the erosion of preferential treatment of Mauritian textiles and sugar produce within the European Union due to the change of rules trade by the WTO. Be that as it may, it seems, however, duty-free market access of Mauritian textiles to the U.S. market under the auspices of AGOA seems to serve as an antidote to the plight of the textile sector (within the context of loss of preferential access to the EU) even though it holds the negative implication of perpetuating dominance of one sector being replaced by that of another. This has resulted in Mauritius becoming vulnerable to global developments in the textile industry.

Chapter 4:

Promoting Equity with Growth

*“In judging economic development, it is not adequate to look at only the growth of GNP or some other indicators of overall economic expansion. We have to look at the impact of democracy and political freedoms on the lives and capabilities of the citizens”*³⁵⁴

Amartya Sen, Nobel Prize Laureate for Economics, 1998

*“The day will come when nations will be judged not by their military or economic strength, not by the splendour of their capital cities and public buildings, but by the well-being of their people; by their levels of health, nutrition and education [...]”*³⁵⁵

Progress of Nations 1998, UNICEF

“The worry about ageing is much ado about rather little...Economists should stop being so dismal. All it will take is a little imagination and courage for most....countries to enjoy their escape from the age-old tyranny of early death”

Martin Wolf, Financial Times, 2001

4.1. Introduction

Brief assessment of the welfare state in Africa

The previous chapter attempted to provide a comprehensive account of economic progress of the island of Mauritius since the advent of independence. Certainly, the country has outdone itself, as it successfully shifted from dependence on the commodity of sugar to one which embraces manufacturing of textiles and clothing, the service sector, and the tourism sector, not forgetting to mention enthusiastic attempts from the side of the government to explore the benefits of the ICT sector as the potential fifth leg of the economy. To date, Mauritius, notwithstanding its geographical isolation and lack of resource endowment, has outpaced many of the countries in the developing world when it comes to sustained economic growth.

³⁵⁴ Sen, Amartya.: Development as Freedom. Oxford University Press: Oxford, 2001, p. 150

³⁵⁵ UNICEF.: Progress of Nations, United Nations Children’s Fund (UNICEF): New York, 1998, p. 1

An important area of development that has been overlooked by most countries in Sub-Saharan Africa is the one around social justice and the provision of social security nets for the citizenry. Most parts of Africa are remote, experience low levels of unemployment, and poverty has become an accepted, yet excruciatingly painful cancer. The governments of these countries cite the slow pace of economic growth and costs as sole justifications for explaining states' deflected focus on its role to harness institutions that would be designated to alleviate poverty, social exclusion and deprivation among the unemployed, widowed, aged and orphaned. However, most African countries located south of the Sahara have made special social security concessions for people working in the public sector, in state enterprises or in the enterprises in the private sector.

Be this as it may, these justifications are not in concurrence with the 2007 World Bank's Africa Development Indicators that Africa's 5.4 GDP growth rate - a figure that was published a period prior to the current global economic meltdown - is on par with the rest of the world, if not ahead of its First World counterparts. The very same development indicators of the World Bank raise a concern about the continent's relaxed role in attempting to meet the millennium development goals (MDG) by 2015. Sub-Saharan Africa is one of the two regions not expected to meet the MDGs (the other being South Asia). Mauritius stands out in contrast as it is the only SSA that has met four of the millennium development goals, with South Africa and Botswana meeting only three of the MDGs³⁵⁶.

As a result, it remains a fact that such a positive development did not do much of the trickle-down effect to alleviate poverty and deprivation. But as it is succinctly and incisively expressed by the eminent professor of welfare economics, Amartya Sen in the above quotation, development extends beyond recording impressive growth figures, as it is more about how the economic wealth of the country has effected better socio-economic change even down to the very grassroots.

Certainly the true litmus test of prosperous or encouraging economic prospects of any country within the developing world should precisely extend beyond the confines of a healthy balance sheet, to more on the sequencing of revenues towards the upliftment of the standard of living of those dependent on the government they have put in power. Unquestionably so,

³⁵⁶ World Bank.: Africa Development Indicators 2007. International Bank for Reconstruction and Development/ World bank Group, Washington, 2007, p. 8

economic prosperity, as the Progress of Nations quotation cited above suggests, should not be celebrated and glorified if states fail to take radical steps to address the wellbeing of their citizens. In this regard social transfers, health care and education provision, to mention but three, should be subjects that deserve high precedence in macroeconomic policy considerations.

Sub-Saharan Africa has, for a long time, been dragging its feet when it comes to responding to the call to co-ordinate policies that are submissive and responsive to the socio-economic needs of the vulnerable. It is no wonder that North African countries (particularly Tunisia, Algeria and Libya) perform better relative to their counterparts from the south of the Sahara³⁵⁷ (see the rankings of social security in Africa in **Appendix F**). Even though Africa's welfare systems score much higher compared to their Latin American counterparts³⁵⁸, note should be taken on the fact that the vast variation of investments and considerations in social security programmes among African countries depicts a loud outcry for other countries that lag behind to step up to the plate and take social policy and security as matters of fundamental importance on macroeconomic policy implementation. *Perhaps the catalyst to evoke such a change of governmental attitude towards embracement of social welfare should begin with dispelling the misconception that social security is a luxury to be afforded only when growth has taken place or when countries have reached a certain threshold of per capita income.* Countries of East Asia tell of an account where social policy did not become secondary priority during the initial phase of economic take-off in those countries³⁵⁹. Surely social policy and macroeconomic imperatives forged a mutual symbiotic relationship as the two proved to be highly complementary.

Mauritius on the other hand, seems to have deviated from the common norm. As witnessed in the preceding chapter, the country has embraced market fundamentalist policies

³⁵⁷ Dixon, John, "African Social Security Systems: An Ordinal Evaluation", in Journal of Social Development in Africa, vol. 15, no. 1, 2000, p. 49

³⁵⁸ Hickey, Sam, "Thinking about politics of social protection in Africa: Towards a conceptual and theoretical approach", A Paper Produced for the Social Protection for Chronic Poverty Conference, Institute for Development Policy and Management/Chronic Poverty Research Centre, University of Manchester, 23-24 February 2005, p. 12

³⁵⁹ Veenhoven, Ruut and Ouweneel and Poet, "Livability of the Welfare State: Appreciation-of-life in nations varying in state-welfare-effort", in Social Indicators Research, vol. 36, no. 1, September 1995, p. 12

which to a large extent enabled it to attain a sustained economic growth of 6 per cent it enjoys today - a growth rate which was sustained for over two decades since the introduction of the structural adjustment programmes in 1980s. Amidst the economic predicaments of the day, Mauritius refused to succumb to the conditionalities of the Bretton Woods institutions of cutting back on public spending when the government implemented the SAPs in early 1980s.

But commendation should be considered on the fact that while the economy continued to become more liberalised as the country entered into the 21st century, the government, nonetheless, did not abandon its welfare state ideals, which continue to act as a bulwark against social dislocation, impoverishment and social exclusion in that country. It is clear that Mauritius continued commitment to the ideal of the welfare state in the 21 century through increased expenditure geared towards provision of free education (even up to university level) and healthcare and minimal military spending in such a liberalised economy deserves it the title of the one of a social democratic welfare state³⁶⁰ (more on this subject will be touched upon later in this chapter). In this regard, Mauritius certainly epitomises the ability to create the co-existence and supplementary relationship of the market and the fundamental ideals of social justice through consent and involvement of all stake-holders.

Even though that seems to be the case, it still begs the question: how did they out-manoeuvre such a social policy challenge? The answer lies in the fact that in Mauritius, since the advent of the SAPs in the 1980s, the government adopted a ‘development with a human face’ approach. Traditionally, social policies and market fundamentalism are deemed to have a repellent relationship. The government consciously took the ‘human face’ approach premised on the logic that generally the market has sustained a bad reputation of being disinterested in the wellbeing and quality of life of the ordinary citizens since the fundamental objective of the market is none other than that of profit maximisation. The current global economic meltdown, coming from the context of social policy and welfare

³⁶⁰ Seeking provides describes the three types of welfare systems. The liberal welfare regime entails “modest financial provision to targeted individuals in a limited array of situations”, example, United States. The social democratic welfare regime is more generous and universal and aspires to cover all risks, with the result that it is much more redistributive and egalitarian (Mauritius fits this criteria perfectly). The conservative welfare regime, such as the ones of Austria, France, Germany and Italy, are unequally generous with different benefits. Support is “mutualistic, rather than redistributive. See Seekings, Jeremy “Welfare Regimes and Redistribution in the South”, in Shapiro, Ian, Swenson, Peter and Daniel Donno (eds): Divide and Deal: The Politics of Distribution in Democracies, New York University Press: New York, 2008, p. 21

distribution, serves as an affirmation not to allow the market to operate in its pure form. Surely direction from the state and heavy involvement of civil society in decision-making processes is imperative if the eradication of poverty (and deprivation) and sustained provision of welfare is to bear fruit.

4.2. Overview

This chapter solely aims to address the subject of social security in Mauritius. Due to the fact that this is a very broad subject of social policy, this study will only be limited to the issue of social transfers with a specific focus on non-contributory old-age pensions. Mauritius prides itself as the front-runner on the continent when it comes to provision of old pensions; hence, non-contributory pensions of that country have attained a universal status. Other countries in Sub-Saharan Africa with universal non-contributory pensions closely comparable to the one of Mauritius are South Africa, Botswana and Lesotho respectively³⁶¹. This chapter is divided into two sections. Section A unpacks the historical background of the welfare state in Mauritius. The importance of this section cannot be over-emphasised as it goes to show the influence of the British Fabian approach towards state development and the influence it possessed on the post-independence political leadership of Mauritius. It also accounts for the evolution of the development of non-contributory old-age pensions in that country as well as taking note of some of the successes and upheavals of the contemporary welfare state in Mauritius.

Likewise the ideal to promote growth with equity in a bid to maintain social harmony in an ethnically fragmented state like Mauritius follows this part. The ethnic riots that occurred in the late 1990s illustrate how a slow response to addressing the problem of poverty and inaccessibility to resources (to emancipate oneself out of poverty and deprivation within certain ethnic segments of the Mauritian society) propelled the government to take seriously the issue of the uneven allocation of resources as the one capable of having fatal repercussions towards the country's future economic development.

Similarly, the issue of education and healthcare provision will briefly be accounted for, but they do not constitute the essence of this study as they both form different dimensions

³⁶¹ _____. "Ageing in Africa: Calling for the end to elder abuse", in HelpAge International, issue. 30, 2007, p. 8

of social policy. It has also been argued by the United Nations Development Programme (UNDP) Country Assessment in Mauritius³⁶² that “the absence of systematic research and hard data on poverty and deprivation does not only make policy formulation difficult but also creates tension between different ethnic groups as a result of necessarily subjective and selective interpretations of levels of deprivation and poverty among different sections of the populations”. Section B notes the differences between contributory and universal non-contributory old-age pensions, with specific focus on the significance of the latter within the context of the Mauritian welfare state. Thus this section will show just how significant non-contributory old-age pensions are as a way to provide poverty relief to the elderly in Mauritius as well as a tool to facilitate economic growth. It also goes to show that the employment of non-contributory old pensions is feasible and affordable in a low-income country. Lastly but not least, this section indulges in socio-political debates about the sustainability of this sort of pension system in an economy like that of Mauritius, which is also confronted with the challenge of an ever-growing proportion of the elderly population. This is a problem also being confronted in many OECD countries.

The fundamental lesson drawn from the ethnically fragmented state of Mauritius is that *welfare distribution was first and foremost given priority as a tool to avoid an intractable chain of ethnic tensions before the advent of independence*. But due to the fact that social policy is entrenched into the political culture of Mauritius, welfare distribution was also equated with the fundamental ethos, tenets and principles of democracy - a political culture and attitude that extended way beyond the post-independence phase. In Mauritius, the provision of welfare democracy - is seen as an inherent right of every Mauritian, not as a privilege. Thus political parties in Mauritius are compelled to embrace welfare ideals as part and parcel of their policy inclination if they are to win electoral votes or sustain their hold-on to power.

³⁶² UNDP.: Common Country Assessment: Mauritius, Mauritius: Office of the United Nations Resident Coordinator, 2000, p. 51

4.3. Section A: Unpacking the successes and shortcomings of the contemporary welfare state in Mauritius

This section will take a detailed look at the historical foundations of the Mauritian welfare state. It will also bring to the fore, contemporary challenges the country is being confronted with as well as the factors that led to the sustenance of Mauritius as a welfare state.

4.3.1. Historical Background of the Welfare State in Mauritius

The construction of a comprehensive welfare state in Mauritius did not emerge out of a smooth and steady process. Each of the three episodes of welfare reform - the formal introduction of non-contributory old-age pensions in 1950, family allowances in 1962 and social insurance in 1976-1978, were borne out of long-periods of deliberation and procrastination from the colonial officials. It took riots by the unorganised sugar estate workers in the late 1930s and the partial democratisation in 1948 to push the British Colonial Office in London and the governor of the colony (of the day) to give the idea of non-exclusive old-aged pensions and welfare provision much deserved thought. But let us explore the evolution of this system in detail.

Since the Mauritian economy was dependent on the sugar industry during both the colonial and post-colonial era, dependence on this commodity suggested that the economy was very vulnerable to depressed sugar prices or the destruction of the crop as a result of cyclones. But throughout much of the twentieth century, the sugar-dependent economy had three much more specific consequences for welfare state-building. First of all, workers on the sugar estates (and cane-growing smallholders) remained poor, thus possessing the potential of disruptive forms of resistance, but it should be noted that they were *largely unorganised*. Coupled with the absence of a sizeable number of workers in other, more organised sectors, it resulted in little pressure from below for employment-based social insurance programmes³⁶³. Second of all, due to the openness of the sugar-based economy and dependence on external price determination, rising costs rendered the export sector uncompetitive in global markets. This suggests that the contributory social insurance

³⁶³ Seekings, Jeremy, "Welfare State-Building in Mauritius: Action and inaction in a sugar dependent economy, 1936-1978", Draft Paper, University of Cape Town/Yale University, February 2007, p. 4

programmes or high-wage strategies are potentially fatal. Thirdly, the shortage of land not planted with sugar rules out developmental or welfare strategies that rely on the establishment of a smallholding peasantry, growing food crops or cash crops in addition to sugar³⁶⁴.

Similarly, in the 1940s, state officials were apprehensive about rising levels of urban and rural poverty, and so little prospect for mitigating the situation through the regeneration of an agrarian society of prosperous peasants. Even though the situation proved to be disturbing, the governing elite, nonetheless, decided to tread with caution on the subject of reforms now that the idea was not popular with the Colonial Office in London. While non-contributory pensions were to finally be introduced in 1950 in Mauritius, this goes to show just how slow Mauritius became in following in the footsteps of its counterparts. Non-contributory pensions in Barbados were introduced in 1937/38 while in South Africa they were introduced in 1928 as means of providing basic income in retirement for whites and coloureds who lacked an occupational pension. The scheme would be extended to Africans in 1944 with stringent conditions and different benefits levels, of course³⁶⁵. What served as the decisive factor in overcoming official caution in Mauritius seems to have been partial demonstration, with the emergence of a left-wing political party that included non-contributory old age pensions in its political programme³⁶⁶.

While the year 1950 seems to have been marked by the final introduction of overdue non-contributory pensions in Mauritius, it is to be noted that throughout the 1950s, no new welfare programmes were introduced in that country. This was certainly due to the fact that the colonial and nationalist elites were embroiled in capital development projects (designed in terms of five-year plans) and by disputes over the timing and form of decolonisation, thus paying little attention to “programmes entailing recurrent expenditures”³⁶⁷.

³⁶⁴ Loc cit

³⁶⁵ Barrientos, Armando et. al, “Non-Contributory Pensions and Poverty Prevention: A Comparative Study of Brazil and South Africa”, in Institute for Development and Policy Management (IDPM), September 2003, p. 7

³⁶⁶ Seeking, Jeremy, Op. Cit. p. 4

³⁶⁷ Loc cit

It remains intriguing that in Mauritius - as in South Africa and Barbados - there were long delays before social insurance was introduced. Even though competitive elections in Mauritius did lead to the introduction of social assistance they did not lead, until much later to strong demands for social assistance. The explanation in the Mauritian case seems to emanate in the political economy of sugar. As long as the sugar industry accounted for the bulk of employment, and social assistance was in place, there was little demand or need for social insurance also. The 1961 Meade Report staunchly argued against the introduction of social insurance on the basis that the sugar-dependent economy was too fragile and sustainable in the long run due to the limitations of such an economy³⁶⁸. It was only when employment began to grow in other sectors of the economy and competitive constraints on wages were in the early 1970s sugar boom (refer to Chapter 3) that social insurance became a weapon in inter-party electoral competition. In essence the construction of welfare state-building in Mauritius was build-upon specific interactions between the following factors: the political economy of sugar, the character of the colonial administration and the democratic electoral competition.

4.3.1.1. Sugar, Poverty and the 1937 Riots

The first reluctant steps towards a welfare state in Mauritius were taken against the backdrop of the crisis in the global sugar industry in the mid-1930s. And since the sugar industry had already been integrated into the world economy, the colony was entirely dependent on the world price of sugar, not to mention additional vulnerability to cyclones and drought - which inevitably reduced the production of this commodity. Recall that sugar was the backbone of Mauritius' economy as it accounted for 98 per cent of Mauritian exports in the early 1930s, suggesting that the livelihood of every Mauritian was significantly dependent on the performance of this commodity in the global market. As the 1961 Titmus and Abel-Smith Report later put it, "Mauritians ate or starved according to the price sugar"³⁶⁹.

³⁶⁸ Meade, James Op. Cit. p. 167

³⁶⁹ Titmus, Richard and Abel-Smith, Brian.: Social Policies and Population growth in Mauritius. Methuen and Co: London, 1961, p. 9

Such grave reliance on sugar was not the situation in other sugar economies similar to Mauritius. Sugar accounted for 74 per cent, 59 per cent in British Guinea and 52 per cent in Barbados. See North-Coombes, M.D., "Struggles in the Cane Fields: Small Cane Growers, Millers and the Colonial State in Mauritius", in Journal of Mauritian Studies, vol. 2, no. 1, p. 17

Most of the large sugar estates and the sugar factories were owned by the Franco-Mauritian settler elite with most of the workers being Indo-Mauritians. As noted in Chapter 2, the abolishment of slavery in 1835 implied the need to cease reliance on importation of slaves from Madagascar and other neighbouring islands. As a result, the colonial officials in Mauritius decided to import indentured labourers from India to provide labour for the sugar industry, as was the case in British Natal (currently known as Kwa-Zulu Natal), Guyana , Trinidad and Fiji. This decision led to the importation of close to half a million of those labourers most of whom decided to stay in Mauritius after the end of their service³⁷⁰. By the 1930s some Indo-Mauritians had begun to show signs of prosperity. This is because some of the largest estates were owned by Indo-Mauritians and Indo-Mauritians formed a growing minority of medical doctors and lawyers³⁷¹.

But it was the large proportion of this segment of the Mauritian population that remained confined to poorly paying jobs on sugar estates or grew cane on smallholdings (generally on inferior land)³⁷². Even though there was an economic boom in the early and mid-1920s, the Great Depression of 1929/1930 put the Mauritian economy on a stand-still, thus exacerbating the plight of poor Indo-Mauritians. This consequently resulted in increased rates of malnutrition as a result of the dramatic decline of wages and rising unemployment levels. Due to the strong influence of the Franco-Mauritian planter oligarchy, petitions for labour reforms from both the Colonial Office in London and labourers as a result of the abovementioned situation fell on deaf ears of the governor of the day, Wilfred Jackson³⁷³.

It was this blend of depressed sugar prices and the official inaction that led to the eruption of protests from the Mauritius' working class. This was to be followed by the creation of the Mauritian Labour Party (MLP) in February 1936 led by Maurice Curé. It was during Curé's leadership that the MLP became instrumental as the party that put the right of unionisation of labour, introduction of old-age and other measures recommended by the International Bureau of Labour on the for front. Even though the party vainly sought

³⁷⁰ Loc cit

³⁷¹ Loc cit

³⁷² Simmons, Adele-Smith.: Modern Mauritius: The Politics of Decolonisation, Indiana University Press: Bloomington, 1982, p 64

³⁷³ Loc cit

representation at the International Labour Organisation and the attention of the Colonial Office in London, they did succeed in forging relations with the Fabian Colonial Bureau in London³⁷⁴.

The activities of the leaders of the new Labour Party encouraged dissent among sugar estate labourers and small planters as the average selling price of sugar continued on the downward spiral. Plantation-owners sought to maintain profits by labour-saving investments and cutting wages whilst the millers did likewise through changing the rates and methods of payment for the cane grown by smallholders³⁷⁵. The colonial state, whilst responsive to the problems of planters and millers, was indifferent to those of smallholders, labourers and the unemployed. Some workers briefly went on strike, others demonstrated. Arson in cane fields, the cutting of telephone wires and sabotage at sugar factories were commonplace. It was at this juncture that the Governor of the day urged estates to raise wages and appointed a Commission of Enquiry, chaired by the colony's *procureur-general*, Charles Arthur Hooper, to probe into the problem³⁷⁶. The 1937 may have emanated from the moral economy of wage, *but it would emerge that acute poverty would appear to be a problem primarily of joblessness rather than that of low earnings*. The fact remains - that people were vulnerable to poverty in old age - when sick or unemployed.

4.3.1.2. Procrastinating Welfare Reform, 1938-1945

The arrival of new a governor, Sir Bede Clifford in 1937 was characterised by keen interest in social and economic reform rather than political reform. But his tenure in office as governor was marked by procrastination over welfare reform. This is reflected in a memorandum sent to the Colonial Office in London detailing his plans, in which he advocated the overhaul of the colony's labour legislation. This was followed by the setting-up of the Labour Ordinance in 1938 which set out minimum wages and working conditions and an Industrial Association Ordinance (modelled on the South African Industrial Conciliation Act) which made provision for trade unions and the institutionalisation of

³⁷⁴ Ibid., p. 65

³⁷⁵ Loc cit

³⁷⁶ Loc cit

industrial disputes³⁷⁷. It was the recommendations of the Hooper Commission which highlighted that social welfare policy is part-and-parcel of the reform of labour relations. Among the recommendations of the Commission had been old-pensions and sickness insurance for all, not only for workers in the sugar industry³⁷⁸. This in turn propelled the colonial government to ask the Colonial Office for documentation on old age pensions and unemployment. The Colonial Office would then send British legislation, which combined contributory and non-contributory pensions, together with recent legislation providing for non-contributory pensions in Barbados, also a sugar producer³⁷⁹

Through a series of correspondence the colonial government in Port Louis had with the Colonial office in London, the latter proved to be disinterested in the introduction of non-contributory pensions in the Colony of Mauritius. On the matter of social insurance and social assistance, the Colonial Office highly advised the Hooper Commission that on the introduction of non-contributory old-age pensions, they are compelled to delay the implementation of such as an act of caution. The Colonial Office cited the following rationales: that Mauritius was a sugar-dependent economy which is vulnerable to exogenous price determinations. Second, the limitations of a sugar-dependent economy such as the one of Mauritius to sustain such an ambitious project would further be crippled as the economy was being placed in the resuscitated from the Great Depression of 1930³⁸⁰.

Third, the Colonial Office was formulating a more 'generous' policy on 'development and welfare' while the colonial economy was being recuperated; and fourth - rebutting to the argument presented by Hooper that Britain had to comply with the ILO Conventions (which had been ratified by the British government therefore applying in colonial dependencies) - that the Conventions apply in the colonial dependencies "except where local conditions render the Convention inapplicable or where they necessitate modifications of it". Accordingly there is "no colonial precedent which can be put before Sir Bede Clifford either for employment or old age pensions"³⁸¹ Little did they know that

³⁷⁷ Seekings, Jeremy Op. Cit. p. 9

³⁷⁸ Loc cit

³⁷⁹ Loc cit

³⁸⁰ Simmons, Adele-Smith Op. Cit. pp. 77 - 78

³⁸¹ Loc cit

research had been done by the Clifford-mandated Twining Committee in 1941 to investigate South Africa's pension scheme³⁸².

However, such an attitude from the Colonial Office would change when Major Orde-Brown visited Mauritius (as part of a tour that took him also to Ceylon and Malaya) and was persuaded to change his mind and support reforms on the basis that the existing poverty relief programmes were “deplorable, to a degree that suggests that almost any change would be for the better”³⁸³. Upon his return to London, his recommendations to the Colonial Office for policy reconsideration on this matter would compel the office to send an expert on pensions to Mauritius who took Clifford's advice to ask the South African government for assistance. With compelling evidence suggesting an urgent need for the introduction of pensions, the Colonial Office remained adamant that sufficient costing is required before enacting old-age pensions. It took the strikes and protests of 1943 that kept the colonial officials in a reformist frame of mind³⁸⁴.

4.3.1.3. Democratisation and welfare reform, 1945-1950

The end of the Second World War was marked by the provision from London of massively increased funding for colonial ‘development and welfare’ under the 1945 Colonial Development and Welfare Act³⁸⁵. It was only after the Colonies formulated a comprehensive ten-year plan that they could have access to the fund. The fund was to be taken as a permanent subsidy for social services. Provision of healthcare, a heavily subsidised education system and housing programme would follow - courtesy of the Colonial Office in London - through the Colonial Development and Welfare Funds as well as loan funds. Be this as it may, insofar as social policy was concerned, the fund was not social assistance (as in the case

³⁸² Loc cit

³⁸³ Orde-Browne, typed minute, 7th June 1941; CO 859/78/3 cited in Seekings, Jeremy Op. Cit. p. 12

³⁸⁴ Ibid. p. 15

³⁸⁵ Loc cit

of Barbados) or even social insurance, but rather the employment of social welfare officers to assist in the project of reconstructing the agrarian society and policing urban society³⁸⁶.

Moreover, the welfare system of the day remained dependent on kinship solely because of the general lack of unemployment, with the latter being the general concern of the time. Although the family had other resources besides wage-earning, these resources were not sufficient by themselves to last for long³⁸⁷. Even though the government's commitment to reviving the welfare system was to be reflected by the commitment to rehabilitate the destitute (and delinquent) along with the provision of outdoor and indoor relief for employment, the newly-elected representatives of non-elite Mauritians pushed for inclusion of elderly social transfers to try mitigate the effects of poverty on this segment of the population. It was in 1950 that the government finally introduced non-contributory old-age pensions for Mauritians over 60. This was to be accompanied by the passing of the National Pensions Scheme in 1976 which compels all Mauritians working in the public sector to take-up contributory social pensions³⁸⁸.

Acknowledgement should be made of the fact the government's decision to finally move towards the introduction of these pensions also had much to do with political leadership and the personality of the leader in as much as the elected representatives of non-elite Mauritians were persistent about the need for this move. This argument is based on the premise that it was only subsequent to the replacement of Sir Clifford in 1946 by the new governor of the colony, Sir Mackenzie, that these pensions were finally embraced. Certainly, Mackenzie's immediate predecessor must bear the responsibility for the delay of the introduction of social pensions for the elderly in that country. In as much as the Colonial Office in London was responsible for the control of its colonies, nonetheless, governor-generals were given the autonomy to find innovative ways of addressing socio-economic conditions in their colonies. Moreover Clifford was very hostile to 'agitators' and was

³⁸⁶ Loc cit

³⁸⁷ Bunwaree, Sheila, "State-Society Relations: Re-engineering the Mauritian Sociat Contract", Draft Paper, CODESERIA General Assembly Conference, Maputo, December 2005, p. 4

Indoor relief work was provided in infirmaries or orphanages while outdoor relief was provided to any temporarily destitute person, including able-bodied unemployed

³⁸⁸ Ibid. p. 5

occupied by the grander project of maintaining British imperial power in the Indian Ocean³⁸⁹. It is in this respect that Bunwaree posits that the political personality of Mackenzie - which had more of a soft spot for social justice - allowed non-contributory pensions to finally take ground³⁹⁰.

The political leadership of the early independence period was thus largely responsible for instilling the British model of a welfare state. The leaders of the early post-independence period, largely trained in England and heavily influenced by Fabianism channelled their energies to develop and consolidate the Mauritian welfare state (this concept will be explored further in the chapter)³⁹¹. In the post-independence period, political power was in the hands of the large Hindu majority group whilst economic power remained in the hand of the whites. But the bureaucracy, which was also filled by people of Indian origin and the political elite, worked together towards the implementation of policies which were in the interests of large sections of the society. An important export tax was introduced which provided a large amount of the revenue needed for the development and consolidation of the welfare state³⁹².

4.3.2. The Welfare State in post-independence Mauritius

Six major factors influenced the evolution and consolidation of the welfare state in the post-independence period. These were: (1) the country's rapid economic development and full employment for most of the 1970s until the mid-1980s; (2) the leaders of the immediate post-independence period who were inspired by Fabianism; (3) the development and strengthening of the developmental state; (4) the 1971 - 1975 sugar boom and the sugar export tax; (5) a human-faced structural adjustment programme in the late 1970s and early 1980s; and (6) the welfare-gearred expenditures during the electoral cycles.

Table 4.1 below depicts the evolution of social expenditures between 1970 and 2004 while table 4.2 depicts more specifically the percentage of government expenditure that the

³⁸⁹ See Seekings, Jeremy, Op. Cit. p. 13

Mauritius did lie between Vichy French regimes in Reunion and Madagascar to the west, and a looming Japanese threat to the north-east

³⁹⁰ Bunwaree, Sheila, Op. Cit. p. 4

³⁹¹ Ibid. p. 6

³⁹² Loc cit

different sectors represent from the late 1990s onwards. The abolishment of the rice and food subsidies in the early 1980s led to some criticisms by the population presumably due to the fact that the living conditions had improved for almost everyone as result of the recuperation of the economy from the late 1979 oil crisis during the early 1980s. Notable on the table is the fact that spending on defence represents a very small percentage of government expenditure, highlighting the fact that resources are allocated in more welfare-oriented programmes rather than on military, as is often the case in some other developing countries. Social security and welfare take the bulk of government expenditure. But as the Competitiveness Foresight notes “the rising public debt and recurrent deficit put at risk the maintenance of the welfare state. Social expenditure has risen steadily from 10.7 per cent to 15.1 per cent of GDP between 1985 and 2001”³⁹³. Table 4.3 in Appendix G illustrates state expenditure on various welfare items in a political perspective.

³⁹³ National Productivity and Competitiveness Council, “Competitiveness Foresight: What Orientations for Mauritius?”, Discussion Paper, Port Louis, Mauritius, 2004, p. 15

Table 4.1: Social Expenses: Budget 1967 - 2004

Budget/Year	67/68	75/76	80/81	85/86	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04 Estimation
% Education	38.4	29.34	39.42	35.88	33.49	33.22	32.93	33.23	33.33	33.33	33.33	33.33	32.22	22.66	22.66	22.66	23.13	29.7
% Health	25.12	20.64	18.54	22.05	22.07	18.83	22.03	18.84	17.72	17.71	17.52	17.59	16.63	16.62	16.44	15.99	15.53	17.2
% Social Security	32.72	16.32	17.34	33.69	33.35	33.44	33.41	33.25	33.38	33.77	33.69	33.82	33.93	33.99	33.97	33.77	33.55	34.8
% Subsidy on Rice and Flour	-	28.22	20.16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Ministry of Economic Planning & Development: Economic and Social Indicators, No. 397, December 16, 2002

Table 4.2: Functional classification of government expenditure, 1997/98-2000/2001

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Education	16.0	15.0	14.7	13.8	14.4	14.5	15.3
Social Security and welfare	8.1	8.3	8.3	8.1	8.8	8.2	8.9
Housing and community amenities	19.4	19.9	20.5	19.5	20.3	18.2	17.9
Defence	0.9	0.8	0.9	0.8	0.8	0.8	0.8
Public order and safety	7.6	7.8	7.4	6.9	7.6	7.5	8.0
Public debt interest	(16.0)	(14.8)	(14.5)	16.4	13.8	16.6	16.2

Source: Central Statistic Office, "Digests of Public Finance (from 1967 to 2004)", Port Louis: Mauritius

4.3.2.1 Rapid economic development, full employment and unemployment

The Mauritian economy managed to lift itself out of stagnation in the post-independence phase. It has been reported that between the 1970s and late 1990s, it has steadily maintained an average real GDP growth rate of 5 per cent per annum³⁹⁴. The successful and rapid diversification of the economy from a monocrop sugar economy into three other engines of growth, such as the textile and garment sector, the tourism industry, and the off-shore and financial sector, account largely for the high growth rates and full employment between the mid-1980s and the 1990s. More recently, there have been enthusiastic attempts to develop an Information Communication Technology (ICT) sector as well and to make the Mauritian economy become a knowledge hub. But the full employment of the 1980s and 1990s is now giving way to a rapidly growing unemployment problem. Two sectors that are hit the most are the agricultural and garment/textile sector, as a result of declined preferential treatment of these commodities described in the previous chapter. Consequently, this has resulted in major socioeconomic repercussions. The rate of unemployment has been rising steadily - from 8.8 per cent in 2000 to the current rate of 10.3 per cent³⁹⁵.

4.3.2.2. The influence of Fabianism and the Welfare State in Mauritius

As already posited in the previous section of this chapter, the history of concern for social welfare in Mauritius is heavily dominated by Fabianism. The first prime minister of the island of Mauritius, Sir Seewoosagur Ramgoolam, and a number of other leaders had studied at the London School of Economics (LSE), where they were influenced by the model of gradual socialism advocated by Fabianism³⁹⁶. Fabianism is a doctrine which seeks to advance the principle of social democracy via gradualist and reformist, rather than

³⁹⁴ Bunwaree, Sheila, "The Ballot Box and Social Policy in Mauritius", in Bangura, Yusuf (ed.): Democracy and Social Policy. Palgrave MacMillan/United Nations Research Institute for Social Development: New York, 2007, p. 225

³⁹⁵ Ibid., p. 226

³⁹⁶ Loc cit

revolutionary means³⁹⁷. Citing Seewoosagur Ramgoolam himself, the first Prime Minister of Mauritius, Bunwaree notes:

Fabian socialism suited my temperament and I have been a Fabian all my life...I have tried to cultivate the indefatigable patience of the Fabian philosophy and the Fabian belief in moderation and conviction in parliamentary reform and the concept of the welfare state wherein the state is viewed as the representative and trustee, guardian and protector of the people³⁹⁸

Certainly, Mauritius escaped the worst form of political leadership found in newly independent states as the commitment to Fabian socialism of the country's first prime minister and his allies meant *that they did not attempt to pursue their own personal interests of self-enrichment nor did they embrace factional leadership committed only to the welfare of their own members or ethnic group.*

4.3.2.3. The developmental state

In his paper entitled *The Developmental State in Mauritius*, Meisenhelder³⁹⁹ illustrates the extent to which Mauritius' *bureaucracy and political elite are autonomous of the economic elite*. Political power was transferred successfully to the large Hindu majority group whilst economic power remained in the hands of the whites. The bureaucracy, which was also filled by people of Indian origin and the political elite worked together towards the implementation of policies that were in the interests of large sections of the society. Expenditure on health, education and social security is central to the social policies that the state and Mauritian bureaucracy formulated and implemented⁴⁰⁰.

³⁹⁷ Britain, Ian.: Fabianism and Culture: A Study in British socialism and the arts c. 1884-1918, Cambridge: Cambridge University Press, 1982, p. 20

³⁹⁸ Bunwaree, Sheila, Op. Cit. 2007. p. 226

³⁹⁹ Meisenhelder, Thomas, "The Developmental State in Mauritius", in Journal of Modern African Studies, vol. 5, no. 2, 1997, p. 286

⁴⁰⁰ Loc cit

To be able to make provision for social assistance on a sustainable basis, the state has played a very important role on the economic front. The state provides a host of incentives to the private sector and has developed a strong private-public partnership. This goes to show that at *the heart of a welfare state in Mauritius lays a developmental state*. Evan's concept of 'embedded autonomy' (meaning the ability of the state to direct the market) in this respect is depicted by the state's ability to intervene in the economy strategically and effectively by focusing on sectors, markets and technology, which are regarded as important toward achieving sustainable growth and socio-economic transformation⁴⁰¹. In this case, social ties are created, which in the long run enables the state to respond to the needs of each of the groups.

4.3.2.4. The sugar export tax.

The years 1971-1975 were marked by high prices for the commodity for sugar. This led to a sugar boom, which encouraged and facilitated the introduction of a sugar export tax. This tax provided a large amount of the revenues needed to consolidate the welfare state. The biggest advocates of this tax, the Mauritian Labour Party, was convinced that the sugar marketing arrangements negotiated by the state guaranteed planters a healthy and substantial profit, which justified the tax. The relatively autonomous nature of the state bureaucracy explains the effective implementation of the sugar levy

Table 4.3 depicts how the percentage of sugar tax over total tax revenue has evolved, but it has not been possible to obtain data regarding the amount of sugar tax revenue that has actually been injected into the welfare sector. The interviews Bunwaree carried out with some politicians and policy makers/technicians within relevant ministries confirm that the revenues obtained from the sugar export tax helped enormously towards the consolidation of welfare⁴⁰². Writing about the sugar export tax in *Week-end*, a local Sunday newspaper in Mauritius, Dommen argued: "The tax allowed government to fund its social programme, health, education and food subsidies, and [...] rural electrification...The expenditure was a way of meeting important consumption needs so that social peace could be maintained while

⁴⁰¹ Evans, Peter. Op. Cit

⁴⁰² Bunwaree, Sheila, Op. Cit. 2007. p. 227

wages were low⁴⁰³. The enacted sugar tax were applied most harshly to the large estates, while small cane growers were assisted and subsidised by the state. This reversal of the agricultural priorities of the colonial state was in part due to the new Mauritian government's need to be responsive to its own constituencies and electoral supporters⁴⁰⁴.

Table 4.4: Sugar tax and percentage of total tax revenue, 1962-2004 (Rs Millions and %)

Budget Year	1962/63-66/67	1967/68-70/71	1971/72	R.E	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
Amount export taxes	15.6	16.7	19.6	29	48.1	129.8	126.1	124.9	145.2	287.3	268.2	37.8	41.4	416.4	442	369.9
Tax Revenue	141.7	158.7	199.7	24.3	386.9	653.4	937.6	1057	1227.4	1540.8	1761.2	127.4	229.7	2430.5	2791.7	2977
Budgetary accounts																
%sugar tax over total Tax Revenue	10.5	9.81	10.97	12.43	19.86	13.44	11.81	11.82	18.64	15.22	19.6	17.36	17.33	15.83	12.42	-
Budget year	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97				

⁴⁰³ Dommen, E and Dommen B, "Mauritius: An Island of Success", Wellington: Pacific Press, 1999 (cited in Bunwaree, Sheila. *Op. Cit.* p. 227

⁴⁰⁴ *Loc cit*

Amount export taxes	45 9.3	54 9.8	60 6.6	6 0 6. 3	37 0.3	42 7.6	41 6.3	43 3.8	40 0.3	–	–	–				
Tax Revenue Budgetary accounts	34 82. 3	45 46. 6	57 28. 1	6 8 0 9. 8	78 04. 6	90 25. 7	95 52. 1	10 36 0.2	11 61 1.6	11 24 2.5	11 66 2.5	1 4 0 0. 9				
%sugar tax over total Tax Revenue	13. 18	12. 09	10. 58	8. 9	4.7 4	4.7 3	4.3 5	4.1 8	–	–	–	–				

Source: Compiled by Bunwaree, Sheila. Op. Cit. 2007, p. 228, from National Accounts and Bi-Annual Digests of Public Finance (for various years), Ministry of Finance, Port Louis, Mauritius

4.3.2.5. Human-faced structural adjustment

As the 1970s drew to an end, sugar prices fell, cyclones hit the country and the soaring price of oil had a negative impact on the economy. Meanwhile, the funding of the state's social welfare programmes led to larger debts and public deficits. By the end of the decade, the state was experiencing recession and rising unemployment. The state had no option but to adopt structural adjustment policies. The MMM's landslide victory in 1982 paved a new era for the articulation and implementation of the adjustment of policies. While the World Bank came with a package of conditionalities for Mauritius, it was through 'intensive policy dialogue' with that institution that the government did not succumb to the World Bank's conditionality of massive cuts in public expenditure. It did not abolish free education and free health. Instead of rolling back, the state persevered in the delivery of these

social services⁴⁰⁵. While this seems to be the case, it is important to note that little research exists about the social impact of SAPs in Mauritius. But the little information gathered about Mauritius in this context suggests that little effort was made to ‘sweeten the pill’ for the underprivileged social groups. The devaluation of the Mauritian Rupee that accompanied the structural adjustment programmes led to an erosion of the purchasing power of all Mauritians, but the impact was most significant amongst the poorest segment of Mauritian society. To add insult to injury, no programmes were readily available to mitigate the effects of the structural regime on the unemployed⁴⁰⁶.

4.3.3. Electoral cycles and challenges faced by the welfare state in Mauritius

The steep contraction of Mauritian sugar exports to the EU as a result of the latter’s decision to cut sugar quotas by a staggering 39 per cent⁴⁰⁷ and the dismantling of the Multi-Fibre Agreement in 2005 (coupled with the stiff competition from their more competitive and efficient Asian counterparts) are certainly going to have major social implications on the welfare state in that country. Inevitably, the state’s ability to continue financing the generous welfare state will be severely debilitated (but research on the impact of these developments with regards to the financing of social assistance programmes is yet to be conducted).

But the fundamental concern extends beyond the health of the balance sheet’s ability to finance the generous welfare state in Mauritius. As a matter of fact public spending in the case of Mauritius is not a concern since the steady increase in funding is closely connected to elections. Due to the mentality that social assistance is an inherent right among an array of Mauritian electorates, the government hesitates to reduce social spending as they fear retribution by the electorate in elections to follow. Resistance on the side of the government to make drastic cuts in public spending during the structural adjustment era was inspired by the need to adopt a “human-faced development” approach so as to avoid intractable chains of

⁴⁰⁵ Sandbrook, Richard, “Origins of a Democratic Developmental State: Interrogating Mauritius”, in Canadian Journal of African Studies, vol. 39, no. 3, 2005, p. 559

⁴⁰⁶ Loc cit

⁴⁰⁷ Bunwaree, Sheila. Op. Cit. 2007, p. 230

social conflict. *Of late, it seems social spending is inspired by both the need to avoid disruption of social harmony and the quest for parties to maintain their hold-on to power.*

The 2005 elections serve as a case in point in this regard. The MMM/MSM coalition, which was in power from 2000-2005, was dealt a severe blow by the electorate, when they decided to eliminate from the old -age pensions all those earning more than Rs20 000 per month. The Social Alliance (which was made of several small parties and the Labour Party) quickly reacted to this and as soon as they came to power in July 2005 and reinstated the universal old-age pension and implemented their promise of providing free transport to all students⁴⁰⁸. This analogy suggests the inextricable link that exists between the electoral votes and the provision of social welfare services in Mauritius. The re-election of a political party/coalition into government implies public satisfaction about the performance of the ruling party while it was in government.

4.3.3.1. The success of comprehensive primary health care system

Mauritius currently spends 40 per cent of its public spending on social spending, with most of it pumped into the public health care sector. Comprehensive and free medical care is a major and cherished legacy of the country's first prime minister (and medical doctor), Sir Seewoosagar Ramgoolam⁴⁰⁹. In the 1970s and 1980s, government built healthcare centres so that no citizen would be more than three miles from a primary healthcare facility. Currently, the country has 63 per cent of medical doctors working in the public sector, with the remainder remaining in public clinics where the price of services is publicly regulated. The state has achieved remarkable success in controlling communicable diseases, through the provision of clean water to all, the extension of a sewerage system begun in 1959, immunisation campaigns and the continuation of an anti-malaria campaign introduced by the colonial government in the 1940s⁴¹⁰. The 2009 Human Development Index indicates that

⁴⁰⁸ Loc cit

⁴⁰⁹ Sandbrook, Richard, et. al, "Mauritius: Evolution of a classic social democracy", in Sandbrook, Richard; Edelman, Marc; Heller, Patric; and Techman, Judith (eds): Social Democracy in the Global Periphery: Origins, Challenges, Prospects, Cambridge University Press: Cambridge, 2007, p. 128

⁴¹⁰ Loc cit

Mauritius has certainly achieved substantial equity in this regard. From a list of 51 African countries ranked by the UNDP, Mauritius takes the second-highest HDI rating of 0.800 after the Seychelles which achieved a HDI rating of 0.842⁴¹¹. With life-expectancy (of 72 years)⁴¹² and infant mortality rates approaching those of industrialised countries, it comes as no surprise that Mauritius is placed at the top in Sub-Saharan Africa.

While the above indications are encouraging, the 1999 riots that put the country on a standstill for a week and the country's inability to correct and reform the asymmetrical education system - that continues to perpetuate class-inequality and elitism - serve as a loud outcry of some of the fundamental shortcomings of the Mauritian welfare state.

4.3.3.2. The truth about the 1999 riots: a social policy perspective

In February 1999, Mauritius experienced one of the most severe episodes of civil unrest for nearly three decades. While the source of the riots appears to have emanated from the arrest of a Creole music icon - Kaya (who later died in police custody) - no doubt the eruption of the riots had a socio-economic element attached to the incident. Attacking the symbols of wealth and capital of different ethnic groups by rioters (refer to chapter 2 for more details) sustains the argument that the riots were more about class than a communal phenomenon. The 'creole malaise', the phrase used to describe the deplorable conditions in which large sections of the Mauritians of African descent live speaks volumes about disproportionate distribution of economic resources among the Mauritian society⁴¹³. While Hindus constitute a large proportion of poor Mauritians, the reality of the situation is that the Creoles are the ones endowed with the least resources -- particularly the ones of African descent. As described in chapter 2, they are the least educated, and disproportionately represented in government, low probability for upward mobility in the work place, are least paid and landless. Thus, it came as no surprise that *the death of a key musical figure of this segment of*

⁴¹¹ UNDP, "Human Development Report-2009", accessible at http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_MUS.html, 2009

⁴¹² Willmore, Larry, "Universal age pensions in developing countries: The example of Mauritius", in *International Social Security Review*, vol. 59. No. 4, 2006, p. 67

⁴¹³ Miles, F. S, William, "The Creole Malaise in Mauritius", in *African Affairs*, vol. 98, 1999, p. 211

the population served as a trigger and detonator for the expression of their frustrations and grievances in this form. Equitable distribution of wealth and opportunities between the haves and the have-nots is one of the fundamental failures the welfare state in Mauritius urgently needs to attend to. It is disturbing that over three decades, the bulk of the country's wealth remains in the hands of not more than 1 per cent of the population - which are the Franco-Mauritians.

4.3.3.3. Mauritius' education system - accessible but not symmetrical

On the education front, the Mauritian welfare state must be commended for achieving an adult literacy rate of 84 per cent and increased school enrolment⁴¹⁴. Increased school enrolment in that country was facilitated by the state's provision of free primary schooling, which has been free since the colonial period and became compulsory in 1993. The government extended free education to secondary school in 1976 and to tertiary education in 1988. The University of Mauritius, built prior to the advent of independence, has grown into a modern and well-maintained campus and viable student-teacher ratios⁴¹⁵.

But it is the fact that the Mauritian education system perpetuates class and elitism that is most disturbing. As you will see under this sub-section, it has certainly emitted profound implications within the context of the quality of high-school graduates it produces. The Mauritian education system is highly hierarchical since secondary schools are classified into star and non-star schools. Bunwaree⁴¹⁶ reveals that access to state and confessional star secondary schools depends solely on the outcome of students' performance at certificate of primary education (CPE) examination. The best performers go to the star schools and they come from the families within the home-based entitlements. Children who do less well attend private secondary schools and those who fail are pushed out of the system with very little provision made for them⁴¹⁷.

⁴¹⁴ Willmore, Larry, Op. Cit, 2006, p. 67

⁴¹⁵ Sandbrook, Richard, et. al. Op. Cit, p. 128

⁴¹⁶ Bunwaree, Sheila, Op. Cit., 2001, p. 263

⁴¹⁷ Loc cit

Private schools in Mauritius have a very different meaning to the private schools found in South Africa, Australia or the United Kingdom. In the latter countries, private schools are characterised as elitist, expensive and well-resourced. In Mauritius, there are only two private schools of this sort: Lycée Labourdonnais and Le Bocage. The other ‘private’ schools are funded by the government and they are non-fee paying, not forgetting to mention they are poorly resourced. Among the private schools, a handful are run by religious organisations and, like state schools, they are well resourced and are referred to as ‘star’ schools⁴¹⁸.

Fees in secondary education were abolished in the late 1970s, leading to a complex pattern of state based entitlements reflecting efforts to mitigate discrimination on class, ethnic/religious, geographical and gender lines. Yet an argument can be made that these based entitlements nevertheless privilege the rich. It is a well known fact that the best performers come from the ‘star’ schools⁴¹⁹. The inequalities are combined because the best performers come from homes which possess the ‘cultural capital’ required by the school and attend ‘star’ schools, while the poorer performers attend the under-resourced private schools.

The asymmetry extends itself to the sphere of private tuition. Students from better-off families take more private tuition classes than students from poorer families often take from less qualified teachers. Children pushed out of the system are the ones who take less private tuition and who lack the linguistic competence required by the schooling system. These young people are also made to believe that they are given a fair chance but they nevertheless are not good enough and have only themselves and their ignorance to blame for their academic failure⁴²⁰. It is important that the Mauritian welfare state addresses the wastage associated with its education and training system.

While the universal health care system and the attainment of impressive literacy rates depict the successes of the Mauritian welfare state, perhaps it is the sustenance of the provision of non-contributory pensions to the elderly population that the Mauritian state is mostly proud of.

⁴¹⁸ Loc cit

⁴¹⁹ Ibid., p. 264

⁴²⁰ Loc cit

4.4. Section B: Highlighting the socio-economic precedence of non-contributory pensions in Mauritius

This section illustrates the role played by non-contributory pensions as a tool to alleviate poverty, vulnerability and deprivation among the elderly population in Mauritius. It also highlights the threat to the sustenance of this sort of social transfers on the contemporary welfare state in Mauritius.

4.4.1. Social Pensions as a tool to alleviate poverty among the elderly population

The debate on how to organise old-pensions support in developing countries is growing. Old poverty is widespread in developing countries, and informal support is coming under increasing pressure from unfavourable economic conditions, migration and as well as changes in household composition. Undoubtedly so, in the absence of policy interventions, older people and their households will continue to inflate the ranks of the poor. The reality of the situation is that older people are disproportionately affected by poverty as it has been estimated that a 100 million older people are living on less than one dollar a day⁴²¹. There is no doubt that pensions play a vital role in old-age support systems, but research and debate on pension policy has been centred around contributory pensions programmes. Non-contributory pension programmes, on the other hand, are not widely embraced in developing countries even though these are more likely to have an impact upon the mitigation of poverty and vulnerability, not to mention the ability to facilitate economic development.

Willmore⁴²² defines non-contributory pensions as those cash transfers which have universal benefits paid at a flat rate to all who qualify by residence or citizenship once they reach a designated age. There is no income asset test, no requirements to have participated in the paid labour force and certainly no requirement to actually retire from paid employment. Thus, these pensions hold great promise in ensuring that no worker experiences poverty in old age. The opposite of this form of cash transfers is contributory pensions. These are the pensions that contain a flat component consisting of benefits related to the number of

⁴²¹ Samson, Michael, "Promoting Economic Growth ", in HelpAge International, issue. 70, February 2008, p. 7

⁴²² Willmore, Larry, "Universal Pensions for Developing Countries", in World Development. Vol. 35, no. 1, 2007, p. 28

contributions rather than the amount of contribution itself. Benefits are financed by contributions on a “pay-as-you-go” basis⁴²³.

This suggests that, unpaid caregivers, those with an incomplete employment history and workers in the informal sector, are excluded from these contributions. Therefore, the mandate of this type of social pension does not extend to benefit the broad spectrum of the society. Even among the cohort working in the formal sector of the economy in Sub-Saharan Africa, only one in ten workers have contributory pensions in the poorer regions⁴²⁴. Even in the middle-income countries, coverage rate rarely exceeds half of the workforce. Not surprisingly, due to the exclusionary nature of this sort of pension programme, research shows that the workers that participate tend to be found in the upper half of the income distribution ladder - and are predominantly urban residents or have secured a career in public sector⁴²⁵. The former type of pension, however, can play an invaluable role in the averting absolute poverty and deprivation among the elderly population.

The World Bank acknowledged the adverse socio-economic effects that may transpire as a result of the unitary existence of the above-mentioned pension system. In its celebrated 1994 report, *Averting the Old-Age Crisis: Policies to Promote Growth and Protect the Poor*, the World Bank concluded that developing countries should aim to establish three pension pillars⁴²⁶:

- 1) Basic pension,
- 2) Mandatory contributions to an earnings-related scheme,
- 3) and voluntary saving

The first pillar is an anti-poverty pillar that guarantees a minimum income in old-age, regardless of a person’s history of earnings. The second pillar is a forced saving that

⁴²³ Loc cit

⁴²⁴ Palacios, Robert and Sluchynsky, “Social Pensions I: Their Role in the overall pension system”, in Social Protection: The World Bank, SP Discussion Paper no. 0601, May 2006, p. 6

⁴²⁵ Loc cit

⁴²⁶ World Bank.: Averting the Old Age Crisis: Policies to Protect the Old-Age and Promote Growth, International Bank for Reconstruction and Development/The World Bank Group, 1994, p. 238

provides, in general, the most benefits to those with the most covered earnings. Pillar three is a voluntary savings pillar, which is available to anyone who supplements the retirement provided by the first two pillars⁴²⁷. Mauritius embraces all of the above three types of pensions, but it is the non-contributory basic pension that the country prides itself with. It has reached universal standards since it is not means-tested, certainly one of a kind on the continent. Let us explore non-contributory pension programme of the island of Mauritius in detail.

4.4.2. Deflecting extreme poverty and vulnerability among the old-age population

Mauritius pays a pension out of a budget to anyone over the age of 60. Initially Mauritius experimented with a means-tested pension scheme out of the general budget. Application complications led to the introduction of a universal pension, which has become pretty much ingrained in the population⁴²⁸. The real miracle of Mauritius is that the country did not wait for per capita income to grow before they attended to the basic needs of the elderly, nor did the universal non-contributory pensions prevent the economy from growing. The elderly population has been receiving non-contributory pensions since 1950, which became universal in 1958 as a result of means-test. The transfer payment is known as a Basic Retirement Pension even though beneficiaries are not required to retire from work⁴²⁹.

4.4.2.1 Patterns of distribution of pensions

Entitlement to receive a basic pension is subject to some minimum residence requirements (12 years from age 18 for citizens, 15 years from age 40 for citizens), each resident of

⁴²⁷ Loc cit

⁴²⁸ Barbone, Luca and Sanchez, Luis-Alvaro, "Pensions and Social Security in Sub-Saharan Africa: Issues and Options", <http://infor.worldbank.org/etools/docs/library/76907/february2003/reading/barbone>, July 1999, p. 11

⁴²⁹ Willmore, Larry, Op. Cit. 2006, p. 68

Mauritius aged 60 or over is eligible for a monthly pension that amounts in 2005/06 to the following⁴³⁰:

- 1) age 60-74: Rs 2,200 (US\$ 72)
- 2) age 75-89: Rs 2,259 (US\$ 73)
- 3) age 90-99: Rs 6 900 (US\$ 225)
- 4) age 100 plus: Rs 7, 850 (US\$ 256)

Pensioners with severe disability receive an additional allowance of Rs 1, 515 a month. At the government's discretion, each pensioner is typically given a 13th month bonus at the end of the year.

Mauritius provides pensioners with exceptionally generous income tax breaks. The tax is only applicable to those who continue to work or have other sources of income, so this suggests that basic Retirement Pension itself is not taxable. Moreover, all tax payers are allowed tax relief on Rs 125, 000 or 15 per cent gross income, whichever is smaller, and a personal deduction of Rs 80, 000 and another of Rs 65, 000 for dependent spouses but pensioners are given the additional deduction of up to Rs 75, 000 on income from any occupational or contributory pension⁴³¹. Tax rates are 10 per cent of the first Rs 25, 000, 25 per cent of the next Rs 450, 000 and 30 per cent of any remainder⁴³².

Certainly there is no doubt that the Mauritian social transfers are relatively generous and they are quite conscious about the financial needs of the elderly population in that

⁴³⁰ Loc cit

Bear in mind that the above pension distribution pattern contrasts the one of year 2003. For those in the age range of 60-89 received a pension benefit of Rs 1, 700 (US\$ 58), Rs 6, 400 (US\$ 220) for age 90-99, while those within the age-range of 100+ received basic pension of Rs 7, 300 (US\$ 252). The increase of pension benefits is attributed to the government's attempts to adjust according to the change of the economic environment such as inflation or high interests rates. See Willmore, Larry, "Universal Pensions in Mauritius: Lessons for the Rest of Us", United Nations Department of Economic and Social Affairs, DESA Discussion Paper no. 32, 2003, p. 1

⁴³¹ Willmore, Larry, Op. Cit. 2006. p. 79

⁴³² Loc cit

country, but what impact have they made on the households as well as the functionings of the elderly population. In a research report project for the UK Department of International Development (DFID) titled, *Non-Contributory Pensions and Poverty Prevention: A Comparative Study of Brazil and South Africa*, we learn that non-contributory pensions in both countries go a long way in mitigating poverty on the households of this group. It was further concluded in this study that in the absence of these pension programmes, the poverty headcount could be appreciably higher for households with older people⁴³³. In the case of Brazil, it was discovered that in the absence of non-contributory pension income, the poverty headcount among members of households with older people would be 5.3 percentage higher in Brazil and 1.9 percentage points in South Africa. The poverty gap would be a third larger in Brazil and two-thirds larger for South Africa if non-contributory pensions were removed, and the indigence gap would be 1.5 times larger in Brazil and one-fifth larger in South Africa⁴³⁴.

The author could find no similar data on Mauritius. No data exists depicting the impact of non-contributory pensions on the mitigation of poverty, household vulnerability and reduced functionings of this group of the population in Mauritius. Given the low levels of poverty in that country, relative to other countries on the continent of Africa, we can only assume that the existence of non-contributory income pension income has certainly gone a long way in helping avert poverty in that regard. This assumption is justified by the fact that non-contributory pensions in that country make provision for allowances for dependent children, even though few pensioners qualify⁴³⁵. Even if that is the case, this goes to show that the absence of these concessionary allowances (that exist under the auspices of non-contributory pensions) would inflate the ranks of the poor.

4.4.2.2. Are non-contributory pensions in Mauritius still be sustainable?

Mauritius has a population that is ageing in the sense that the birth-rate has fallen and people are living longer. As a result, the ratio of the population of working age to the

⁴³³ Barrientos, Armando et. al. Op. Cit. p. 5

⁴³⁴ Ibid. p. 14

⁴³⁵ Willmore, Larry. Op. Cit. 2006. P. 68

population of pensioners is falling. With these demographics, some question whether the country can afford to retain its system of universal, at least at their present level of benefits. Willmore argues that such an apprehension has been far-fetched⁴³⁶. He argues that as long as the GDP continues to grow (or at least does not fall), there is no cause for alarm. Alternatively, the state can increase the eligibility age from 60 to 65 years of age to reduce the number of beneficiaries, thereby having less severe strain on fiscal policy⁴³⁷.

But what Willmore fails to acknowledge is the fact that those who fall below his proposed eligibility-age will be economically marginalised. This will further increase the susceptibility of this segment of the population to social exclusion as they will be made much more prone to drown into poverty and deprivation. On the political front, such a proposition is not viable in a country such as the one of Mauritius. One needs to understand that Mauritians are quite hyper-sensitive about social policies and the slightest shift in policy decisions will most certainly determine the fate of any political party participating in the general elections. In this context, it will take quite a great deal of courage from any political party or alliance to take Willmore's proposition into account (or even given consideration) if they are to win electoral votes or sustain their hold on to power. To put it more bluntly, submission to the aforementioned proposition would serve merely as political suicide.

4.4.3. Social pensions as a tool to facilitate economic growth

Social pensions did not only serve the mandate of alleviating poverty and vulnerability among the elderly population, but it also served as a tool of facilitate economic growth. Social pensions help to build social cohesion and create an environment that encourages people to work and invest. Recall in the middle of the last century, Mauritius had a vulnerable mono-crop economy and high poverty rates that reached sky-rocketing proportions. Today, Mauritius has the lowest poverty rate in Africa⁴³⁸. The International Monetary Fund's report, *Who can explain the Mauritian Miracle?*, recognises an inter-related set of factors - including the social pension, established in 1950 - *that provided the social*

⁴³⁶ Willmore, Larry, Op. Cit. 2003, p. 8

⁴³⁷ Loc cit

⁴³⁸ Samson, Michael. Op. Cit. p. 7

*cohesion necessary to restructure the economy onto a high growth path*⁴³⁹. Just like in South Africa and Namibia, they stimulated demand for local goods and services. In South Africa, social pensions are shifting the balance of national expenditure from imports to local goods, increasing savings and promoting economic growth. In Namibia, social pensions support the development of local markets⁴⁴⁰.

4.4.4. Concluding remarks

Not only did Mauritius sustain impressive growth for so long, but it has maintained a highly generous welfare state for over three decades. This is something quite peculiar in Africa and the entire developing world, thus deserving closer analysis. It should be remembered that such an awareness of social justice stemmed from the colonial government, yet did not come easy. Both the Colonial Office in London and the colonial government underwent a lengthy period of procrastination prior to the implementation of the welfare system in the 1950s. It took the colonial government quite considerable length of time before they can arrive to the realisation that reliance on kinship to make provision of welfare means was just not sustainable given the appalling living conditions of workers in the sugar estates which possessed the potential to trigger the explosion of social instability.

Moving right into the post-independence period, in the ethnically fragmented society such as Mauritius, where social status and access to resources seem to be inextricably connected to ethnicity, no doubt the post-independence political leadership felt impelled not only to make Fabianism as a philosophical tool towards advancing the ideals of social justice, but also as a tool to deflect intractable chains of violence and anarchy that have plagued most of its mainland African counterparts. This approach remains entrenched in Mauritius today where the provision welfare services are equated with the fundamental ethos and principles of democracy. This is reflected by the over-entertaining of issues pertaining to social justice during of elections by political parties as a tool to lure voters into their camps. Reciprocally, voters elect the party/ alliance that demonstrate submission to these social justice ideals.

⁴³⁹ Subramania, Arvind and Devesh, Roy. Op. Cit. p. 38

⁴⁴⁰ Samson, Michael. Op. Cit. p. 7

While the 1937 and 1943 strikes signified the potential for social anarchy, they nonetheless failed to evoke drastic social policy changes from the side of the colonial government. One can only blame this on weak organisation from the side of labour. Drastic change in social policy in the 1950s was largely owed to the inclusion of representatives from the minority groups who staunchly pushed for the construction of a comprehensive welfare state that made education and health care accessible to the poor along with the introduction of the non-contributory old-age pensions. *Notwithstanding the failure to evoke drastic social policy changes from the side of the government, they nonetheless increased relations between state and societal actors.*

The success of the contemporary welfare state in Mauritius is reflected by the attainment of impressive adult literacy rates and access to a universal health care system. Even more astounding and in deserve of more is the introduction and sustenance of the non-contributory pensions (notwithstanding the economic predicaments of the day) as it serves as proof of the acknowledgement of the susceptibility of this vulnerable group to drown into extreme poverty and deprivation. The need to look after the financial needs of elderly population was taken not only as a social policy mandate, but as a democratic right of the elderly to have a decent, productive and healthy life once they reach the end of the human life cycle.

While no research exists to look at the impact of these pensions on the alleviation of poverty on households of the elderly, one can assume that the country's characteristically low levels of poverty and deprivation could be due to the provision of these social transfer programmes. Perhaps they could also serve as a possible explanation for high life expectancy rate amongst this segment of the population. Certainly, the success of the implementation and sustenance of non-contributory pensions for such a prolonged period shows that the employment of these pensions is feasible and affordable in a low-income country. Moreover, it is the ability of the state to accommodate both ideals of alleviating poverty through social means as well as acceleration of growth through the existence of market fundamentalist policies that deserves acknowledgement as well. Certainly, their co-existence and complementarity has been confirmed in this case.

While the country might seem to be on track when it comes to attempts to alleviate poverty through non-contributory social transfers to the elderly and other social assistance

means, more work needs to be done. Vision 2020 mentions an array of societal breakdowns, such as drug addiction and drug trafficking, alcoholism, sexual assaults of females, muggings and attacks on the aged, burglaries, prostitution, domestic violence, divorce, suicides, child battering and sexual abuse. Many of these have been confirmed to be associated with inaccessibility to economic resources, poverty and deprivation⁴⁴¹. The 1999 riots should serve as an early-warning alert to pay attention to the abovementioned concern. Failure to address such, Mauritius may grow into a time-ticking bomb. Failure to address these may lead Mauritius' well-developed social policies to lose their efficacy.

⁴⁴¹ Bunwaree, Sheila, "Economics, Conflicts and Interculturality in a small island state: The Case of Mauritius", in Polis/RCSP/CPSR, Nuréospécial, 2002, p. 6

Chapter 5:

Conclusion

Amidst neo-patrimonial rule, corruption and endless cycles of ethnic violence that seem to have plagued the continent of Africa, Mauritius stands out in stark contrast to its African counterparts. Since the advent of independence in 1968, the country has demonstrated political stability and most certainly a vibrant multiparty democracy that is highly contested during the season of general elections (which are held every 5 years) - by grand and small political parties alike. Certainly, the lack of one-party dominance distinguishes Mauritius from most African countries where the former is mainly perpetuated by the patron-client character of ruling parties as a tool to maintain their hold-on to power.

Mauritius has held eight general-elections since it attained independence in 1968, and it is the lack of the predictability of the elections and the failure of political parties to remain loyal to political coalitions that put the government on its toes when it comes to delivery of their election promises. In this respect, Mauritius epitomises a true multi-democracy that allows the political space for all political parties to flourish. It also ensures the liberty for the electorate to elect political parties of their choice without fear of retribution within the framework of the constitution which also aid the smooth transfer of power from the ruling elite to its successor. No doubt the presence of the constitution has proven to be the safeguard of Mauritian democracy and agency of restraint as it serves the role of being a check on power abuse. Likewise, the free, fair and open elections which characterise the Mauritian political culture equally deserve commendation in this respect.

However it should not be forgotten that the small island is not an impeccable political paradise. Even though the 1999 riots that occurred in that country were largely attributed to deeply-rooted ethnic division, they reveal only the tip of the ice-berg. Ethnic cleavages continue to plague Mauritius and they are mainly perpetuated by the disproportionate representation of certain segments of the society in the higher echelons of government structures as well as the sense of pre-meditated social exclusion deeply embedded in some segments of the Mauritian society. Mauritius is one of the most ethnically complex societies in the world, but certain ethnic groups (particularly the creoles of African descent) are the least endowed, relative to others. However, if ethnicity is going to determine the fate of a

Mauritian, social harmony as well as inter-culturality cannot be genuine if a certain segment of the population is not given their fair share of the economic resources.

The second shortcoming of the Mauritian polity is the uneven competition playing field provided for smaller political parties and independent candidates in terms of political party funding. It remains a big concern that bigger political parties are disproportionately funded relative to the smaller ones. Inevitably this gives the former political parties much more unfair competition over the latter. This is a concern that deserves the serious attention of the Electoral Commission, but the latter is yet to probe into this matter. Moreover, the under-representation of women in parliament in Mauritius goes to show of the marginalisation and limited role of women in policy-making.

The third political shortcoming of Mauritius polity is the centralised and highly regulated industrial relations system. The Industrial Relations Act, enacted in 1973 has made it difficult for unions to state a legal strike; and the prime minister has the authority to determine even a legal strike unlawful, especially if according to his discretion, it is deemed to pose severe economic risks. Not only does this contradict the fundamental tenets and principles sought in any democratic regime, but this regulation has become irrelevant in current day Mauritius given the country's economic achievements thus far. Notice should be taken on the year of the enactment of this legislation. It was enacted during the early phase of the export processing zones in that country.

This was fuelled by the concern that if labour is given too much power, it may derail the country's economic progress of exporting the goods of the EPZs in large volumes as well as growing at the pace that was desired by the political leadership. While this seems to be case, it should be noted that the repression of labour was followed by various forms of incentives to labour in a bid to avoid the disruption of social harmony. Recall that the construction of EPZs was motivated by the state's quest to deal with the unemployment problem the country experienced during the advent of independence. The state of Mauritius in this regard promised to provide full employment for every unemployed citizen. Secondly, following the boom of the sugar commodity as a result of inflated prices in world market in the early 1970s, the government increased the wages of labourers working in both the agricultural and manufacturing sector. Thirdly, the government re-affirmed its commitment for social justice

in the structural adjustment phase during the 1980s by refusing to succumb to the conditionalities of the Bretton Woods sisters.

This development pattern strikingly resembles the developmental trajectory of the newly industrialised countries. In all four countries (Singapore, Malaysia, Singapore and Taiwan) labour unions were repressed. Such state actions were certainly inspired by the premise that rapid economic development could not continue under democratic platforms. But it should be noted that the demobilisation of labour in those countries was accompanied by the promise to achieve full employment, keep inflation low, provide generous social pensions (as in the case of Singapore and Korea) as well as the doubling of wages of non-agricultural workers as reflected in the case of Taiwan⁴⁴². Notwithstanding the limited role by labour in Mauritius, *it remains a paradox though, that the country was able maintain a generous welfare system. It is evident that in the case of Mauritius, the electorate have adopted the mentality that social welfare is seen as an inherent for every Mauritian. As a result, parties feel compelled to remain committed to ideals of social justice if they are to retain public confidence, thus their hold-on to power.*

While the political front of Mauritius is not without flaws, it is the country's political maturity that stands out. Not only is the country's impressive political maturity a key post-independence development landmark. Acknowledgement should also be made of the fact that the country has maintained one of the most stable and dynamic economies ever to come out of the soil of Africa. Since the introduction of the structural regime in the 1980s, the country has maintained an impressively astounding growth-rate of more than 6 percent (the second after Botswana) -- a figure that far outpaces most countries in the developing world, not forgetting to mention even its First World counterparts. It is for this reason that the country has earned itself the title of "Africa's First Tiger". How did they attain this is the fundamental question that needs to be addressed.

In attempting to answer the above question, it appears from this study that the post-independence political leadership serves as the first viable point of explanation. They were the first to acknowledge the country's economic quaquandary and they responded by taking radical actions towards addressing the socio-economic challenges the country was confronted

⁴⁴² Thompson, Mark, "Late industrializers, Late Democratizers: Developmental States in the Asia Pacific", in *Third World Quarterly*, vol. 17, no. 4, 1996, p. 633

with: population explosion, disproportionate distribution of wealth, a disturbing unemployment problem and the staggering levels of poverty were commonplace and they possessed the potential to emit social destruction which would have the ethnic element attached to it. Sugar and its by-products constituted the backbone of the country's economy, thus the bulk of the country's export earnings, but it proved to be insufficient a commodity to address the country's socio-economic challenges. Moreover, this commodity was susceptible to external price contractions, not forgetting to mention its vulnerability to being compromised due to unfavourable climatic conditions. As for the tourism sector, it did not feature prominently on the country's balance sheets, due to lack of hotels as well as institutions to administer that sector.

The post-independence political leadership, as result, was compelled to take not only drastic, but overly-courageous steps to remedy the situation. Inspired by the successful exploration of export-processing zones by countries in East Asia, it appeared that emulating such a move (using the modest revenues coming from the sugar sector) would yield the desired economic goals required to antidote the unemployment problem as well as reducing reliance on a single commodity. As a result, they created macroeconomic policies that would create conducive environment for domestic private investments by taking advantage of this booming sector. This was achieved by providing tax incentives in a bid to stimulate export-led growth. The export-led growth was in line with the country's long-term goals of increasing the competitiveness of the textile and clothing sector, the very same way it gave domestic firms of the Asian Tigers a chance to get fine-tuned as a result of this approach to economic growth. The fundamental lesson to be drawn from this phase of Mauritian economy is that the government created direction for the market by building formidable local investments into this sector, as witnessed also in the case of the Asian Tigers.

Certainly, the idea to explore export-led growth in Mauritius was a stroke of a genius. Current day Mauritius is the custodian of a dynamic garment manufacturing sector that has tapped both markets of Europe and the Americas. This would not have happened if the government did not adopt appropriate, coherent and well-sequenced domestic policies within the framework of a comprehensive national developmental strategy which is at the heart of a successful adjustment process. Equally important, the success of the current day Mauritian economy is indebted to the vibrant tourism and the service sector. Currently, the government is also actively taking-up ambitious plans to make the island the ICT hub on the African

continent. Surely the country's success in the above-mentioned endeavours required a great deal of political leadership, efficient institutional and governance frameworks as well as adequate infrastructure facilities.

At present, what makes the Mauritian macroeconomic environment more attractive to investors is the provision of a healthy dialogue between the government, labour and investors, thus enabling the government to promptly respond to the needs of business as well as reaching compromise where consensus failed to be arrived at. This goes to show the 'autonomy' of Mauritian state institutions - which in this case enables bureaucratic organisations to clearly define and promote their strategic developmental objectives - as well as the 'embeddedness' of the Mauritian state to form ties with the key strategic groups that play an invaluable role in making its growth endeavours bear fruit.

But the true litmus test of the success of the current day Mauritius is not only demonstrated by its impressive political stability as well as sustained economic successes, but the political leadership's continued commitment to the ideals of social justice and equitable distribution of wealth since the dawn of independence. Without doubt, Mauritius escaped the worst form of political leadership found in newly independent states as the commitment to Fabian socialism of the country's first prime minister and his allies meant *that they did not attempt to pursue their own personal interests of self-enrichment nor did they embrace factional leadership committed only to the welfare of their own members or ethnic group.*

In Africa, Mauritius is the front runner when it comes to the provision of welfare services. It has attained the upper-middle income status and it has maintained one of the lowest levels of poverty in the world. The commitment to provision of universal/free health care system and free education (even up to university level) has enabled the country to attain the life expectancy rate comparable to the ones of OECD countries as well as adult literacy rate that far surpasses the one of its African counterparts respectively. This goes to show that the existence of a social democratic welfare state in Mauritius was enabled by the Government's ability to find the middle-ground between ideals of social justice as well as the market to co-exist in one confinement.

Perhaps even more astounding and in deserve of more commendation for the welfare state in Mauritius is the continued commitment to the provision of non-contributory age pensions. This serves as proof of the acknowledgement of the susceptibility of this

vulnerable group into extreme poverty and deprivation by office bearers. The need to look after the financial needs of this group was taken not only as a social policy mandate, but as a democratic right of this group to have a decent, productive and healthy life once they have reached the end of the human life cycle. While no research exists to look at the impact of these pensions on the alleviation of poverty on households of the elderly population, one is left to assume that the country's characteristically low levels of poverty and deprivation could be attributed to the provision of these social transfer programmes.

It is in this respect that future research on the subject of non-contributory pensions in Mauritius not only be focused on fiscal pressures this sort of social transfers exert on the country's economy, but also on their impact in averting household poverty, deprivation and vulnerability as well as uplifting the standards of living on the households for the elderly population through increase of functionality of this segment of the population. Studies in other countries in Africa and Latin America show of the extent this non-contributory pension income have in alleviating poverty among this vulnerable group of the population. In the case of Mauritius, it will go to show the extent to which they provide peace of mind regarding one's fate, or the fate of a grandparent, aunt, friend or neighbour, in old age.

Notwithstanding the absence of research addressing the aforementioned subject in that context, nonetheless, the existence of these pensions could also serve as a possible explanation for the high life expectancy rate amongst this segment of the population in Mauritius. Certainly, the success of the implementation and sustenance of non-contributory pensions (in economically vulnerable Mauritius) for such prolonged period shows that the employment of these pensions is feasible and affordable in a low-income country. Moreover, it is the ability of the state to accommodate both ideals of alleviating poverty through social means as well as acceleration of growth through the existence of neoliberal policies that deserve acknowledgement as well. Certainly, their co-existence and complementarity has been confirmed in this case.

However, due to the current change of rules and preference for Mauritian exports, the Mauritian welfare state's ability to continue with the provision of a comprehensive and highly generous social transfers programme may be debilitated. The erosion of trade preferences in sugar and textile sectors and the general dismantling of subsidies worldwide and the rapid emergence of low-cost (yet efficient and competitive) textile producers from

Asia raise concerns on whether the country will continue having the economic muscle to sustain its highly generous welfare state for another 30 years. This concern over the contraction of preferences by the Mauritian political elite goes to affirm the sentiment that Mauritius' initial successful economic take-off had an element of luck in it. Mauritius benefitted from the protectionist policies of the United States and the EU in the sugar and textile and clothing sector. Had these industrial countries liberalised their markets, it is quite likely that the Mauritian trade performance (and welfare state) would have been different. It is therefore no secret that Mauritius has not been enthusiastic about dismantling protection in world agriculture and clothing markets.

Nonetheless, the fundamental lesson that can be drawn from this study is that the interplay between the state and the market in Mauritius confirms the wisdom that at the heart of a social democratic welfare state lays a democratic developmental state. The provision of tax incentives to the private sector was done in a bid to develop a strong private-public sector partnership. The state is further empowered with the 'embedded autonomy' to intervene in the economy strategically and effectively by focusing on sectors, markets and technology - which are regarded as important toward achieving sustainable growth and socio-economic transformation - while not losing focus on its social developmental aspirations. This would in the long run provide an economy that would enable the state to carry out its mandate of advancing social justice on a sustainable basis.

Based on the experiences of Japan, South Korea and Taiwan, Chalmers Johnson⁴⁴³ further portrays a developmental state as the one in which:

developmental elites create political stability over the long term, maintains sufficient equality in distribution to prevent class or sectoral exploitation...sets national goals and standards that are internationally oriented and based on non-ideological external referents, creates (or at least recognises) a bureaucratic elite capable of administering

⁴⁴³ Johnson, Chalmers, "Political Institutions and Economic Performance: The Government-Business Relationship in Japan, South Korea and Taiwan", in Deyo, F.C (ed.): The Political Economy of the New Asian Industrialism, Ithaca: Cornell University Press, 1987, p. 142; Mkandawire, Thandika, "Thinking about a Developmental State in Africa", in Cambridge Journal of Economics, Vol. 23, no. 3, May 2001; and Leftwich, Adrian.: States of Development: On the Primacy of Politics in Development, Cambridge: Polity Press, 2000, p. 168 also agree to the above definition

the system, and insulated its bureaucrats from direct political influence so that they can manage technocratically.

Mauritius epitomises the above attributes. The developmental ideals that were reflected by the country's post-independence industrialisation phase were inspired by the need to advance the ideals of social welfare as a tool to effect socio-economic equality and harmony. To achieve this, the state was compelled to take the driver's seat in the running of the economy (instead of letting the market to operate in its pure form) as well as ensuring that such a move yields the competitiveness of this new industry. Without doubt democratic politics in Mauritius motivated rulers to act developmentally through strategies that enhanced both equity and growth. Also their success in achieving growth with equity helped consolidate democratic institutions. In this respect, democracy augmented the capacity of the Mauritian Government by generating legitimacy and improving administrative efficiency and integrity through mechanisms of accountability. Moreover, the Mauritian state was consensually autonomous in such a way that it created a platform for the representation of all ethnic and communal groups in the bureaucratic elite to ensure that all groups are, and feel represented.

But also key to note, is the fact that there was no hierarchy of development priorities. Social policy that subscribed to social welfare ideals co-existed with the imperatives of achieving successful economic transition from a mono-crop economy to the one that is multi-sectoral. In other words, successful economic transition did not precede social justice. The Government simply found ways to make both the latter and market fundamentals find common-ground. This also goes to affirm the wisdom that the state does not only have to take keen interest in the ideals of social justice once the economy has reached a certain threshold. As a matter of fact, it will be astounded by the mutually beneficial role the two would fulfil.

Appendix A**Table 2.1. Illustrating the Growth of the Mauritian Sugar and World Markets: 1820-1939⁴⁴⁴**

Period	Average Yearly Production (metric tons)	% World Cane Production	% Total World Sugar Production	Average Price Sh./Cwt.
1820-1829	15,559	—	—	33
1830-1839	33, 443	—	—	32
1840-1849	45,388	4.8	4.5	34
1850-1859	97,407	7.8	6.5	24
1860-1869	115,778	7.8	5.6	22
1870-1879	112,184	6.2	3.7	22
1880-1889	116,016	5.3	2.5	16
1890-1899	132,663	4.3	1.8	12
1900-1909	182,848	3.1	1.4	10
1910-1919	225,775	2.2	1.3	20
1920-1929	225,808	1.5	1.0	20
1930-1939	251,792	1.5	0.9	6

Sh./Cwt. = Shillings per hundredweight for a raw sugar in London. Figures rounded to the nearest whole shilling

⁴⁴⁴ Allen, Richard. B, "The Slender, Sweet Thread: Sugar, Capital, and Dependency in Mauritius, 1860-1936", in *Journal of Imperial and Commonwealth History*, vol. 16, no. 2, January 1988, pp. 177-200, as drawn from Deerr, Noel.: *The History of Sugar*, Chapman and Hall: London, 1949, p. 531

Appendix B

List of Political Parties that partook in the 2005 General Elections⁴⁴⁵

- Alliance MSM/MMM
- Alliance Sociale
- Comité D'Action Musulman Mauricien (CAMM)
- Conservative Party
- Democratie Mauricienne
- Démocatie Union Socialist Mauricien (DUSM)
- Ekta Party
- Front Progressive du Peuple Rodriguais (FPPR)
- F.S.M – Front Solidarité Mauricienne
- Freelance Front Populaire Musulman (FPM)
- Groupe de Cinq
- Hindu Shive Sena
- Hizbulla National Party
- Independent Forward Bloc (IFB)
- L'Alliance Pour La Justice
- Lalit
- Les Vertes Fraternel
- Majority Party (Parti de la Majorité)
- Mauritius Labour Party (LP)
- Parti Travaillist (PTr)
- Mauritius Party Rights
- MDN Raj Dayal (Mouvement Démocratique National Raj Dayal)
- Millenium Party
- Mouvement Authentique Mauricienne (MAM)
- Mouvement Civique D'Action de No 14
- Mouvement Démocratique Mauricienne (MDM)
- Mouvement Justice National
- Mouvement Libération Militant (MLM)
- Mouvement Mauricien Pour La Paix (MMP)
- Mouvement Militant Mauricien (MMM)
- Mouvement Patriotique
- Mouvement Popiler
- Mouvement Progressive Militant (MPM)
- Mouvement Républicain
- Mouvement Socialiste Démocrate
- Mouvement Socialiste Indépendant
- Mouvement Socialiste Militant (MSM)
- Mouvement Solidarité Travailleur Mauricien Rodrigues Agalega (MSTMRA)
- Mouvement Traivailleurs Mauriciens
- Mouvement Travailliste Socialiste (MTS)

⁴⁴⁵ Darga, Amedee, "Electoral Update 2005: Mauritius", in EISA, no. 2&3, available on: http://www.eisa.org.za/PDF/eu2005502_03mu.pdf, September 16 2005, accessed on July 27 2009, p.2

- Mouvement Populaire Lendroit
- Muslim League
- Muvmen Premye Me
- National Socialist Party
- Organisation du Peuple de Rodrigues
- Parti Action Libéral
- Parti Anti Esclavages
- Parti du Peuple Mauricien (PPM)
- Parti Libération Mauricien (PLM)
- Parti Mauricien Sociale Démocrate (PMSD)
- Parti Mauricien Xavier Duval (PMXD)
- Parti Socialiste
- Parti Socialiste Mauricien
- Parti Zenfants Malaise
- Parti Malin
- Patriotic Reformist Organisation (PRO)
- Rajput Socialist Party
- Ralliement des Rodriguais Responsable (RRR)
- Ressemblement Socialiste Mauricien (RSM)
- Rezistant ek Alternativ
- Tamil Council
- Top Dhamaka Vrai Rouge
- Union Mauricienne
- Union Patriots Illiois Mauricien
- Voice of Hindu (VOH)

Appendix C:

Incentives under the Development Certificate Scheme

Companies awarded a Development Certificate (D.C) enjoy the following fiscal and financial incentives and advantages

- 1) Protective import duties for infant industries.
- 2) Suspension of import duties on materials and equipment not locally available.
- 3) Rebates of import duties on other raw materials and components for specified industries.
- 4) Customs' drawback of import duties in materials and components subsequently re-exported in finished products.
- 5) Import quota protection of up to 80 per cent of the market.
- 6) Initial depreciation allowance of 40 per cent of plant and 20 per cent on industrial buildings.
- 7) Corporate income tax holidays of 5 years if the benefit of initial depreciation allowance is utilised and 8 years with normal depreciation allowances.
- 8) Exemption from payment of income tax on dividends for a period of 5 years.
- 9) Long term loans at favourable rates from the Development Bank of Mauritius for up to 50 per cent of long term capital employed.
- 10) Lease of standard factory buildings at subsidised rates.
- 11) Free repatriation of profits.

Source: YeungLamko, Louis, Op.Cit. p.26

Appendix D:

Table 3.1: Employment in the EPZ 1983-1993

Year	No. of Enterprises	Employment	Share in Total Employment
1983	146	25526	0.13
1984	195	37522	0.19
1985	290	53951	0.25
1986	408	74051	0.31
1987	531	87905	0.34
1988	591	89080	0.33
1989	563	88658	0.32
1990	568	89906	0.31
1991	586	90861	0.3
1992	558	86937	0.3
1993	536	85621	0.3

Source: Central Statistics Office CSO), Government of Mauritius - Various Publications, Port Louis, 1992 in YeungLamko, Louis (1998)

Table 3.2. EPZ Gross Earnings and GDP Contribution 1983-1995

Year	Gross Earnings RS.Million	Share of Total Contribution At		TO GDP Prices Per Cent
		Export Earnings	Current RS.Million	
1983	1307	0.3	548	5.2
1984	2151	0.42	865	7.2
1985	3283	0.49	1333	9.6
1986	4951	0.55	1860	11.3
1987	6567	0.55	2585	12.7
1988	8176	0.59	3125	13
1989	9057	0.58	3400	12.1
1990	11474	0.64	3975	12
1991	12136	0.65	4400	11.7
1992	13081	0.65	5011	11.8
1993	15821	0.69	5705	11.9
1994	16545	0.69	6230	11.5
1995			6935	11.5

Source: As for Table 3.1

Table 3.3 Tourist Arrival in Mauritius 1983-1995.

Year	Tourist Arrivals Thousands	Growth Rate (%) Arrivals	Tourist Nights Thousands	Growth Rate (%) Nights	Length of Stay Nights
1983	123.8	4.6	1405.9	1	11.4
1984	139.7	12.8	1542	9.7	11
1985	148.9	6.6	1736	12.6	11.7
1986	165.3	11.1	1878.4	8.2	11.4
1987	207.6	25.6	2372	26.3	11.4
1988	239.3	15.3	3002.8	26.6	12.5
1989	262.8	9.8	3196.8	6.5	12.2
1990	291.6	10.9	3564.9	11.5	12.2
1991	300.7	3.1	3697	3.7	12.3
1992	335.4	11.6	4110.4	11.2	12.3
1993	374.6	11.7	4610.4	1.2	12.3
1994	400.5	6.9	4539.3	-5.4	11.4
1995	422.5	5.5	4434.9	1.7	10.7

Source: Mauritius Government of Tourist Office - Handbook of Statistical Data on Tourism, Various years, in YeungLamko, Port Louis (1998)

Table 3.4. Tourism: Hotels and Gross Earnings

Year	No. of Hotels	No. of Rooms	No. of Beds	Visible Gross Earnings RS.Million
1983	51	2204	4530	510
1984	54	2488	5102	633
1985	55	2630	5387	845
1986	56	2888	5955	1190
1987	60	3108	6418	1786
1988	64	3399	7005	2381
1989	67	3605	7374	2796
1990	75	4603	9572	3630
1991	80	5064	10482	3940
1992	84	5271	10917	4655
1993	85	5341	11058	5362
1994	90	5888	12187	6415
1995	95	5977	12359	7472

Source: As for Table 3.3

Appendix E:

Table 3.5: Investment Incentives

Sector	Summary of Incentives
AGRICULTURE	
Non-Traditional	-15 per cent corporate tax rate -no import duty on plant, machinery and spares -50 per cent reduction in land registration duty -15 per cent corporate income tax rate -no import duty or VAT on raw materials and equipment -no personal tax on 2 expatriate staff
MANUFACTURING	
All (including cases below)	-15 per cent corporate income tax rate except on beer and soft drinks
Export Processing (including agro-industry)	-no import duty or VAT on equipment and raw materials -no personal income tax on 2 expatriate staff
High technology	-no import duty or VAT on equipment and raw materials -50 per cent relief on personal income tax for 2 expatriate staff
Upgrading and anti-pollution investment	<i>-10 per cent of new capital expenditure up to US\$400,00 available as tax credit</i> -no import duty on qualifying imports
SERVICES AND INFRASTRUCTURE	
Export -oriented services	-15 per cent corporate income tax rate -no import duty on office equipment
Industrial Property Development	-15 per cent corporate income tax rate -50 per cent reduction in land registration duty
IT	-as for export processing
Printing and Publishing	-as for export processing
Education and Health	-15 per cent corporate income tax rate
Capital Market	-25 per cent corporate income tax rate for listed companies (15 per cent for mutual funds and listed trusts) -no tax on interest on quoted bonds
Regional Headquarters	-10-year holiday, on foreign sourced income, and 15 percent corporate tax thereafter -Tax-free dividends -Duty-free import of furniture, equipment, including a maximum of 2 cars for expatriates personnel -Concessionary personal income for two expatriates non-resident Mauritian employees for the first four years of employment
SELECTED FINANCIAL SERVICES	

Concession projects	-15 per cent corporate income tax rate for unit fund trustees, venture capital and managers, holders of a development certificate or pioneer services certificate -Ministerial discretion to reduce any tax or charge on a project basis
TOURIS	
M	
Hotel Management	-15 per cent corporate income tax rate -concessional finance
Hotel development	-as for hotel management; plus -no import duty on certain equipment -cheap land

Source: National legislation including the Income Tax Act, Development Incentives Act, Industrial Expansion Act, Health Management (Incentives), Health Development Certificate Act. Extracted from UNCTAD, *Op. Cit.* 2001.pp. 24-25

Appendix F:Table : African Regional Social Security Rankings,
1995

Regional/ Country <i>Africa</i>	Ranking	Social Security Design Score	Region/ Country <i>Africa</i>	Ranking	Social Security Design Score
Tunisia	1	898	Equatorial Guinea	23	743
Mauritius	2	865	Sudan	24	740
Algeria	3	854	Madagascar	25	734
Libya	4	843	Cote d'Ivoire	26	720
Cape Verde	5	829	Mauritania	27	705
South Africa	6	821	Burkina Faso	28	701
Burundi	7	810	Kenya	29	698
Congo	8	804	Nigeria	30	680
Egypt	9	800	Uganda	31	667
Zaire	9	800	Zimbabwe	32	662
Rwanda	11	797	Senegal	33	659
Togo	12	789	Seychelles	34	653
Gabon	13	783	Ethiopia	35	624
Morocco	14	780	Sao Tome & Principle	36	610
Niger	14	780	Tanzania	36	610

Mali	16	778	Botswana	38	604
Benin	17	774	Liberia	39	599
Chad	18	769	Ghana	40	593
Cameroon	19	763	Gambia, The	41	590
Zambia	20	754	Swaziland	41	590
Central African Republic	21	751	Somalia	43	542
Guinea	22	748	Malawi	44	462
			Sierra Leone	45	429

Source: Dixon 1999; pp. 249-250⁴⁴⁶

⁴⁴⁶ Dixon, John.: Social Security in Global Perspective, Westport: Praeger, 1999, pp. 249-250

Appendix G:**Table 4.3: State Expenditure on various welfare items in a political perspective**

Month and year of budget presentations	Month and year of elections	Parties in power	State expenditure on various items of consent
May 1976	December 1976	MLP/CAM/PM SD	Total expenditure on social services rose from Rs90 million in 1967-1968 to Rs368 in 1974-1975. Social transfers of various kinds - old age pensions, family allowances, outdoor relief, most of all in terms of expenditure, food subsidies. Expenditure on social assistance more than doubled between 1967-68 and in 1975-76 from Rs30 million to Rs64 million, but expenditure on food subsidies at Rs142 million was 24 times as great in 1975-76 as in 1967-68, when they totalled Rs5.8 million. Welfare benefits, such as Family Allowance, Old Age Pension and Outdoor Relief, be Rs68 million compared to Rs62 million
May 1981	June 1982	MMM	The subsidy on rice and flour increased from Rs203 million to Rs230 million. Expenditure on education went up from Rs407 million to Rs426 million, on health increased from Rs198 million to Rs205 million. The balance of about Rs650 million expended on a wide variety of essential services, including subsidy to local authorities.
July 1982	August 1983	MMM/PSM	Rs403 million for pensions and social security benefits, Rs200 million for food subsidy
June 1986	September 1987	MSM/MLP	Provision for social security increased from Rs367 million to Rs427 million to reflect governments' commitment to

			give maximum protection to the less fortunate of the society, health raised from Rs306 million to Rs334 million, education increased from rs540 million to Rs570 million to meet the full cost of maintaining free education and provision of Rs75 million made for subsidy on rice and flower
June 1991	September 1991	MSM/MLP/PM SD	Budget of the Ministry of Social Security increased from Rs828 million to Rs1,076 million - that is, an increase of Rs248 million. Budget for education increased from rs477 million in 1981/82 to Rs1,190 million in 1990.91. Budget expenditure increased to Rs284 million. In the area of training, increasing its provision from Rs130 million to Rs165 million, that is by 27 per cent.
June 1995	December 1995	MSM/MMM/MTD	Budget of the Ministry of Social Security rises to Rs2 billion. Increased the budgetary allocation for assistance and training of disabled persons to Rs7 million, that is by 17 per cent. Increased support for NGOs. Old -age pensioners, widows, orphans, invalids and other needy categories have seen their social benefits increased by 31 per cent. Total budgetary allocation for the Ministry of Health being raised by 12 per cent to nearly Rs 1.42 billion.
June 2000	September 2000	MLP	<i>Education:</i> Total budget allocation to education is Rs4.2 billion. <i>Social welfare:</i> The total budgetary provision for the National Pensions Fund - Rs. 3.5 billion. Increasing the grant to the NGO's Trust Fund to Rs.225 million. The charitable organisations raised to Rs28.5 million and that for social aid to Rs150 million. <i>Health:</i> Increasing the provision for the health sector to Rs2.2

			billion.
April 2005	July 2005	MSM/MMM	<p>Increasing provisions for assistance and training of disabled person Rs12 million. Allocation of Rs40 million to complete construction of a Disability Centre at Pointe aux Sables. Provision for Social aid increased from Rs225 million to Rs261 million and increasing grants to Charitable institutions from Rs.40 million to Rs42.5 million. Budgetary provisions for the Ministry of Social Security, national Solidarity and Senior citizens welfare increased from Rs6 billion to Rs.68 billion - an increase of 13 per cent. Budgetary provision training staff increased by 140 per cent to Rs12 million allocating Rs470 million for medicines and medical disposables. Increasing the provision to NATReSA by 35 per cent to Rs29 million. Overall budgetary provision for the Ministry of Health and Quality of life increase by Rs4 billion - an increase of 9 per cent.</p>

Source: Bunwaree, Sheila, Op. Cit. 2007, p. 232

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