A small island developing state nestling in the Indian Ocean and a paradise destination for tourists, Mauritius has already survived one major brush with globalization in the 1970s by diversifying from its dependence on sugar cane. Nearly four decades on, this small but densely populated country is again having to navigate the global economic highway in search of a second economic miracle. Here, Ali Mansoor, former Lead Economist at the World Bank and now Mauritius' Financial Secretary, talks to IOM about how Mauritius is adapting to its new economic and social reality.

Surviving the Global Economy

– Mauritius Moves Towards Another Miracle

IOM: Mr. Mansoor, why is Mauritius now having to rethink how it operates in the global economy?

Ali Mansoor: Mauritius is facing a sharp transition from dependence on trade preferences to open competition in the global economy. The rate of our economic growth dropped from 5-6 per cent to about 2 per cent between 2002-2006. This reflects the failure to respond to the triple shocks of the dismantling of the Multifibre Agreement (a quota system designed to protect clothing and textile manufactures in developed countries while facilitating access for developing countries), soaring oil prices and the sharp cuts in guaranteed sugar prices that have impacted negatively on two of our key sectors – sugar and textile – whilst curtailing the purchasing power of most of the population.

The European Union's reduction of sugar prices by 36 per cent by September 2009 is a major blow to our economy given that about 90 per cent of our sugar production is exported to the European market. The textile and clothing sector, meanwhile, has registered a contraction of 30 per cent in value added and a reduction in its workforce by around 25,000 over the past four years. The World Bank estimates that a further 12,000 low skilled jobs in both industries will be lost over the next three years.

Obviously, employment creation possibilities in these sectors are rather limited and the growth rates in the other two important sectors in Mauritius – tourism and financial services – cannot compensate for the decline in the others.

▲ The European Union's reduction of sugar prices by 36 per cent by September 2009 represents a major blow to the Mauritian economy. About 90 per cent of its sugar production is exported to the European market (Photo: © Mauritius Sugar Industry Research Institute, 2007)

▲ An estimated 12,000 workers in Mauritius's sugar and textile industries will be lost in the next three years according to the World Bank. Many thousands have already been lost. A significant reforming of its labour market is essential through retraining and re-skilling of its workers from these sectors, many of whom are women with little education, if Mauritius is to turn things around (Photo: © Mauritius Sugar Industry Research Institute, 2007)

IOM: So what is Mauritius doing about it?

Ali Mansoor: We're conscious of the need to adapt quickly to this new economic reality. The government has embarked on a comprehensive ten-year Economic Reform Programme focusing on fiscal consolidation and discipline, improving the investment climate in order to be among the top 10 investment-friendly locations, mobilizing Foreign Direct Investment (FDI) and restructuring the economy to both unlock economic growth and widen the circle of opportunities.

The latter includes not just a fundamental restructuring and modernization of the sugar and textile sectors, but also the promotion of emerging sectors such as information and communication technology (ICT), the seafood hub, aquaculture, a land-based oceanic industry; an international medical hub, a regional knowledge centre, light engineering and the transformation of tourism into a broader hospitality industry.

All of this involves a reform of our labour market which begins with large-scale re-training of textile and sugar cane workers as well as the unemployed, including those with low educational attainment. Our unemployment rate is relatively high, hovering at about 9 per cent for several years. A significant number of the unemployed haven't passed primary school examinations and are women. Despite this, the job vacancy rate has remained relatively pronounced over the years with significant migration to fill skills gaps at all levels. So re-training and re-skilling is essential.

The government is also negotiating temporary labour migration programmes with destination countries. This would enable Mauritians to build up their skills abroad and on return, find employment in new sectors or start a business under a scheme to help small and medium enterprises (SMEs).

IOM: Mauritius is not really known as a major labour sending country. Why should migration be a factor in the government's economic restructuring plans?

Ali Mansoor: As an island economy that is undergoing an economic transformation from a labour intensive to a service economy, there is little scope for low skilled workers to find employment. So circular migration to countries in Europe, the Middle East, Australia and Canada would be a good opportunity for the low-skilled, especially women, to get international exposure and rapidly build up both their human capital and financial savings which they could use upon return to start a small business. On an individual human level, it would also help them and their families to uplift their financial, economic and social status.

IOM, with its long-standing operational expertise is playing a prominent role in helping Mauritius to unlock circular migration agreements with countries where there is demand for such low-skilled workers. We are looking for increased visa allocations for our unemployed with some sort of guarantee or bond so that after their temporary stay abroad, they return to Mauritius. More importantly, we would like to develop incentive based schemes with our partners. A matching savings scheme, for example, would both encourage savings and enhance the attractiveness of return. Some progress has already been made. IOM is currently assisting Mauritius in the recruitment of some 85 workers to work for the Maple Leaf Fresh Food Processing Company in Canada and we are initiating discussions with EU member states, including France, with the support of the European Commission. We also look to the World Bank to help us formulate the appropriate incentives and regulatory framework.

▲ The dismantling of the Multifibre Agreement has hit Mauritius hard with the loss of 25,000 jobs in this sector in the past three years alone (Photo: © Mauritius Government Information Systems, 2007)

▼ The Mauritian government hopes that its emigrants will invest in small and medium enterprises upon their return home in order to build a healthy and vibrant economy (Photo: © Mauritius Government Information Systems, 2007)

IOM: But why temporary and circular migration?

Ali Mansoor: We want to maximize the development potential of migrants returning home after a limited stay abroad, bringing with them new skills, savings and ideas. We also want to encourage remittance flows which will improve long-term benefits to migrants' families and enhance their development impact.

But we also want to facilitate the Mauritian diaspora's return home so they too can assist in the development of the country. Since the early 1970s, an estimated 200,000 Mauritians have migrated to take up employment in countries such as UK, France, Australia and Canada. Now, as Mauritius moves to the next phase of economic development, the need for expertise in new poles of growth is being felt. In this context, the government is encouraging the diaspora to invest and participate actively in the development of the country.

IOM: So how is Mauritius planning to achieve this?

Ali Mansoor: We are creating a conducive environment for SMEs with a new package of incentives being put in place. And together with IOM, the government will ensure that those going abroad on circular labour migration programmes will not face bottlenecks in sending their remittances home and in channeling them into SMEs or other productive sectors of the economy.

As regards the diaspora, Mauritius needs to seek creative solutions in harnessing the intellectual and financial resources of our diaspora – something China and India in particular, have already achieved. To help us, IOM has carried out two studies on diaspora mobilization strategies and an overseas employment plan for Mauritian nationals. One concrete outcome from this is the decision by the government to tax Mauritians on income remitted instead of world wide income and to provide returnees with a concessionary duty when buying a car. We already recognize dual nationality which is a major bottleneck for many other countries to mobilize their diaspora.

IOM: What measures are you taking to ensure that Mauritian workers are competitive with other nationalities for low-skilled labour?

Ali Mansoor: A key component of the economic reform programme is the Empowerment Programme (EP) which aims to unlock opportunities for the unemployed and those affected by retrenchment, particularly women, through training and re-skilling.

The EP has also been entrusted to oversee the implementation of the circular migration programme which will, amongst other things, match the unemployed with the demand for labour in receiving countries. Through EP, those chosen will be given pre-departure training to meet the requirements of destination countries and in the case of Maple Leaf, this includes functional English language training.

Another important aspect not to forget is that Mauritius has a vibrant and multicultural population that speaks French and English and local Creole. There is also a mix of religions, so we have Hindus, Muslims, Catholics and Buddhists. These are all factors which can potentially facilitate integration into host communities, a major issue in today's globalized world.

▲ Job seekers eagerly search for new employment opportunities through the Mauritian government's Empowerment Programme, a key component of its economic reform. The programme is also overseeing the implementation of a circular migration strategy, including matching the unemployed with demand for labour in receiving countries (© Empowerment Programme, Mauritius/2007)

IOM: So can Mauritius pull off a second economic miracle?

Ali Mansoor: The government is committed to maintaining a sound, stable and liberal macroeconomic and trading environment which will pave the way for another historic transformation into a high-growth economy, increase competitiveness and efficiency, raise employment levels and reduce poverty and inequalities within society. Already some positive results are being seen, such as a massive flow of foreign direct investment, the more than doubling of the economic growth rate from 2.3 per cent in 2005 to 5.8 per cent in 2007 and a decrease in the budget deficit and public sector debt.

These are clear indications of what lies ahead and if the indicators continue on the same trend, Mauritius could contemplate a return to sustained growth with equity. M

Circular Labour Migration

The recruitment and departure of 85 Mauritians to Canada to work for the Maple Leaf Fresh Food Processing Company in their pork meat and poultry processing plants is scheduled for early 2008. It represents the first of several agreements to place Mauritian low-skilled workers in countries that need workers in sectors such as agriculture and home care.

The tri-lateral agreement involving IOM, the Mauritian government and Maple Leaf touches on issues such as pre-departure orientation, employment contracts, visas, travel arrangements and language classes. The agreement also ensures migrants' rights are safeguarded and that workers are protected from any form of exploitation.

To ensure integration, the agreement also covers post-arrival assistance, stay and return issues for the migrants who come from a country with a proven history of a well-integrated diaspora.

An IOM Liaison Office has been opened in Mauritius to implement this programme.

In order to develop its circular migration programme further, Mauritius is seeking assistance from external parties which would enable participants to build their skills abroad, save money and on their return, find employment in new sectors or start a business under a small and medium enterprise incubator scheme.

With countries in Europe and the Middle East as well as Australia and Canada facing ageing populations and labour shortages, the programme would be aimed at such markets, particularly in jobs such as carers, home nurses, seasonal agricultural workers, and in agro-processing and manufacturing related work.