

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

**ON THE OCCASION**

**OF**

**THE GENERAL ASSEMBLY**

**Mauritius Chamber of Commerce and Industry**

**TUESDAY 24 MARCH 2009**

**AT 09 30 HRS**

**Le Labourdonnais Waterfront Hotel,**

**Port Louis**

Good Morning and thank you for your kind invitation and also for the opportunity to make an address to the General Assembly

### **Special Circumstances**

This assembly is taking place in very special circumstances. As we are all aware the world is experiencing its worst financial and economic crisis which is now deepening and becoming much more complex, directing impacting adversely upon real economy: production, markets, employment and society at large. Many economies are also exposed to serious social unrest.

Even major developed economies such as the USA, Europe and Japan are already in recession. The IMF has estimated growth for world output to be 0.5% in 2009, the lowest rate since the Second World War. Negative growth rates of 2.0% and 3.9% are estimated respectively for developed economies and newly industrialised economics.

No country lives in isolation. All countries in general are interdependent. What happens in the major economics will affect others in the world.

To respond to the challenges posed by the current crisis, the international community is putting in place a whole gamut of strategies. On the other hand there continues to be a of the crisis and it is not easy to gauge its duration and full impact.

It is being argued that the ongoing financial and economic crisis may give rise to protectionism or subtle protectionist and regulatory measures which may further deteriorate the conditions especially of the developing nations. Bailouts for corporate giants in difficulties and provision of funds to support strategic companies/sectors from foreign takeovers are measures which could distort global trade and invite retaliation.

### **Mauritius**

Mauritius being a relatively small and open economy, is not immune from such repercussions and remains vulnerable to external factors which are beyond its control. As you are aware, Mauritius has not been spared by the financial and economic crisis that has been occurring in our main markets. A growth rate of 3.3% is forecasted for both emerging economies and developing countries. The growth rate estimated at 4% for Mauritius for year 2009 has been revised downward to 2% by IMF.

There is therefore absolute need for greater discipline and concertation rather than confrontation in these moments. We

appreciate the spirit of partnership of the private sector in dealing with the formidable challenges posed by the present crisis.

Mr. President, I wish to thank the Chamber for the opportunity given to me to address you and express my appreciation for the contribution of the Chamber to the development of the country. Mauritius has a long history of collaboration between Government and the private sector, and MCCI has always been a vital interlocutor and a close partner of Government in addressing major national economic issues. Whilst the members of the Chamber representing essentially the business community will continue to contribute to the economic development, Government remains committed to a policy of sustained development in being more of a facilitator than an economic operator.

### **The Manufacturing Sector**

As you are aware, the manufacturing sector continues to assume a prominent importance in the economy, as it contributed around 19.4% to GDP in 2008, and some 23% in total labour force. The growth rates of manufacturing in the past four years have been relatively weak, especially because of the difficulties encountered by the Export-Oriented Enterprises (EOE) sector resulting from trade liberalization and globalisation. After a negative growth of – 5.5% in 2005, the manufacturing sector, however, grew by 4% in

2006, 2.2% in 2007 and 1.8% in 2008. To date the official growth rate is expected to be 2.1% in 2009.

After being confronted with the harsh realities of liberalization viz. the abolition of the Multi Fibre Agreement quota, through closures, reduced employment and exports, the EOE sector was able to bounce back in 2006 and 2007 when EOE growth rates were respectively 4.6 % and 8.0% ... after the negative record growth rate of -12.3% in 2005.

However, in 2008 the EOE growth rate fell to 4.1%. In fact, the EOE exports dropped by 7.7 %, from Rs. 37.8 bn in 2007 to Rs. 34.9 bn in 2008. Textile & Clothing which constituted 67% of exports dropped by 11% from Rs. 26.5 bn in 2007 to Rs. 23.5 bn in 2008

### **Global crisis and liberalisation**

As a small country, we cannot depend on our exiguous domestic market, and as such it must not be tempted to be restrictive. We need to look to the regional and new markets beyond the region. Though small, we have the advantage to be more able to resist the negative impact of the world recession ... provided we are prepared to confront and meet the present challenges. That is why I say that we should look at the current crisis as an opportunity to revisit our business models and strategies and reinvent our

manufacturing sector to make it globally competitive, environmentally sustainable and socially responsible. We must develop our Export Readiness .

It is also an opportunity to tap the potential of science and technology to move up the global value chain. An opportunity to nurture a culture of excellence and innovation and usher in a new generation of enterprises. We have the potential and our entrepreneurs have given proof of it .We now have to develop the required synergy and play as a team: Mauritius United.

As a small economy we have no option than to be outward looking and not inward looking. The era of protectionism and preferences is over. This is the era of global competitiveness. The import-substitution industries encouraged benefited from high protective tariff, quotas and bans at a given period of time. Protection may be useful but this must not go on indefinitely. This may perpetuate inefficiencies, economic rigidities and resource misallocation. In a sheltered environment, long term sustainability would not be attained and the drive to modernization, innovation, creativity, and productivity will be dampened.

### **A New Development Paradigm**

Government being full conscious of the imperatives of liberalization and globalization is fostering a new paradigm of

development to better face the rapid changes being taken place. The economy is being opened up and diversified and investment has been facilitated with the enactment of the Business Facilitation Act. Complex and long procedures have been eliminated so as to ease business, whereby clear guidelines have been set up. The integration of the EOE and non-EOE sectors has been accelerated, and customs duty on all inputs for the manufacturing sector as a whole has been abolished.

Such an integration process can provide the conducive environment whereby SMEs can work together on different activities within a value chain to provide either a product or service to large enterprises.

## **Market requirements**

The world is undergoing constant changes. The market requirements are changing. The business community will have to employ the necessary resources and skills to adapt, improve and respond quickly to these changes. The Mauritian industries have to emulate those successful enterprises in high cost countries. Industries will have to adopt the best international practices, focus on innovation, flexibility and reduced lead time, move up market and respond on time. Mauritius, I believe, can position itself as an industry which can have a niche in the middle and upper segments of the market place.

Given the growing importance of social compliance in EU and USA which represent our traditional markets, it becomes imperative for all Mauritian enterprises who export or plan to export to these markets to incorporate social and environmental compliance in their objectives. Compliance can be viewed as a marketing tool rather than a constraint and Mauritius, being compliant, can carve out a competitive edge over other countries. We have pledged to become a sustainable island (MID). Our products should also be sustainable. We must also keep in view the numerous second generation barriers in our export markets namely the NTBs.

## **The Region and AGOA Week**

The region represents big challenges as well as opportunities for the Mauritian industries. Our regional development policies in the Southern and Eastern African region namely through membership of SADC and COMESA is to provide wider economic space and market access to our enterprises. Within SADC action has been initiated for the establishment of a Custom Union by 2010. Four Technical Working Groups are looking into the key operational issues and implications. It is also proposed to have a larger Free Trade Area by harmonizing the three regional blocks. Along the enlarged FTA, member countries have also agreed to remove as far as possible Non Tariff Barriers. This should no doubt open more opportunities for our economic operators.

As access to the region is improved, firms will have to take advantage of the greater market represented by SADC & COMESA. Mauritius being a small island has to go for export in order to survive and expand. To deepen the regional integration process, certain conditions have to be put in place viz. the removal of NTBs, the harmonisation of standards, and trade and trade-related policies, less stringent rules of origin and, above all, political and socio-economic stability. Government is addressing these issues in collaboration with the private sector. This process

may take time, but must not deter Mauritius from capitalizing on investment and trade opportunities in the region.

The African Growth and Opportunity Act provides ample opportunity for Mauritius to further consolidate its position as an exporter to the American market which is a vast one. AGOA covers a very large number of some 6000 products, both textile and non-textile, which can be traded at zero duty on the US market. It is high time for Mauritius to diversify into new products and sectors so as to capitalize on these opportunities. My Ministry is organising in April this year an AGOA Week to sensitize operators on the export procedures and trade opportunities existing in the USA.

Government is fully conscious of challenges facing the manufacturing sector and is committed to provide the necessary support. In fact, even before the international financial crisis, Government has adopted a gamut of measures to promote a new development model. Government has since 2005 adopted bold economic reforms to provide greater resilience to the economy. Thus, the Business Facilitation Act of 2006 has removed several unnecessary business hurdles. Another major measure is the setting up of the Manufacturing Adjustment and SME Development Fund of Rs 500m to foster competitiveness. Some 50 projects under this Fund will be implemented for consolidation, modernization,

expansion and diversification of the manufacturing and SME sector.

A sum of Rs 200 m out of Rs 500 m is destined primarily for SMEs for which there are a number of schemes such as Management Support Program, International SME Technology Expo Scheme, Market Link Fund, Technology Diffusion Scheme, Scheme to assist Export Oriented Textile Enterprises to undertake marketing trips abroad. Other projects under MASMED include productivity and competitiveness improvement, market intelligence and export promotion, market development and market, diversification and product development.

### **Stimulus Package**

To confront the challenges arising out of the global economic crisis, Government has introduced an additional stimulus package with an allocation of Rs 10.4 billion to shore up the economy. The package focuses on infrastructure development, promotion of private sector investment, building human capacity and supporting vulnerable sectors such as manufacturing and tourism.

## **Fashion and Design Institute**

As you may be aware, we are also implementing the Fashion and Design Institute .One of its objectives is to facilitate the textile and clothing sector to encourage design and creativity, better move up markets and target niche markets. Our products need to be differentiated from our competitors so as to have a competitive advantage and hence to pave the way to a higher level of excellence.

A number of projects are in the pipeline e.g. A Science and Technology Park, A Bio Informatics Centre to promote the Pharmaceutical Sector.

A new Industrial Strategy is being finalized . One of the proposals being made is the establishment of a National Business Observatory to scan on a regular basis the international business scene and identify trends and developments of interests to Mauritius. My Ministry will also come forward with a strategy for the integration of Science, Technology and Innovation in our development process.

Government has put at your disposal an array of facilities and schemes and it is up to you, who are in business, to be properly informed of and hence take advantage in accordance to your requirements. You may liaise with Enterprise Mauritius, and other relevant authorities. Government and its support institutions will do their utmost to assist enterprises to face the harsh economic realities that have set in, and to prune them to be strong, healthy and competitive.

### **MBEA 2009**

The Mauritius Business Excellence Award 2008 has been a resounding success in view of the relatively large number of participants from several sectors of the economy. The aim behind this competition is to motivate businessmen to continuously improve ways of doing business. Thus, enterprises can learn of their weaknesses and strengths and hence are motivated to improve. I therefore take the opportunity to invite all the members of the MCCI to participate in the competition MBEA 2009 whereby enterprises enhance themselves in a process of continuous innovation and improvement.

Though we cannot predict the future, we have to foresee events and be more pro-active in order to respond to them in time. We need to harness all our resources to forge ahead and push further the frontiers of development. In working together both Government and the private sector can tread on the new paths for the development of Mauritius.

**Mr. President**

May I end on this note by reiterating my thanks to the Chamber for giving me the opportunity to address you and by extending to you and all your members my best wishes for the future.

Tuesday, March 24, 2009