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Mauritius National Export Strategy for Services: A Case Study

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MAURITIUS NATIONAL EXPORT STRATEGY FOR SERVICES: A CASE STUDY

Introduction

Mauritius is well known as an established democracy with a liberal economy. Independent assessments rank Mauritius as one of the most competitive and strongest economies in Africa. Our per capita income today stands at USD 5000, which is greater than that of many Asian and South American countries.

Mauritius gained independence from the British in 1968. At the time, Mauritius was a purely agricultural economy, with sugar as the main export commodity. This industry has long benefited from guaranteed prices and preferential access into the European markets under the Sugar Protocol and the Lomé Convention, and now the Cotonou Agreement. We were also exporting tea, but in considerably smaller quantities. In the beginning of the 1970's the Government of Mauritius started the process of industrialization. It negotiated preference agreements with Europe for textiles and garments under the Lomé Convention. Simultaneously, it attracted FDI by creating the appropriate fiscal, economic, and social infrastructure. Many Asian firms invested heavily in Mauritius in order to fully capitalize on the trade preferences we have built with Europe. As a result, Mauritius has for long been among the world's largest exporters of sugar and of woollen knits. Since then, new trade agreements have been negotiated, namely under the SADC and COMESA Protocols to encourage regional trade, and under AGOA to tap the US market.

At the same time, strategies were developed in order to convert Mauritius into the ideal holiday resort. Local and international investors were very successful in their attempt and tourism fast became the second revenue generator of income for the country.

Following the success of tourism and Export Processing Zones, Mauritius started focusing on financial services as a major contributor to economic growth. Again, with the appropriate fiscal incentives, as well as the negotiation of a number of DTAs (double taxation agreements) with several countries, Mauritius attracted substantial investment in this sector.

Current State of the Economy

Over the past few years, the trade preferences and the market protection on which Mauritius has built its success have eroded from the forces of globalization and economic integration. The elimination of the global quotas on clothing under the Multi-Fibre Arrangement in December 2004 will bring about a substantial decline in the value of our textile and apparel exports. The same challenge applies to the sugar sector, where our once secured European markets under the Sugar Protocol will now be open to international competition. A 39% fall in our prices is expected. On the regional front, domestic producers have to cope with the duty-free entry of products from the COMESA (Common Market for Eastern and Southern Africa) and the gradual tariff reduction on goods from SADC (Southern African Development Community).

As a result, many foreign companies who invested in Mauritius have gone back to Asia. The manufacturing sector has lost more than 20,000 jobs, and unemployment is currently estimated at 11%. Many sugar mills have closed down; GDP Growth is dropping, from 6% during the period 1996-2000, to about 4% for 2001-2005 and other economic indicators have deteriorated drastically.

Mauritius, aware of the impact of liberalization, reacted by developing new sectors, namely the IT sector, and the seafood hub. However, these sectors are not yet operating at cruising speed and will only partly contribute to bring our economic indicators back on track.

Call for Change

In the light of the current situation, there is an urgent call for action failing which Mauritius will find itself in a very alarming economic situation. It has become imperative to further optimize on revenue generation in our existing sectors and develop new sectors that would contribute to economic growth. The services sector is certainly one of the key areas of focus, being one of the main components of GDP.

In 2004, the Mauritian trade promotion organization, Mauritius Industrial Development Authority (MIDA), and the Mauritius Chamber of Commerce and Industry (MCCI) attended the Executive Forum organized by the ITC and solicited its assistance in the elaboration of a National Export Strategy for Services (NESS). ITC responded positively and in June 2004, a team made up of three ITC members made a fact-finding visit to Mauritius.

Following this visit, a report from the ITC was submitted to MIDA and MCCI, with the following recommendations:

1. The creation of a Core Team made up of members of public and private participants in each service sector be identified.
2. The creation of a database of all companies operating in Mauritius in each service sector.
3. The launching of the NESS in January 2005.

The following sectors were identified as being the key exportable ones:

1. Information Technology
2. Business Services
3. Professional Services
4. Education
5. Logistics

The National Export Strategy for Services

The Launching

From June 2004 to January 2005, the following was conducted by MIDA:

- Appointment of two national consultants.
- Creation of the Core Team, made up of 28 institutions, both public and private, which would work on the elaboration of the strategy paper.
- Identification of industry associations and companies in the services.
- Organization of the Awareness Campaign of January 2005.

In January 2005, Mrs. Doreen Conrad from ITC's trade-in-services section, and Mr. Anton Said, from the National Strategy section came to Mauritius to launch the activities relating to the NESS. A week-long awareness campaign took place, incorporating the following activities:

- The launching ceremony of the NESS at national level.
- The Core Team Commitment Meeting.
- The delivery of a training course for Service Association Presidents and Executive members.
- The delivery of a training course to all individuals who were interested in the export marketing of their services.

This week of activities was clearly successful, and the awareness campaign successfully achieved its goal of creating a state of urgency among key stakeholders that our services can and should be exported.

National Export Strategy Template

During the Core Team meeting, ITC provided us with a National Export Strategy Template (NEST), which incorporated assignments for each core team member. There were 4 modules, and the first 2 were to be completed by core team members in a period of 6 weeks, prior to the next visit of the ITC consultants.

Six weeks later, at the due date, only 2 participants out of 28 had completed their assignment. Despite several reminders from the National Consultant, the MCCI and MIDA, participants had lost the drive to continue with the exercise. This factor was addressed during the ServiceExportNet Meeting in December 2004, where many countries admitted that keeping the momentum was a major issue in the elaboration of the strategic plan.

By March 2004, after several attempts to encourage participants to complete Modules 1 and 2, the National Consultant and MIDA decided to organize workshops where core team members could invite other stakeholders to complete the assignment during the workshop itself. This initiative was quite successful and we finally managed to collect Module 1 for almost all participants and Module 2 for 50% of them.

Enterprise Mauritius

We continued with the exercise until MIDA was dissolved in June 2004, to be replaced by a new entity called Enterprise Mauritius. The new organization's role is much broader than that of a trade promotion organization. It encompasses the functions of capacity building at local level as well as that of market development. Enterprise Mauritius became operational on the 17th June 2005.

During the first few weeks, much emphasis was given to the textile and garment sector. Its consolidation and the need to preserve employment in this sector was a priority, given the effects of global quota elimination in December 2004. An equal amount of importance is currently being given to non-textile manufactured goods. In mid-September, Enterprise Mauritius decided to give its due importance to the services sector and subsequently renewed its interest in pursuing the NESS exercise.

It is anticipated that Module 2 of the NEST will be completed in November 2005.

Preliminary Findings

The workshops actually proved to be more effective and more accurate than having participants fill in the template and email to MIDA. The views of more stakeholders were taken on board and the national consultants had a clearer picture of the issues facing the respondents.

Although the study has not yet been completed, there was one main problem identified across the board. It was the "lack of critical mass in order to compete in export markets". This is understandable given the size of the population (1.2 million).

Other recurrent issues were:

- Shortage of labour in certain specific service sub-sectors
- Mauritius is opening its markets to international competitors in certain sub-sectors but other countries are not reciprocating. Thus not only are they not in a position to export, but they face international competition when bidding for local projects also.

However, certain positive factors were also highlighted:

- Mauritians working in services are highly qualified and many are members of international accredited institutes.
- We are bilingual and can therefore access niche French speaking markets such as Western Africa.
- Mauritius highly encourages and provides appropriate incentives for training and continuous development programs.

Conclusion

The development of services is fully in line with the vision of the Government to convert Mauritius into a services hub. Already, a few emerging sectors have been identified, such as the environment industry, value-based tourism, media and entertainment, and distribution and logistics among others. These will be included in the NESS.

Although the transfer of undertaking from MIDA to Enterprise Mauritius halted the NESS exercise for a few months, the new organization, created to cater for the changing needs of industry, will provide a better framework for export promotion to Mauritian companies engaged in the services sector. The elaboration of the National Export Strategy for Services has the full support and commitment of the Board of Directors of Enterprise Mauritius.