

Autonomous Economic and Social Development in Democracy: An Appreciation of the Mauritian 'Miracle'

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Mauritius has opted to be fully integrated into the world market system by 'choosing' an export-led strategy. One could in fact say that the option 'chosen' has been a successful escape from underdevelopment. It is considered that Mauritius is on a Newly Industrialized Countries (NIC) path of development, but has not enjoyed some of the critical factors that gave the necessary leverage to the Asian NICs' growth engine, namely huge foreign capital investments, special support from the USA in terms of economic aid or market share, a non democratic system where economic policy has been determined by a technocratic state elite.

Mauritius is adjusting, that is grafting internal development on options offered by the world system. However, even this strategy and achievement are only a graduation away from the extreme periphery.

Factors Behind the High Rate of Growth in the 1970s

The post-independence economic and socio-political development has been made up of two periods: 1968 to 1982 and 1982 to present.

The first period being essentially marked by the clumsy attempt of a populist government to restructure the economy, while increasing social benefits, by slow but steady transformation of the traditional landed bourgeoisie into an industrial one, by the coming into the forefront of a strong and organized working class expressing itself both on the new movement that emerged in 1969, the Mauritius Militant Movement (MMM), and the mismanagement of socio-economic contradictions of a fragile economy which culminated into Mauritius being forced to implement a Structural Adjustment Programme (SAP) and the demise of the neo-colonial regime.

Changing the Social Base of State Power

The period 1968 to 1982, specially in the first half of the period, was one where the State was undergoing profound alterations. Whereas the colonial administration had in the last two decades prior to independence proceeded with a steady devolution of administrative functions of the State to a Hindu

intelligentsia, the neo-colonial regime accelerated the process in order to confirm that its main component could find a power base in the State apparatus where the economic power base was still in the traditional white landed and commercial class. State employment was inflated and more or less competent personnel found themselves in positions of decision making. Corruption, malpractices, favouritism have a strong ethnic bias, and are encouraged by the laissez-faire predominant in the state bureaucracy. The neo-colonial government however maintained throughout this period the necessary financial support to social outlays.

The social transfers, namely in terms of education, health, public assistance and social security to citizens, above sixty years old, the handicapped, Hindus and orphans as well as subsidy on staple foods like rice and flour were increased from 10.1 per cent from 1968 to 1973, to 17.2 per cent in 1977-1978. Health services had been free since independence. Education became free at secondary level in 1976 as an electoral bribe (primary level was already free). Undoubtedly the democratic practice of having elections did help to maintain the government's control over such social expenditure. Social indicators indeed showed good progression during the period 1968-1992. The percentage of households having electricity increased from 46.9 per cent in 1962 to 70.8 per cent in 1972 and 93.5 per cent in 1983. Secondary education enrolment increased between 1970 and 1978 from 32 to 53 per cent for male students and from 15 to 46 per cent for girls. Infant mortality rate dropped from 60 to 26 between 1972 and 1983 and the number of doctors per 100,000 persons increased from 27 to 71 during the same period. The transformation in the economic base reflected itself in the structure of employment where between 1968 and 1977, employment in agriculture dropped from 48.7 per cent to 33.3 per cent, increased in manufacturing from 6.1 per cent to 17.1 per cent and in services from 12.5 per cent to 25.1 per cent.

Social Polarization and Social Movement

However, unemployment which was at 20 per cent in 1968, although slightly reduced to 16 per cent in 1971-1972, rose again to 20 per cent in 1982, and more importantly income distribution was in 1982 as worse as it was in 1960 with the 40 per cent of lowest earning households getting the same share of 14 per cent of income.

A combination of external and internal factors contributed some meaningful gains to the economy when for three years running, between 1972 and 1974, the sugar crops averaged just over 700,000 tons each year when at the same time world sugar prices almost quadrupled. Hence, after fulfilling its quota undertakings, Mauritius had some 100,000 tons to capitalize on world market prices.

This combination contributed also to the rapid decline of the fragile economic development growth of the earlier years. The vagaries of climatic conditions with which Mauritius always have to contend, namely the unpredictable incidence of tropical cyclones hit the economy in 1975 damaging severely the sugar crop to the extent that Mauritius could not even fulfil its quota with the European Economic Community (EEC). This added to the already heavy toll taken by the increase of petroleum prices of the mid seventies. On the internal front, populist measures taken by a regime weakened under the pressure of the working class' industrial and political sustained actions completed the set of conditions for a rapid decline of the economy. One of such measures was that the regime granted an average of thirty percent wage increase and a thirteen-month bonus which resulted in a boom of imports of consumer goods hence a heavy loss of foreign exchange.

Lack of confidence in the management of the nations' destiny and the absence of inducements to savings resulted not only in a frenzy of consumption of imported consumer goods, but actually a drop in savings rate from 14 per cent in 1970 to 10.5 per cent in 1980.

The fourteen years cannot however be recorded only as a period of failure of the development strategy. They were also formative years, that gave to the next period a number of critical assets. One of these assets was the cultural transformation of both the traditional bourgeois class and of the working class, into an industrial culture. This transformation was rapid by all standards, but the existing catalytic factor was the degree of education of the Mauritius population throughout all classes and the exposure to information that has been the government policy since 1965 when national television broadcasting was started. The other major catalytic factor was the severe struggles that took place between the working class and the bourgeoisie. This bourgeoisie dropped very quickly the old traditional management approach inherited from plantation economy and adopted the more modern approaches of an industrial economy. In fact, after violent strikes which culminated in 1972 in the banning of the General Workers Federation and the imprisonment of a number of trade unionists and political leaders of the MMM, repressive measures which the neo-colonial regime considered necessary to contain the working class struggles and secure foreign investors, had failed to a certain extent through the persistent expressions of resistance on the shop floor by the working class. The system saw the emergence of institutional frameworks like the National Remuneration Board, the Permanent Arbitration Tribunal and others that were concrete expressions of the search from the local bourgeoisie of what was called the 'social consensus'. The social consensus was in fact an agreement over the export-led industrial development strategy, which the working class agreed tacitly as a necessary evil that was providing jobs and income. Later, the setting up of a tripartite consultation at a national level

for the yearly assessment of wage compensation in relation with the rate of inflation, completed the set of institutional mechanisms.

Feminisation of Labour

The other condition that emerged out of this first period was the dramatic involvement of women on the labour market. Female labour had traditionally been important in the plantation system. However as at 1970, the participation rate for female labour was only 18.7 per cent, undoubtedly, the Export Free Zones (EFZ) was the main instrument accounting for the increase in the participation rate to 28 per cent by 1982, by virtue of the fact that textile industries thrived on cheap female labour. Nonetheless, the increasing access of education to girls also contributed to women's emerging positions.

The SAP Phase

The Structural Adjustment Programme (SAP) began in 1979 with the traditional set of measures: currency devaluation by thirty percent, reduction of public sector investment programme, reduction of national budget deficit to list out but a few.

Here, it is essential to underline that Mauritius was, by virtue of its institutional, human resources and economic assets, able to avoid having the International Monetary Fund (IMF) medicine wholesomely and specially avoided the most socially harmful measures of reducing or abolishing subsidies on staple food, education, health and social benefits being dispensed to more vulnerable groups.

In 1982, the populist regime was swept out clean in the general elections and a new government set in place. Although predominantly coming from the left, the new government showed a new more modern approach to the management of the affairs of the nation. The immense good governance of the new government succeeded in avoiding social unrest, but more importantly in mobilizing the whole nation for the necessary efforts and sacrifices to pull the country's economy up. Here the feeling of all Mauritians that the nation will be doomed unless Mauritians rely on their own resources and determination to avoid drowning. The survival instinct of the settler played a major role.

In September 1983, contradictions within the government having resulted in a split, the new government that emerged took a full liberal approach to the strategy for the development of the next period, which has given the results qualified by many as the Mauritian economic miracle. The setting up of the Export Services Zone, the Freeport and of the Offshore Business Activities scheme have completed the opening of the Mauritian economy. The fast economic development of the 1982 to date apart from the intrinsic assets and the policy engineering, benefited as at other times in the

economic history of Mauritius from certain external factors, namely the 1997 transfer of Hong Kong to China's sovereignty. Investment from Hong Kong accounted for 79 per cent of all foreign investments in the EFZ in 1985 and 27 per cent over the period 1985-1990.

Some of the policy engineering have had important structural implications on the form and content of the development of this present period. One of such policy decisions was that of reducing corporate tax from 66 per cent to 35 per cent and personal income tax from 70 per cent to 35 per cent in 1983. This measure together with a number of incentives on investment revenue, namely where the investment concerned the industrial, agricultural and tourist sector, undoubtedly boosted local investment in the economy, but more importantly engineered the emergence of a class of small and medium entrepreneurs from mainly the small planters class, and the middle and petty bourgeoisie.

Another set of policy measures, namely the introduction of the Agricultural Development Certificate giving a set of fiscal incentives, on the one hand ensured the continued, even revived interest of the small planters in continuing and even modernizing their involvement in sugar plantations. On the other hand, the same measures, together with the necessary logistic support for the diversification into high value cash crops.

Most probably, the democratic system of Mauritius — where elections are regularly held on the basis of a multiparty system, where a free and dynamic press exists — as well as the existence of a vibrant civil society are the prime factors that explain such achievements as a more equitable distribution of services and other social benefits. These achievements contrast with those of the non democratic countries which had adopted the same development strategy.

Issues and Prospects

The points have now been made that:

- a) Mauritius has indeed been able to go through its SAP and emerge rapidly into a sustained economic development decade;
- b) The economic development has been accompanied by a fair degree of distribution of the economic and social gains;
- c) Authoritarianism and the absence of democracy was not a precondition to such economic development and except for the attempt at repression and postponing of elections in the early seventies, the democratic practices have been maintained.

A synthesis of the case of Mauritius highlights the following elements:

- (i) Mauritius has been a settler colony of a particular type by virtue of its favourable location as a naval base and by virtue of its small size offering no real economic natural resources of interest.
- (ii) Mauritius was well placed to develop its own dynamics of capital formation by the fact that it was settled and populated right at the stage of the mercantilist period. In fact, the settler community developed at the earliest stage of its settlement not only a strong merchant class, but also a landed proprietor class.
- (iii) In comparison to many other settler plantation societies, a set of external and internal factors shaped the economic and social order of Mauritius along a particular path departing from the major social and political obstacles to development.
- (iv) Although Mauritius came into the twentieth century and subsequently up to independence with a weak economic base, namely a monocrop economy, it already had a rather well developed class structure and class dynamics, a non-hierarchical ethnic configuration, a fairly good level of institution building, a landed bourgeoisie that had already developed its financial capital autonomous institutions although such finance capital base was but peripheral in relation to the dominant transnational capital, and a certain level of social assets namely in terms of education, health and information instruments.
- (v) Agrarian reform forced by external factors occurred at an early stage and was instrumental in modifying in a positive perspective the old social relations and creating a new base for capital accumulation and contributing to the emergence of a more progressive intellectual elite.
- (vi) Some major external factor had favoured the economic progress of Mauritius — its early access to the Commonwealth Sugar Agreement, the dual support of the United Kingdom and France for its industrial products under the Lome Convention, and its privileged relations with China and India which contributed an important proportion of bilateral aid.

The recent years of economic recession in Europe and the United States has not impacted negatively on the Mauritian pace of economic and social development.

One needs however:

- a) to question whether Mauritius has resolved its long term development problematically,
- b) to examine the issues and obstacles confronting the future evolution of the Mauritius people.

The Mauritian economy has structurally been undoubtedly strengthened in as far as a strategy of diversification and consolidation has been engaged in since 1990. The industrial sector itself is being engaged in a second phase to take into consideration the serious competition offered by other export processing zones and the increase in labour cost. In fact, the pressure of the working class and the now well-established mechanism of wages compensation has been perceived both as a threat and an opportunity. The cost of labour poses itself as a threat in so far as Mauritius sees itself as a producer of cheap goods, especially textile. An attempt to keep wages from increasing would meet with strong resistance and in a system where the party or parties in power have to go for a popular mandate every five years, this is a non-solution. The state and industrial bourgeoisie have rather agreed to a response more likely to have a positive structural benefit to the sector, namely: to produce more up market, high quality goods in the textile sector, and to diversify the industrial production base.

In order to achieve the first target, the state has embarked on a large scale programme of investment in the training, hence upgrading of the human resources. New incentives have been introduced to foster investments in new technologies.

The second objective is being canvassed by another set of incentives and aggressive campaigns to push local entrepreneurs into more capital intensive, high value added industrial production as well as attracting foreign investments carriers of such new technologies and new products are being sought.

Part of the response of the private sector has also been to delocalise their mass production of cheaper products, namely in textile, to Madagascar where labour is still very cheap, while the more up market, high value added line is developed in Mauritius.

Labour has been proving more and more a constraint in the development strategy pursued up to the late eighties. Global participation rate of labour has been on the increase essentially due to a higher participation rate of female labour. However on the one hand, labour has been moving out of agricultural sector, on the other hand, a certain percentage of labour, namely the younger generation has opted away from the formal sector to create a growing informal sector.

The movement of labour away from agriculture has been either in favour of manufacturing or service sectors and in favour of the informal sector. While the movement from agriculture to industry has on the one hand forced some degree of mechanization especially from the larger estates, it is the small planters which have been more seriously constrained. Two responses have followed — the one from the state which has agreed to manual labour in the civil service using their full vacation and leave entitlement to work in sugar fields during the crop season, the other has been from the small

planters themselves who, while keeping their sugar cane fields, have invested in other high value export cash crops. Thus the solution of the issue of labour shortage is the condition for structural changes in the economy both at the agricultural and industrial level.

The situation of full employment has in the past history of Mauritius led to the import of contracted labour from countries like South Africa, China, Sri Lanka, Madagascar, Bangladesh and India. The government department concerned with the issuing of visas to immigrant labour, indicated as at December 1993 the presence of 15,000 foreign contract workers, with about forty percent of Chinese origin.

Although the conditions for bringing in foreign labour is quite seriously monitored and imposes items such as the provision of a return ticket to any foreigner, minimum wages, such foreign labour is proving to be cheaper to industry both because of the fact that Mauritian labour is dictating wage levels well above the minimum stipulated and by the higher level of productivity displayed at the types of jobs they are being called for.

Apart from the labour issue, the present system is now experiencing a number of social problems and certain contradictions between the development strategy and the institutional set ups.

On the social level, the issues that are becoming more pertinent are:

- a) The breakdown of the family unit, family coherence and family value system resulting both from the decade of growing involvement of women in the active labour force, hence the lesser time they have to be involved in family care and from the previous ideological liberation which had developed throughout the decade of the seventies.
- b) As a result of (a) and growing permissiveness of the society, the problem of drug peddling and drug consumption as well as alcoholism is strongly challenging the society.
- c) The education system is still failing both from the point of view of maximizing human resources and from the perspective of equity. In fact, 37 per cent of the younger generation do not go beyond primary level, only 8 per cent passes through the Higher School Certificate level and 1.5 per cent through University and few take scientific subjects.
- d) Family planing has been so successful that Mauritius is now facing an ageing population problem. Population above the age of sixty (pensionable age) is evaluated to increase from 8 per cent in 1990 to 10 per cent in 2010 and 19 per cent in 2030, while children population under 14 years old is expected to decline from 30 per cent in 1990 to 23 per cent and 19 per cent for the respective periods. Consequently the pensioner support ratio is moving from 7.4 to 6.4 and 3.3 for 1990, 2010 and 2030 respectively. This perspective study has resulted in a

questioning by the present government of the giving up the recently sacrosanct set of social welfare provided to one and all — free education, free health services, old age pensions, subsidized staple food (rice and flour). The proposition of the government to restructure the social outlays of the welfare state on an income level basis is giving rise to strong opposition from trade unions and other forces of civil society.

- e) Civil society is also confronting the state on the issues of corruption, lack of transparency of state institutions, but probably one of the more significant challenge to the system is coming from one section of the population, the Creoles, the majority of whom are found in the working class, the more landless, those having no other economic power but their labour force.

In summary, Mauritius is presently witnessing the manifestation of socio-economic contradictions linked to the transition the economy is being engineered through.

The Mauritian economy has undoubtedly a number of structural weaknesses. The openness of its economy is at the same time its strength and main weakness, but it possesses strong assets in terms of its institutional build up, the survival instinct of the nation, the determination of its local bourgeoisie, the dynamism of its civil society, and its tradition of parliamentary democracy. The economy is not presently sheltered from some setbacks, one of which could be the effects of a cyclone on its sugar earnings.

However, the prospects of a more lively regional market, especially with a post apartheid South Africa is more likely to give room for sustained economic and social development of Mauritius.

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