Mauritius
Reigniting the Engines of Growth
A Teaching Case Study

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Abstract

The purpose of this teaching case is to help seminar participants and students understand one of the few success stories of sustained economic growth in Africa and to identify some of the more general lessons that emerge. It has been written specifically for use with noneconomists, and notably labor union leaders, but it should also be useful for economists, especially with the additional information provided in the teaching notes and annexes.

This story is first and foremost about integration into the world economy, through export promotion and foreign investment, and secondly about the more complex notion of sound macroeconomic management. The export processing zone (EPZ) plays a critical role, but this case is not intended as an endorsement of EPZs as a development strategy. Nor is it intended to justify World Bank and International Monetary Fund (IMF) adjustment lending, although Mauritius does represent an interesting example of successful structural adjustment. This case is particularly useful because it takes place in a society full of ethnic diversity, with a vibrant democracy and a strong trade union movement. As such, it differs from many of the Asian cases that so often are used to make similar points, and so often are rejected by others because of this difference.

The case is divided into two parts. Part I takes the reader to 1982, at which time the economy is in recession, the EPZ has stagnated, the government has just changed hands, and the country is in the middle of a structural adjustment program. Part II ends in 1994, when the country must develop a new development strategy to cope with the constraints generated by its very success. An extensive set of teaching notes is provided.

Mauritius
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Part I

Paul Bérenger settled into his new office as minister of finance with a real sense of satisfaction and anticipation. He had worked hard over his 14-year career to bring real social change to Mauritius. Until now, he had fought from the outside against the established centers of power and influence, with all the limitations and frustrations that situation usually involves. He had even gone to jail for his beliefs. Now, he was finally in a position to make some major economic decisions that could set new directions for his beloved island. It was 1982, and his party had just won a decisive election.

Bérenger realized that his task would not be an easy one. Mauritius was suffering an economic slowdown. Unemployment had climbed to 15 percent, even as wages failed to keep up with the rate of inflation. The budget deficit had reached record levels, and the country was in the middle of a structural adjustment program with the International Monetary Fund (IMF) and the World Bank. It was little wonder that the previous government had been thrown out.

A Troubled Island

Mauritius is a small island nation in the Indian Ocean off the coast of Africa. As such, it has few natural resources and is a long way from the main markets and sources of growth in the world economy. It has a complex society made up of many different ethnic groups and social classes. Fortunately, Mauritius has avoided serious outbreaks of violence. A functioning democratic system has helped diffuse social tensions, even as it complicated economic policymaking.

People of South Asian origin account for two-thirds of the population, but they are divided between Hindus (51 percent of the total) and Moslems (17 percent). Another 23 percent are of African origin, known as Creoles. The remainder consists of Chinese Mauritians (3 percent), people of mixed, or "colored," race (3 percent), and the traditional Franco-Mauritian elite (1 percent). The last group has been the principal owner of the sugar estates and, with the colored population, historically controlled the top positions in the sugar industry, the civil service, and the professions. Sino-Mauritians have tended to be traders. The black population, whose ancestors were brought to the island as slaves, is primarily an urban working class. Indo-Mauritians came to the island as indentured laborers to work on the sugar plantations. Moslems are prominent in the private sector, while Hindus continue to dominate the working class in the sugar industry.

Many different languages are used among the ethnic groups, with English superimposed on them all. This reflects the colonial history, in which the English took over from the French in 1810 without ever contributing their own group of settlers. The languages of these two colonial powers have been adopted as the official languages of the parliament. Fortunately, Creole has been developed as the common language of the street, and all Mauritians speak it.

Although independence came late, in 1968, political development started much earlier. A limited form of trade unionism (employees' associations) was permitted, starting in 1938, which contributed to the emergence of the Labor Party as the dominant political force. After a new constitution was adopted in 1947, the various communities became actively involved in building political organizations to protect their interests. Elections were held five times between 1948 and 1967. An even longer tradition of an independent press contributed to an open debate and a degree of accountability. Thus, by the time of independence, democracy had established firm roots in Mauritius, in contrast to its African neighbors.

In 1968, Mauritius was, nonetheless, a poor country, with per capita income of only $350. The eradication of malaria had led to rapid population growth that threatened to overwhelm a stagnant sugar economy. Its labor force was expanding at 3 percent annually, and unemployment was estimated at 16 percent. Per capita income was actually falling: in Africa, only Chad, Somalia, and Sudan were doing worse by this measure. Some foreign observers worried that the island was ripe for a Malthusian crisis, in which war, famine, or some other disaster would intervene to correct the imbalance between population and resources. On the other hand, an active family planning program had succeeded in reducing population growth to less than 2 percent annually, and most children attended primary school because it was both compulsory and free. There were, therefore, some grounds for optimism.

Paul Chooses Politics

Paul Bérenger thought back to the start of his career in 1968. Having just graduated from university in the United Kingdom, he had been swept up by the student protests that rocked French society. It had been like throwing gasoline on a fire, inspiring the bright 24-year-old to apply his new training in the fight for social justice back home. He reflected that Mauritius had been at a similar stage of development to his own. Independence had been declared on March 12 of that year, and the new nation was finally free to chart its own course. British colonialism had perhaps been more enlightened in Mauritius than in many other African countries, but it was high time that Mauritians took responsibility for their affairs. And there was so much to do, so much poverty to eliminate, so much inequality to combat.

It had not taken long for Paul to conclude that his future lay in politics. Prime Minister Ramgoolam had dominated political life since the 1930s, and it was time for some younger blood with new ideas to enter the process. Ramgoolam and his Labor Party talked a lot about social democracy and a modern welfare state, but their actions suggested that they had forgotten their labor roots.

That was not the only irony. In the name of national unity, Ramgoolam had established a coalition with the Franco-Mauritian elite, against whom his Hindu supporters had for so long struggled. Meanwhile, Paul, who hailed from that same elite, was more concerned with the marginalized segments of society—the black dock worker and the Moslem bus driver, but also the Hindu sugar factory laborer.

Thus, in 1969, Bérenger had joined with two other young Mauritians to form a new political party, the *Mouvement Militant Mauricien,* or MMM. His partners were a Moslem and a Telegu, one of the minority groups within the Hindu population. They shared his vision of a broad-based party that did not rely on ethnic foundations but focused instead on the class struggle. Labor unions would provide the organizational force needed to build a successful party. To break down communal barriers, the Creole language would be emphasized as a bond between Mauritians, an authentic cultural product of which everyone could be proud.

Economic Boom, Political Bust

The early 1970s appeared to herald a new era of prosperity. Sugar, which accounted for 75 percent of export earnings, experienced a quadrupling in its international price in 1972–74. At the same time, foreign investment was being attracted to a new export processing zone (EPZ), where employment was expanding rapidly. Mauritius enjoyed an economic boom, with gross domestic product (GDP) growing at an average of 9 percent per year between 1972 and 1977. The country had come a long way in 10 years.

Storm clouds were developing on the horizon, however. The sugar boom was short-lived, as most booms are, with prices falling by 50 percent in 1975–76. The first oil shock of 1973–74 sent the developed world into a recession and raised transport costs drastically. This hurt isolated Mauritian exporters, as well as the small but promising tourism industry.

Political problems had started even earlier. The ruling coalition had postponed the elections, due in 1972, for four years. To overturn this decision and improve worker benefits, the MMM had launched a series of strikes in 1971. This triggered an assassination attempt on Paul and one of his co-leaders, which in turn led to riots. The government imposed a state of emergency, banned 12 trade unions, arrested numerous union leaders, and closed the MMM newspaper, *le Militant.* Paul was uninjured in the attack, but spent nine months in jail without trial. It was a major setback, not just for him but for Mauritian political maturity.

The emergency was lifted in 1975, when elections were called for the following year. Even though the economy had boomed, this period created serious problems for the government. The combination of union repression and wage restraint had reinforced opposition among workers. In an effort to shore up political support, large-scale public sector hiring took place prior to the elections. The MMM obtained the largest number of votes of any single party, but the government coalition held together and managed to win the barest one-seat majority.

A major shift in economic policy was introduced to prevent defections and compensate for the external shock of rising oil prices. The government introduced significant and repeated increases in wages and bonuses, food subsidies, and expenditures on education and health. Because this turnaround occurred just when its revenue base was stagnating as tax receipts from sugar dropped off, the government deficit grew rapidly (see table 1).

Table 1. *Evolution of Key Indicators, 1962– 82*

Year	*Annual growth rates (GDP)*	*Government expenditures[a]*	*Government deficit at end period, as percentage of GDP*
1962–68	1.0	n.a.	3.5
1969–72	4.2	6.5	3.1
1973–78	8.6	20.0	11.6
1979–82	1.6	1.4	11.8

n.a. Not available.
a. Current and capital expenditures.
Source: From IMF, *International Financial Statistics* (various years).

Hard Times

The trade balance switched from a surplus to a growing deficit in 1976–77, necessitating a first standby agreement with the IMF in 1978. This was unsuccessful in restraining import demand, and a second agreement was negotiated in 1979. The exchange rate was devalued by 30 percent, the interest rate raised, food subsidies reduced, and wage increases held below the rate of inflation. Paul Bérenger and the MMM had called for nationwide strikes in 1978 and 1979 to protest the gap between the government's rhetoric and its policies. Luck had not been on the government's side either. Four cyclones hit the island between December 1979 and March 1980, sugar production plummeted, and GDP fell by 9 percent. Once again, IMF targets had not been met.

The government tried again in 1980 with a third IMF program, followed by its first structural adjustment loan from the World Bank in 1981, but the immediate results were discouraging. In spite of a further devaluation, the current account deficit in the balance of payments and the fiscal deficit grew to 15 percent and 10 percent of GDP respectively, and unemployment rose to 15 percent. Although government noninterest expenditures were finally being contained, borrowing in the late 1970s generated increasing interest payments. Payments on external debt equaled 22 percent of export earnings and were rising. Growth had resumed, but only because the sugar harvest had returned to more normal levels after the disastrous year of 1980. The only really encouraging sign was a drop in inflation.

The Engines of Growth

The main engines of growth in the Mauritian economy had been the sugar sector, the export processing zone, and tourism, but all three had run out of steam by 1982. The rest of the economy consisted primarily of small-scale agriculture, manufacturing, and services for domestic demand (see table 2). With a total population of less than one million, this market was decidedly limited. There was some potential to substitute for imports, especially in the area of food products, but there was little land left to cultivate. As for imported manufactured goods, the small amounts involved in any one product line made it difficult to mount an economically viable enterprise.

Table 2. *Key Sectors of the Economy, 1981– 82 (percent)*

Sector	*Growth rate*[a] *(1971– 79)*	*Share of* *GDP*	*Exports*	*Employment*[b]
Sugar (and molasses)	5.0	10	57	33[c]
EPZ	16.0	5	28	10
Tourism[d]	17.0	3	10	7
Public sector	n.a.	9	n.a.	24
Other	n.a.	72	5	26
Total	7.0	100	100	100

n.a. Not available.

a. Growth of value-added could be obtained only for the EPZ. Real growth (after inflation) of gross export revenues is used for sugar, growth of tourist arrivals is used for tourism. The total represents annual GDP growth.

b. Commodity exports plus tourism. Gross revenues not accounting for imported inputs.

c. Including smallholders.

d. Including indirect effects.

Source: World Bank data.

Diversification of agricultural export activity was appealing as a way to reduce sugar dependency. Some success had been achieved in tea production, which was also a high-value crop per acre. However, the public Tea Development Authority, which owned 70 percent of the area under tea, had a poor record of managing the sector. Quality was low. There also were problems of attracting labor for the arduous, yet critical, job of picking the leaves. In any event, all commodity exports, other than sugar, molasses, and EPZ products, accounted for only 6 percent of export earnings in 1982.

Sugar

One sees the sugar cane even before landing at Plaisance Airport. It occupies over 90 percent of all arable land in Mauritius—almost half of the entire surface area of the island. In 1982, the cane area was equally divided between 21 sugar estates and 35,000 individual farmers. Most of the former were owned by Franco-Mauritians; most of the latter were Hindu smallholders. Only one estate was controlled by the government. Sugar and its molasses by-product still accounted for more than 60 percent of all commodity exports in the early 1980s.

Sugar had been instrumental in the growth process of the 1970s, essentially because of spectacular price increases on the international market. This, in turn, generated higher revenues, both for the government through taxes and for the private sector. The estate owners had used some of their windfall gain to invest in the new export processing zone.

Sugar output had grown slightly in the early 1970s before falling back to levels typical of those at independence. Apart from cyclones, disease was also limiting yields. There was little potential to expand the area under sugar, although productivity on existing fields could always be improved, especially on the smallholder plots. In general, however, if greater resources were to be drawn from this sector, they would have to come through increased efficiency, and that would probably mean more mechanization, consolidation of the factory capacity, and hence fewer jobs.

Marketing sugar also presented some problems. Mauritius did enjoy a special arrangement signed with the European Community in 1975, which certainly helped cushion the fall in sugar prices after their 1974 peak. This enabled it to sell 500,000 tons per year at attractive, predetermined prices—roughly 80 percent of a normal harvest. However, the additional sugar produced from an exceptional harvest, or any expansion in production, had to be sold on the open market, where prices were typically far lower.

The Export Processing Zone

Much hope had been placed in the EPZ, which did not seem to suffer from the constraints of land availability or weak international markets. Established in 1971, it incorporated 100 companies by the end of the decade and produced 25 percent of all commodity exports. It was dominated by clothing, with small amounts of textiles, electronic components, and processed diamonds.

However, for every two firms that opened between 1977 and 1982, one closed down. Whereas the development plan set a target of 45,000 jobs by 1980, the actual number was only 21,000. By 1982, growth in both output and employment had stopped.

The prospects did not look good at the start of the 1980s. A second round of oil price increases had further aggravated Mauritius' geographical isolation by adding to the cost of transportation. The ensuing recession in OECD (Organization for Economic Cooperation and Development) countries was restraining demand and fueling protectionist tendencies. The United States had just imposed a quota on knitware, one of Mauritius' main exports. Its trade advantages as an associate member of the European Economic Community (EEC) were being somewhat eroded as more African, Caribbean, and Pacific nations obtained similar status under the Lomé Convention, although Mauritius retained this important edge over the big East Asian clothing exporters.

The private sector also pointed to some internal factors that contributed to the slowdown. Early growth had been driven by domestic capital, but the financial situation of the sugar industry was now tighter, and in any event the size of this pool of resources was limited. Mauritian competitiveness was said to have declined because of past wage increases and the failure of the exchange rate to adjust for recent high inflation. Finally, macroeconomic problems and the 1982 elections raised questions about the stability of the policy framework. Thus, just when greater foreign investment could have been useful, domestic conditions were not compelling.

Social aspects of the EPZ also were undermining public support for this component of the government's economic strategy. The working conditions were inferior to those in the rest of the economy. Workers did not have the right to unionize or to strike and did not enjoy the health and pension benefits available in other sectors. Firms could lay off workers without notifying the Board of Termination of Contracts and without paying severance allowances. They were obliged to honor minimum wage legislation, though for the female labor force this still amounted to only $1.56 per day in 1981 (the minimum for men was $2.63).

Because of this wage differential and the need for manual dexterity in the clothing firms, women held 80 percent of the EPZ jobs. As most unemployment was among men, the EPZ seemed to make little contribution to this pressing social problem. Indeed, men were often critical of the impact female wage employment was having on family life, even if it did bring a little extra cash into the household. On the other hand, an International Labour Organisation (ILO) study found that most women considered their EPZ jobs to be an improvement over their traditional occupations.

Tourism

With a pleasant climate year-round and beautiful beaches set against an impressive backdrop of mountains, tourism would seem to be an obvious source of comparative advantage for Mauritius. Its isolation from the main northern markets was a problem, but South Africa and South Asia provided some closer opportunities, while developments in the airline industry were gradually bringing down transport costs. Consequently, from 1968 to 1973, tourist arrivals grew by more than 30 percent per year. Its growth was slowed, but not stopped, by the first oil shock of 1973–74. By 1980, there were 38 hotels that, together with restaurants and other tourist services, generated almost 10 percent of foreign exchange earnings. Directly or indirectly, tourism supported some 18,000 jobs.

The second oil shock had a more dramatic impact on the tourism industry, leading to a decline in the number of tourist arrivals between 1979 and 1982. There also were increasing concerns about the environmental and social impact of the industry. Pollution threatened the natural beauty of Mauritius—precisely one of its main attractions. The lifestyles and attitudes of rich, white tourists on vacation raised questions about the impact on local values and self-esteem.

Paul's Dilemma

The gloomy economic situation combined with other factors to bring on dramatic changes in the political scene in 1982. The Labor Party, which had dominated Mauritian politics since 1948, was thrown out of power, not winning a single seat. The MMM won a majority of the seats and formed a coalition government with a new Hindu-based party led by a senior Hindu lawyer, Aneerood Jugnauth, who was named prime minister. This fulfilled one campaign promise by Paul Bérenger, intended to convince the Hindu population that the MMM was not anti-Hindu. Paul settled for minister of finance at the age of 37.

In the election, the MMM had emphasized the need to redistribute wealth, notably in the sugar sector, through changes in the tax structure, the nationalization of at least three sugar estates, and greater government planning and control of the economy. At the same time, it had gone to some lengths to moderate its position. Influential members of the private sector were actively courted, while the sugar estate owners were reassured that they would continue to have an important role to play. The MMM was still branded by one senior member of the government as "a purely Communist party, receiving its orders from Moscow and ready to disregard the national interest for the sake of ideology." Yet its message made a lot of sense to working-class Mauritians.

The Franco-Mauritian elite and its colored allies had long enjoyed a privileged lifestyle, thanks to their effective control of the sugar industry. Hindu politicians, using their community's majority status to dominate the government, had translated their political influence into economic power for themselves and their associates. They had established an alliance with their former rivals in the Franco-Mauritian community, and together this small elite seemed to be the main beneficiary of the new wealth created by the EPZ. Admittedly, some of Sino-Mauritian population also was involved, drawing on their links with clothing producers in Hong Kong and Taiwan. But the large Creole and Moslem populations, and even many poor Hindu workers, were being left out.

Particularly annoying was the failure of wage rates to keep up with inflation. After the repressive years of the early 1970s, some progress had been made, but these hard-won gains were soon eroded by high inflation at the end of the decade. In 1982, the purchasing power of government wages was back to the dismal level of 1974 and well below that of 1970 (see table 3). The EPZ was bringing down the average wage. Wages and unemployment were right back where they had been 10 years before.

Table 3. *Wages and Employment, 1972– 82*

Year	*Unemployment (percent)*	*Average real wage*[a]
1972	16	117
1974	14	100
1976	12	125
1978	10	142
1980	11	120
1982	15	122

a. Money wages corrected for inflation. Index for all sectors, where 1974 = 100.
Source: World Bank data.

With electoral victory, Paul at last held the opportunity to make real improvements in the well-being of ordinary workers, and his followers eagerly awaited his new economic program. But the sober realities of managing an economy in distress soon closed in around him. In one month, he would have to travel to Washington to confront the World Bank and the IMF. In 1981, the previous government had signed its fourth agreement with the IMF, as well as its first structural adjustment loan with the Bank. That meant the usual reductions in public and private sector expenditures, to reduce the government deficit and, by lowering imports, narrow the trade deficit. They were certainly not going to be excited about the nationalization of sugar estates.

What about unemployment, living standards, and long-term growth? The prescriptions of the Bretton Woods institutions seemed destined to increase unemployment in the short-term and further depress the purchasing power of wages. The Bank kept on talking about the efficient allocation of resources and integration into the world economy. Well, no one seemed to be interested in helping Mauritius integrate any more. Besides, dependence on the world economy was unreliable. Would it not be more prudent to build self-reliance?

If the new minister of finance is really interested in reigniting the economic growth of his country, what should he say when he gets to Washington?

Questions

Should the minister continue the promotion of the EPZ and tourism? If so, how?

Are there alternative sources of growth and jobs that could have a major impact on the unemployment problem but have been neglected?

Would it be better, perhaps, to increase the minimum wage to stimulate consumer demand? Taxes could be increased on the sugar estates to pay for this, as well as an expanded program of public works. Maybe subsidized credit is needed to support small business and diversified smallholder agriculture. What would be the impact of such policies on growth?

Part II

What Actually Happened and the New Challenge

Paul decided that the government had little choice but to follow the IMF-World Bank program. Mauritius had to get its macroeconomic house in order before it could expand welfare programs. He continued to cut government expenditures, to hold wage increases below the rate of inflation, and to advocate a 5 percent sales tax. In addition to maintaining a competitive exchange rate and wage levels, various direct measures to promote the EPZ were adopted over the next few years.

The result was remarkable. New foreign investment flowed into Mauritius, raising the number of EPZ firms from 115 in 1982 to 591 in 1988. Hotel construction also picked up once again, and the number of tourists doubled from 118,000 to 239,000 over the same period. Primarily for these two reasons, unemployment fell to 3 percent (though not before it had reached 19 percent in 1983). Wages finally began to outpace inflation in 1986, and purchasing power has continued to grow ever since (see annex 8).

Eventually, poverty was reduced. Real household income after inflation increased by 18 percent from 1983 to 1987, primarily because more members of the typical household were working, but also because their wages were starting to rise. By 1992, the number of households below the poverty line had fallen to 11 percent (compared to 40 percent in 1975). Unemployment had essentially disappeared, and investors worried about a labor shortage! Inequality also diminished between 1975 and 1992. The shares of national income going to both the bottom 40 percent of households and to the middle 40 percent increased, while the share captured by the top 20 percent fell significantly.

Economic policy was important, but luck also played a role. For example, Britain announced in 1984 that its colony of Hong Kong would be handed back to China in 1997. Hong Kong was facing import quotas in the U.S. market, and private entrepreneurs became nervous and looked around for an alternative base for their clothing firms. The small Sino-Mauritian community attracted their attention, and, with the improved Mauritian investment climate, many of them chose Mauritius.

And what about Paul? He was not so lucky. His coalition government fell apart within one year, due to political and economic factors. His decision to stick with the austerity program was not popular, but neither was his language policy, with its emphasis on Kreol. There was a power struggle between him and the prime minister, related to their personal ambitions and communal considerations. New elections were held in 1983, and a new coalition government was formed. Jugnauth returned as prime minister and Paul returned to the opposition benches. Economic policy remained largely unchanged, and Jugnauth received much of the credit for its eventual success.

The Challenge of Success

By the early 1990s, it had become apparent to Mauritians that the growth strategy that had served them so well was finally running out of steam. Average GDP growth in 1989–93 was 5.5 percent, still respectable but significantly below the 7.8 percent rate of the previous five years. Labor shortages now were constraining the expansion of output, bringing increasing pressure on wages and gradually eroding the country's labor-based comparative advantage. Competitors in other less-developed, lower-cost countries were taking away some of its traditional markets. As a result, employment in the EPZ had stagnated.

Problems also were emerging in the tourism industry, though more of a social and environmental nature. By 1994, the total number of tourists visiting Mauritius had already reached 400,000, the target set for the year 2000. This was partly due to the development of lower-scale informal lodgings. On a small island of just over 1 million people, this "invasion" was beginning to challenge the tolerance of the inhabitants and the quality of the environment. Both factors were key ingredients for the sustainability of the industry, as well as the quality of life of Mauritians.

The country had now reached full capacity in the "extensive" utilization of both its land and its people. There were few arable acres or tourist beaches left unexploited, and very few unemployed workers. In theory, the only alternative was clear: to use both land and people more intensively by adding more capital or using existing capital more effectively. This would increase their productivity, thereby raising national output and the returns to labor and landowners. But what did this mean in practice? Mauritius was still a long way from being a developed economy, and it had no intention of stagnating in some intermediate limbo like so many Latin American countries had done.

Annex 1. *Sugar, 1968–82*

Year	Exports		Price[a]	
	000s tons	*Rs millions*	*EEC*	*Free market*
1968	578	321	2.4	1.9
1969	592	326	3.6	3.2
1970	582	340	4.4	3.7
1971	568	313	5.0	4.5
1972	614	508	10.9	9.5
1973	698	608	8.2	7.3
1974	658	1,537	31.9	29.6
1975	441	1,549	21.8	20.4
1976	658	1,321	13.4	11.6
1977	618	1,429	14.0	8.2
1978	519	1,305	15.9	7.9
1979	628	1,590	19.3	9.7
1980	617	2,168	22.0	28.7
1981	432	1,625	18.9	16.9
1982	597	2,463	18.2	8.5

a. Cents per pound.

Source: Bank of Mauritius (1973, 1974); Government of Mauritius (1984, p. 16); Gulhati and Nallan (1990, pp. 72, 81); World Bank (1983, p. 116).

Annex 2. *Export Processing Zone, 1971–82*

Year	No. of firms	Foreign investment (Rs millions)	Exports (Rs millions) Gross	Net[a]
1971	9	—	4	—
1972	19	—	12	—
1973	32	—	45	—
1974	45	—	136	—
1975	66	—	196	—
1976	85	18	309	36
1977	89	18	433	131
1978	85	9	485	181
1979	94	8	620	225
1980	101	5	894	237
1981	107	—	1,087	405
1982	115	9	1,236	493

a. Total exports minus corresponding imports.

Source: Alter (1990, pp. 7–9); Bowman (1991, p. 127).

Annex 3. *Tourism, 1968– 82*

Year	*Tourist arrivals (000s)*	*Tourism earnings (Rs millions)*	
		Gross	*Net*
1968	15.5	—	—
1969	20.6	—	—
1970	27.7	—	—
1971	36.4	39	29
1972	48.8	—	—
1973	68.0	—	—
1974	72.9	—	—
1975	74.6	135	95
1976	92.6	—	—
1977	102.5	—	—
1978	108.3	—	—
1979	128.4	300	200
1980	115.1	—	—
1981	121.6	—	—
1982	118.4	—	—

Source: Bowman (1991, p. 135); Government of Mauritius (1980, p. 117).

Annex 4. *Employment Trends, 1970– 82*

Year	*Agriculture*	*EPZ*	*Tourism*[a]	*Public sector*
1970	60.6	—	2.4	43.4
1971	59.8	0.6	3.6	47.8
1972	61.9	2.6	4.8	44.3
1973	62.1	5.8	6.6	44.2
1974	63.0	9.0	6.9	43.9
1975	64.5	10.3	7.2	44.8
1976	64.2	17.2	9.3	46.2
1977	65.3	18.2	9.3	47.4
1978	60.8	17.7	9.3	49.5
1979	59.4	20.4	9.9	53.1
1980	58.0	22.0	9.3	54.6
1981	57.0	23.6	9.9	55.0
1982	56.7	23.5	9.6	55.1

a. Employment figures were available only for hotels and restaurants with more than ten employees. These were corrected by multiplying by three to account for smaller establishments, other tourist expenditures, and indirect effects, in keeping with evidence from other countries. See English (1986).

Source: Bowman, (1991, p. 115).

Annex 5. *Average Monthly Earnings by Sector, 1970– 82*
(in rupees at constant prices, adjusted for inflation)

Year	*Sugar*	*EPZ*[a]	*Other manufacturing*	*Government*	*Overall average*
1970	714	—	—	1,653	1,154
1971	811	—	—	1,660	1,189
1972	934	—	—	1,586	1,176
1973	1,048	—	—	1,555	1,168
1974	900	—	676	1,444	998
1975	856	—	702	1,489	1,050
1976	1,098	520	798	1886	1,258
1977	1,196	586	919	1,868	1,363
1978	1,247	642	985	1,846	1,423
1979	1,190	604	895	1,687	1,363
1980	994	585	814	1,478	1,205
1981	1,075	592	807	1,489	1,241
1982	1,088	542	766	1,486	1,227

a. Clothing only.
Source: Gulhati and Nallari, (1990, p. 78).

Annex 6. *Evolution of Key Indicators by Year, 1968– 82*

Year	*Annual GDP growth (percent)*	*Government surplus/deficit as a percentage of GDP (Rs millions)*
1968	-6.9	-3.5
1969	4.9	0.5
1970	-0.4	-0.6
1971	4.1	-1.7
1972	8.1	-3.1
1973	12.5	-1.5
1974	9.6	-5.4
1975	2.8	-4.6
1976	12.3	-4.4
1977	8.2	-8.4
1978	5.9	-11.6
1979	5.7	-11.5
1980	-9.3	-10.3
1981	4.8	-12.7
1982	5.2	-11.8

Source: Gulhati and Nallari, (1990, calculated from p. 74); IMF (various years).

Annex 7. *Evolution of Inflation and the Exchange Rate by Year, 1968– 82*

Year	*Inflation rate*[a] *(percent)*	*Exchange rate*[b] *Nominal*	*Real*
1968	3.7	—	—
1969	3.1	—	—
1970	-1.4	153	108
1971	5.1	154	103
1972	7.3	153	101
1973	27.7	138	94
1974	17.0	135	102
1975	17.8	130	99
1976	8.6	134	100
1977	8.8	135	100
1978	9.9	134	103
1979	41.0	126	100
1980	19.8	100	100
1981	13.6	101	104
1982	6.1	95	99

a. Consumer price index.
b. 1980 = 100.
Source: Bank of Mauritius (various years); Gulhati and Nallari (1990, p. 77).

Annex 8. *Mauritius post-1982*

Year	*GDP growth (percent)*	*Employment (thousands)*		*Rate of unemployment (percent)*	*Real wages*[b]
		EPZ	*Tourism*[a]		
1982	5.2	23.5	9.6	15	122
1983	0.8	25.5	9.6	19	124
1984	4.8	37.5	9.6	17	125
1985	7.3	54.0	10.5	15	121
1986	10.0	74.0	11.7	13	127
1987	10.1	87.9	13.2	5	134
1988	6.8	89.1	15.0	3	158
1989	4.6	88.7	16.8	3	167
1990	7.2	89.9	18.6	3	154
1991	4.1	90.9	—	3	168
1992	6.2	86.9	—	3	178
1993	5.5	87.8	—	2	—

a. Calculated as in annex 4.
b. Index of monthly earnings for all sectors corrected for changes in the consumer price index. 1974 = 100.
Source: Gulhati and Nallari (1990).

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