

Overview

The purpose of this paper is to present the remarkable achievements of the economy of Mauritius since independence, and to highlight the factors that have made this performance possible. The record is impressive. Mauritius has achieved one of the highest per capita gross domestic products (GDPs) in Africa: about US\$4,600 in 2003, up from about US\$320 in the early 1970s. The economy, which at independence in 1967 was dependent entirely on the sugar crop, has been able to diversify rapidly, first into textiles, then into tourism, and more recently into information and communication services. In the process, the large pool of unemployed labor has been absorbed, and a remarkable macroeconomic stability has been maintained over the last 20 years. The country is well positioned to benefit from the increasing demand for information processing.

This paper examines several factors that have contributed to this remarkable growth: the successful pursuit of macroeconomic stability, despite the presence of adverse exogenous shocks; a successful strategy of trade openness, although somewhat heterodox; the development of a solid institutional framework that has promoted growth, including respect for the rule of law, political stability, an efficient administration, and a favorable regulatory framework. The paper also highlights the rapid development of a well-developed financial system that has contributed to supporting economic diversification and growth.

Despite this successful performance, important challenges remain. The government budgetary deficit is contributing to a rise in the total public sector debt, which could become worrisome if the deficit is not scaled down on a steady basis; despite a good overall educational system, there is a need to facilitate access for all students to secondary schools and to enhance the quality of education, including vocational training, in order to better prepare them for the labor force; the textile and the sugar sector must confront the erosion of trade preference and must therefore restructure in order to survive.

While these challenges are very serious, the cohesion of the social fabric, the quality of the institutions, the level of the human capital, and the quality of the physical infrastructure suggest that the country should be able to continue to find ways to adapt its economic structure so as to ensure sustainable growth.