

**SPEECH OF THE PRESIDENT, MRS. HELENE ECHEVIN, ON THE
OCCASSION OF THE 167th AGM OF THE MCCI, 31st MARCH 2016,
LE LABOURDONNAIS HOTEL, PORT-LOUIS**

**Honourable Ministers,
Excellencies of the Diplomatic Corps,
High Officials of the Public Sector,
Chairpersons and CEOs of fellow private sector organisations,
Distinguished Guests,
Members of the MCCI,
Representatives of the Media,
Ladies and Gentlemen,**

It is my honour and pleasure to welcome you to the 167th Annual General Meeting of the Mauritius Chamber of Commerce and Industry. I would like to first and foremost extend my special thanks to our Ministers who have honoured us with their presence today. It is a strong testimony to the continuous dialogue that exists between the Government and the private sector.

The State of the Economy address is a well-established tradition at the MCCI.

It is an opportunity for us to voice out the views of our members, be they SMEs or large Corporates.

We are here to share our appraisal of the economy, to emphasise the barriers to the conduct of business, and to point out some of the challenges facing our country.

Most importantly however, we are here to look at the future - at the opportunities and prospects -and how we can all contribute to bring positive change to our country.

**Honourable Ministers,
Ladies and Gentlemen,**

We are faced with an unprecedented uncertainty in the world economic context. For yet another year since the 2009 global economic crisis, the world economy stumbled. While major high-income countries experienced a modest recovery, emerging and developing economies continue to be affected by slowdown in economic activity.

On the upside, there has been a significant fall in oil and other commodity prices over the last year and we, as an importing nation, have definitely benefited from it.

Nonetheless, structural reforms in China, increased volatility in a number of advanced economies, and geopolitical tensions in the emerging nations have all piled up to create a world environment where growth remains lethargic.

The Mauritian economic performance is highly reliant on the world economy. And we are today faced with the triple challenge of high unemployment, low inflation and modest economic growth.

In 2015, our GDP growth was estimated at 3.4 percent, a repeat of the previous year. This is far from the average growth rates of 5 percent and above achieved in the years preceding the global financial crisis.

Furthermore, as shown in the last MCCI's Economic Perspectives, for the last decade we have been growing below our optimal capacity and there has been a general fall in our productivity levels.

**Honourable Ministers,
Ladies and Gentlemen,**

In the last decade, the pace of change in our economy has slowed down. We are, in Mauritius, at the crossroads where bold measures and quick wins are essential to bring back confidence in the economy.

It is today vital that the Government uses its two main tools - the monetary tool, and the fiscal tool to transform our economic path.

In a communiqué of finance ministers of the G20 group of nations released end of last month, it was pointed out that monetary policy alone would be insufficient to boost growth in the global economy.

The Mauritian economy has for a number of years been in a phase where supply is higher than demand, marked by deflationary pressures and a non-reversal of the unemployment trend.

It is no secret that consumption is one of the major components supporting growth in Mauritius.

Despite an increase of 2.9 percent in the past year, we are far from our long-term consumption growth patterns which was at 6.4 percent in 2005.

In fact, in the last few years, consumption expenditure has been pallid, growing at less than 3 percent annually compared to pre-crisis consumption growth of more than 5 percent. The actual 3% is particularly low.

More could be done to stimulate domestic consumption and to drive demand.

For example, a single measure such as the extension of the VAT refund to departing Mauritian Nationals and the Diaspora has a high potential. Today, more and more people are spending their income in countries other than Mauritius, contributing to an outflow of foreign currency. We have estimated that the amount of local consumption foregone nears the 4 Billion rupee mark , representing 1.2 percent of our GDP.

***Honourable Ministers,
Ladies and Gentlemen,***

Let me come to the issue that is the level of investment in our economy. Much has been said on investment in the recent years – it has been a much-debated topic. And we all agree that investment and growth are linked.

As much as investment is essential for economic growth, growth is as important for investment. Yet, the rate of investment has been on a continuous fall since 2012, reaching an all-time low of 17.8 percent last year. This is reflected by the MCCI Business Confidence Indicator (BCI) which has been in the static territory since then.

When we compare the investment rate last year to the 26 percent achieved in 2009 - even as the financial crisis was at its peak - we understand that there is a real issue at hand.

At times of low economic performance, it is essential for public investment to provide the necessary boost to the economy. When companies defer their investment due to low confidence in the economy, when demand is sluggish, it is vital, as Keynes explained, that the government breaks the vicious cycle by boosting public investment.

Increases in public investment will result in higher demand for investment goods, which therefore encourage supply. By snowball effect, it will boost economic activity, increase recruitment, income as well as consumption. This will result in new increased investment.

Here, we need to acknowledge the relentless efforts of our decision-makers to boost public investment, whether through the Port Expansion , new runway at the airport or the Road Decongestion Programme.

Nonetheless, between 2012 to 2015, public investment has in total increased by a mere 2 percent. It is therefore critical, according to us, to boost public investment in 2016.

With the recently announced introduction of a Build Operate Transfer Projects Bill, we could reconsider the light railway project, which will go a long way to alleviating the transport problems as well as providing a cost effective alternative to road transport.

***Honourable Ministers,
Ladies and Gentlemen,***

For the last decade, investment in the productive sectors of the economy have been growing modestly. Moreover, FDI inflows in the manufacturing sector have been unable to match those of 2012 and is at its lowest for over a decade, at only Rs 24 million of inflows recorded for 2015.

To boost investment in the private sector, to attract new investment in our economy, it is necessary to adopt strong measures:-

Firstly, our institutions, whether public or private, should adopt the “leading by example” concept! Our institutions need to be modern, efficient & inspiring. It is perhaps high time to consider the possibility of instituting an Economic Development Board in Mauritius, similar to advanced & successful economies such as Singapore. The Board would act as a central entity for planning and implementing strategies to enhance and promote the country as a destination for investors and the promotion of exports throughout the world. We need a consistent and unified approach to avoid duplication and increase efficiency.

Secondly, with a global competition for FDI, Mauritius has to propose specific, attractive packages to differentiate itself. A tax holiday on technology-intensive enterprises investing in the productive sectors could be one of the solutions.

**Honourable Ministers,
Ladies and Gentlemen,**

Mauritius is a net importer. Furthermore we are faced with fierce international competition.

Our economy has been, up to now, resilient to political and policy fluctuations in the world economy. But with a population of 1.2 million people, we have no choice but to improve our exports.

And to achieve better results in term of exports we need:

- First, a clear and aggressive export strategy.
We have been closely associated in the consultations and the elaboration of the National Export Strategy alongside ITC experts, for the country and we look forward to the recommendations and its implementation.

- Second, a clear and modern connectivity strategy.
For us to diversify our economy, it is important to increase our connectivity, most particularly to the African region. We highly welcome, in this respect, the Asia-Africa Air Corridor initiative of the government. The rethinking of our air access policy has the potential to open up our markets, create jobs and through a multiplier effect, have an enormous impact on the country's economic development when fully implemented.

We need to be able to exploit the vast potential of the African region if we are to remain credible as the long proclaimed gateway for business in Africa.

It is similarly timely for our national carrier to be assigned clearer objectives when it comes to the economic development of the country.

**Honourable Ministers,
Ladies and Gentlemen,**

It is not surprising that doing business in today's landscape is no easy feat. It is therefore essential to go for **efficiency** at all steps: tools such as the Trade Obstacle Alert Mechanism and the Single Window are important to improving the business environment.

But we are far from our potential. One of the main reasons why other countries attract high levels of foreign investment is because they have been ranked very highly in the Ease of Doing Business Report released

by the World Bank in recent years. We, in Mauritius, are ranked at a mere 32nd worldwide.

The Ease of Doing Business Report is a major tool, which synthesises and regroups more than 100 economic indicators on the economic and business environment of the country. We have the potential to be one of the countries with the most conducive business climate in the world.

While this should be our long-term aim, Mauritius has, in the next 5 years, the potential to be ranked in the top 10 economies worldwide in terms of the ease of doing business. To achieve this, there is a need to correct a number of inconsistencies in regulations and needless taxes and levies that have been added over the years and that are eroding a large part of the competitive advantage we had over economies similar to ours.

**Honourable Ministers,
Ladies and Gentlemen,**

Last year, the MCCI conducted an econometric analysis of the impact of indicators of the ease of Doing Business on economic growth. It shows that, by adopting necessary measures, the economic growth rate can reach the 6 percent mark in the short to medium term. We have analysed 4 key variables and found a number of inconsistencies to address.

It is quite inconceivable for instance that it takes nearly 8 months to set-up a manufacturing unit in Mauritius. **For us to be in the Top 10 in the Ease of Doing Business** indicator, we need to be able to decrease the time it takes for such procedures that prevent the smooth operationalisation of business. In New Zealand, the costs relative to the creation of an enterprise is at 0.3 percent as compared to 2.0 percent for Mauritius. The MCCI has been advocating for the setting up of a single licensing unit for applications and payments for the past two years now.

For us to be in the Top 10, we need to make a bold decision on our corporate taxation rates. Indeed, though taxation is at 15 percent today, the effective tax rate is at nearly 23 percent compared to 18.4 percent in Singapore. In Mauritius, There are a number of indirect taxes and levies that are currently affecting businesses which need to be reviewed.

For us to be in the Top 10, we need to address the high freight related costs affecting our businesses while importing and exporting. Over the last decade, the latter has increased by more than 4 percent and businesses are today faced with around 600 USD of charges and costs associated with the import and export of one container of goods. In Switzerland, these charges are at a third of what we pay - at 200 USD per container. Perhaps we need to take introduce tax credits on transportation costs to compensate for our insularity status.

For us to be in the Top 10, we need to address the high costs associated to registering properties. In Mauritius today, this is at more than 10 percent of the cost of the property as compared to the United States, Denmark, Switzerland and Estonia, where it is less than 1 percent. We have a huge margin available and we need to be able to decrease the cost of registering property in the short run.

These are just a few areas for quick improvement but the scope is within reach .

***Honourable Ministers,
Ladies and Gentlemen,***

While it is essential to work towards easing the business environment, there is also a need to transform our economic model.

Our entrepreneurs can and will only be competitive if the levels of productivity are restored.
Indeed, It is innovation and productivity that are the engines of economic growth.

Without innovation in processes, products and business models, without a sustained increase in the productivity of labour and capital, it is impossible for the country to move forward. In this respect, we fully support the Government's initiative of promoting innovation as the next phase of development for Mauritius.

As a first step, we need to boost investment in research and innovation which stands today at only 0.18 percent of our GDP. We have the necessary margin to invest massively in Innovation.

We remain convinced that the way forward for a country like Mauritius is to foster a culture of innovation by providing a preferential regime to support growth and innovation. Our innovation policy should be designed to increase innovation activities, create and maintain high-value jobs, and foster global leadership in patented technology.

The onus will henceforth be on us as entrepreneurs to invest in innovative processes, in technology intensive industries, in knowledge and know-how to adapt to an ever-changing economy.

***Honourable Ministers,
Ladies and Gentlemen,***

One of the nascent, innovation-driven industries with a huge potential is the Life Sciences. Faced with health care spending cutbacks by governments in a number of advanced and emerging economies, life science companies worldwide have demonstrated an incredible ability to adapt to increasingly rapid changes in market conditions and demographic trends.

There is a vast potential to make this country a leader in the Life Sciences through innovation processes and our industrials have been doing a formidable job so far. Today, the medical device industry alone contributes to more than one percent to our exports. This is quite remarkable for an industry that is still in its early phase. The export of medical devices from Mauritius has been increasing at an exponential rate of more than 20 percent annually in the last decade.

The other segments of the life sciences industry – whether biotechnology, or pharmaceutical products – have also experienced incredible growth in the recent years.

The possibilities are vast for this industry. With an enabling environment, a state-of-the-art logistics system for the handling of biotech and pharmaceutical products, the opportunity is there for us to lay the foundation for a robust Life Sciences Industry which leverages on our natural attributes.

***Honourable Ministers,
Ladies and Gentlemen,***

We might very well be at an inflection point in our history. It is our responsibility to ride the current opportunities, to tackle the barriers present and to help our country in its quest towards a sustainable, resilient and dynamic economy.

It is in this very spirit that the MCCI has recently presented its Vision 2030 Blueprint, entitled '*The Tipping Point*'. We are certain that our evidence-based policy advocacy shall be considered positively.

Our long-term partnership with the Government on issues of national interest is taking a new shape and we remain committed to fostering a strong, competitive economic environment that benefits businesses.

***Honourable Ministers,
Ladies and Gentlemen,***

During this year with the MCCI team, I often said :“ Hey guys, Think out of the box”. One day, one of our team members told me gently: Helene, what box are you talking about - be modern - it is time now to think as if there is no box!

To conclude, let me quote Ernest Renan, a French philosopher of the 19th century, "Our opinions become fixed at the point when we stop thinking".

There is no limit for ideas & innovation when the objectives are clear.

I thank you for your attention !