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PORT LOUIS 2020 B1, 1.4(B), 1.4(D)

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Subject: SCENESETTER FOR THE SECRETARY'S VISIT TO MAURITIUS

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ACTION SS-00

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FM AMEMBASSY PORT LOUIS  
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INFO SOUTHERN AFRICAN DEVELOPMENT COMMUNITY  
AMEMBASSY ANTANANARIVO  
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 01 OF 03 PORT LOUIS 002020

DEPT FOR S/S AND AF/E

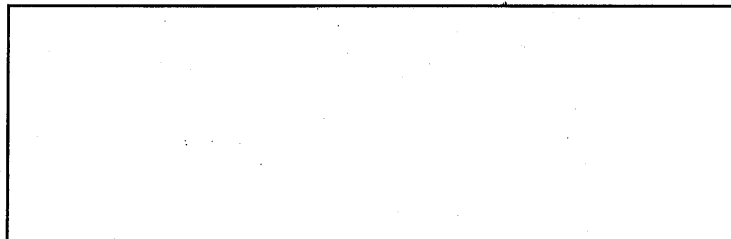
E.O. 12958: DECL: 12/01/10  
TAGS: PREL, PGOV, MARR, EFIN, ECON, MP, US  
SUBJECT: SCENESETTER FOR THE SECRETARY'S VISIT TO  
MAURITIUS

PORT LOUIS 01 OF 03 2020

Ref: (A) Port Louis 1965, (B) Port Louis 1913

(U) Classified by DCM Alexander Margulies. Reason:  
1. (B,D)

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SUMMARY  
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A SHINING EXAMPLE FR AFRICA  
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UNITED STATES DEPARTMENT OF STATE  
REVIEW AUTHORITY: FRANK H PEREZ  
DATE/CASE ID: 10 AUG 2006 200503422

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2. (U) Mauritius exemplifies how U.S. political and economic values can succeed when applied in the African context. It is a vibrant and stable democracy the peaceful September 11 general elections, in which over 80 percent of the electorate voted, resulted in a peaceful transfer of power from the then-Labor Party Government to an opposition alliance headed by current Prime Minister Anerood Jugnauth's MSM party and Deputy Prime Minister Paul Berenger's MMM party.

3. (U) There is complete freedom of speech and press, workers rights are observed, and the Government goes out of its way to respect and cultivate the country's religious and linguistic diversity. Additional emphasis has been placed on celebrating the country's diversity following four days of disturbances in February 1999, after a popular Creole singer died in police custody under suspicious circumstances.

4. (U) The judiciary is independent, and litigants have the right to appeal to the Privy Council in London. Mandatory education through the eleventh grade has resulted in the country enjoying Sub-Saharan Africa's highest literacy rate.

5. (U) Economically, Mauritius provides a sterling example of how free-market export oriented policies can lift an undeveloped country into the global economy. Today it has the highest real per capita GDP in Sub-Saharan Africa (about \$3600). Twenty years ago, the Mauritian economy was centered completely on sugar, with per capita GDP less than a tenth of what it is now. When Prime Minister Jugnauth took office for the first time in 1982, his Government promoted growth in the tourism and textile sectors, both of which now contribute more to the economy than sugar. This year Mauritius will welcome over 600,000 high-end tourists, while companies in the textile-focused Export Processing Zone (EPZ) employ over 90,000 people.

6. (U) Over the past ten years, successive Governments have promoted Mauritius as a regional gateway for trade and investment (the "Singapore of the Indian Ocean"). The result is that the island has become a major regional commercial and financial hub, with world class logistics facilities and offshore business and banking sectors. Most U.S. investment in India is channeled through the Mauritian offshore sector, and American companies such as Microsoft, Oracle, Hewlett Packard, Mast Industries, and DHL have opened regional offices here. The Government is focusing on telecommunications and information technology as the next growth sectors, with two additional major call-back centers having commenced operations over the past month alone.

7. (U) Mauritius faces some challenges economically over the short term, as the need to make the transition from labor-intensive sugar and apparel production to a more service-oriented capital-intensive high-tech economy has been exacerbated by the plunging value of

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the Euro. Almost all of the sugar industry's and most of the EPZ's revenues are in Euro's, while the majority of their costs are in dollars (the Rupee has been pegged closely to the dollar for the past year). As a result, both the sugar and apparel sectors are losing

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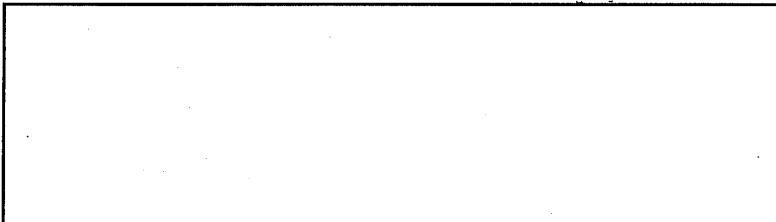
money and shedding workers: unemployment has risen from six percent last year to eight percent, and there are estimates that it could exceed ten percent next year.

8. (U) The new Government recognizes the difficulties it faces and is in the process of developing policies to make the economic transition smoother. It recently published a report on the state of the national economy, which gave a frank account of the country's difficulties along with assurances that future Government actions would be fiscally prudent and free-market oriented, with an emphasis on welcoming foreign investment and technicians, particularly in the IT sector.

9. (U) Total Government and parastatal debt is a manageable 64 percent of GDP. While the real recurrent budget deficit (including parastatals) the Government inherited from its predecessor is a high 7.8 percent of GDP, this has been reduced to 4.2 percent by the sale of 40 percent of the state Telephone Company. The Government is determined to lower the deficit in succeeding years. Upon taking office it quickly raised petroleum and electricity prices up to 50 percent to reflect increases in world prices, a move that was accepted without a murmur by an understanding nation.

10. (U) Mauritius was the chief African proponent of AGOA, and its Ambassador in Washington, Chit Jesseramsing, played a key role in mobilizing the African diplomatic corps there in support of the Africa Bill. Mauritius also plays an important role in promoting regional integration and free market policies in SADC, COMESA, the Indian Ocean Commission, and the Indian Ocean Rim - Association for Regional Cooperation. Currently, Mauritius presides over COMESA, hosting the Summit earlier this year that gave the final go ahead to the creation of the COMESA duty-free trading area. Mauritian companies are major investors in the Madagascar textile/apparel sector, and are moving into Mozambique (sugar, apparel), Seychelles (tourism) and Tanzania (tourism).

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AN ALLY ON THE SECURITY COUNCIL  
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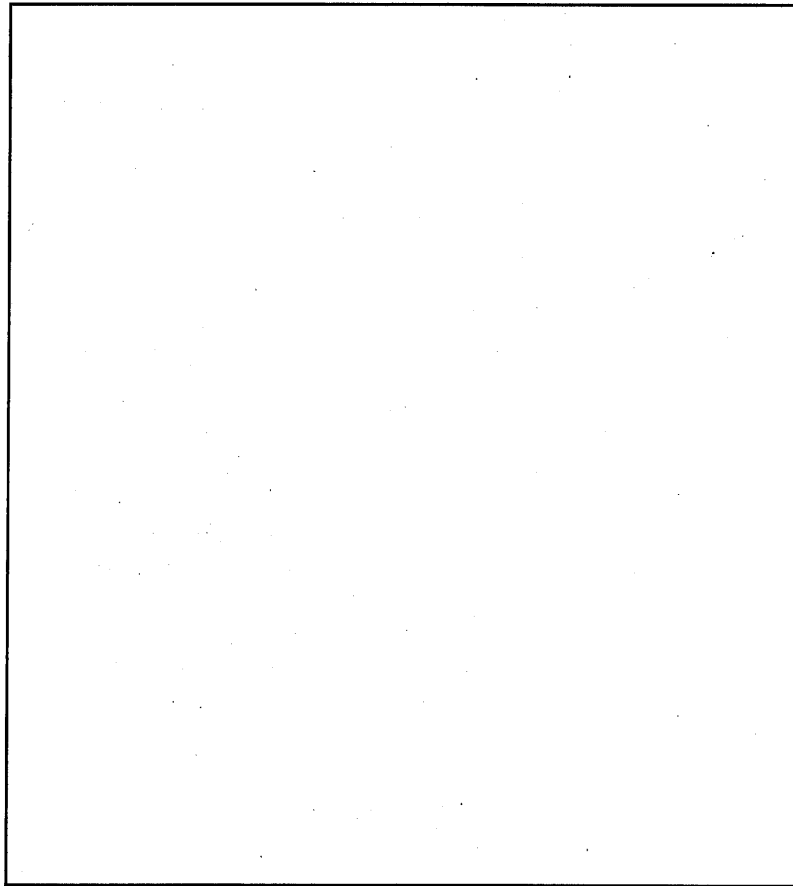


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14. (U) The Mauritian Government and private sector are excited about the opportunities created by the Africa Bill to expand exports and to earn dollars, rather than Euros. Mauritius is already the largest African supplier of apparel to the U.S. market (South Africa supplies more textiles) and its companies are eager to increase significantly their sales to the States.

15. (U) A steady stream of new American apparel buyers has been flowing through Mauritius, establishing business connections and placing trial orders. Companies already exporting to the U.S. market are planning to increase their sales by 30 percent or more, both from Mauritius, and from their factories in Madagascar (Mauritian companies employ over 20,000 workers in that nation's apparel industry). American and Efird, a U.S. firm, has invested in a joint-venture thread factory with a local partner. Textile firms from China and Italy are exploring the possibilities of putting up spinning and thread mills here, and

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Mauritian firms are discussing regional textile/apparel integration with South African counterparts.

16. (U) The Embassy has made commercial promotion/AGOA its top priority. In April, the Embassy organized the "American Regional Trade Fair," with the participation of 200 American companies, 60,000 visitors, and the sale of over 600 tons of American products. In November, we inaugurated the new "American Chamber of Commerce in Mauritius," and by months' end had signed up over 100 members.

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DIEGO GARCIA  
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17. (SBU) Mauritius historically has claimed sovereignty over the British Indian Ocean Territory (BIOT) covering the Chagos Archipelago, including the American military base on Diego Garcia. In November, a British Court nullified a 1971 BIOT Ordinance that effectively exiled the Chagossians from the territory and tasked the British Government with developing measures to repatriate all Chagossians who wish to return. Rival groups of Chagossian islanders are indicating that they intend to seek compensation from the U.K. and from the USG for "damages," and the leader of one group plans to be in the U.S. consulting with his attorney during the Secretary's visit.

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