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ACTION AF-00

RELEASED IN PART  
B1, 1.4(D), 1.4(G), B6

INFO	LOG-00	NP-00	AEX-00	ACQ-00	CIAE-00	COME-00	INL-00
	USNW-00	DODE-00	DS-00	EB-00	EUR-00	E-00	FBIE-00
	TEDE-00	INR-00	IO-00	LAB-01	L-00	CAC-00	NSAE-00
	OCS-03	OES-00	OIC-02	TFBI-00	PM-00	SCT-00	IRM-00
	SSO-00	SS-00	STR-00	ASDS-00	EPAE-00	PMB-00	DSCC-00
	PRM-00	DRL-01	SAS-00	/007W			

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O 161217Z JUN 03  
 FM AMEMBASSY PORT LOUIS  
 TO SECSTATE WASHDC IMMEDIATE 9349  
 INFO SOUTHERN AFRICAN DEVELOPMENT COMMUNITY PRIORITY  
 AMEMBASSY LONDON PRIORITY  
 AMEMBASSY PARIS PRIORITY  
 NSC WASHDC PRIORITY  
 USMISSION USUN NEW YORK PRIORITY  
 DEPT OF TREASURY WASHDC PRIORITY  
 USMISSION GENEVA PRIORITY

C O N F I D E N T I A L PORT LOUIS 000483

NSC FOR BPITTMAN

GENEVA FOR AMB.DEILY

DEPT PLEASE PASS TO USTR-CHAMILTON

DEPT FOR AF/E-BPERRY

E.O. 12958: DECL: 06/11/2013  
 TAGS: OVIP, ETRD, MARR, PTER, CASC, MP  
 SUBJECT: SCENESETTER FOR VISIT OF PRIME MINISTER JUGNAUTH  
 JUNE 23-27

Classified By: CDA BISA WILLIAMS FOR REASONS 1.5 B/D.

## 1. (C) BACKGROUND:

On June 26 Mauritian Prime Minister Sir Anerood Jugnauth will meet President George W. Bush. This meeting will be the crowning glory of the Jugnauth administration. It is an honor to which many Mauritians believe PM Jugnauth is entitled because of President Bush's decision last year to cancel his visit to Mauritius at the time of the U.S./Sub-Saharan Africa Trade and Economic Cooperation Forum (AGOA Forum, January 11-17, 2003). Expectations aside, the meeting carries more substance than symbolism for Jugnauth and for his governing MSM and MMM coalition. It will be seen

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as USG endorsement of the unique political experiment tested on this small and ethnically diverse island, and as a demonstration of the growing friendship and partnership between the Mauritian and American peoples. Jugnauth will want the overall tone of his encounter with the President to be positive.

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END BACKGROUND.

MAURITIUS

2. (U) This small island developing nation is proud of its political and economic successes and of the influential role it has played both in the Indian Ocean region and in African affairs. With a total population of just under 1.3 million persons, 52 percent of whom are of Hindu/Tamil Indian origin, 17 percent of whom are Muslim, and slightly over 30 percent of whom are either of African/Creole, French or Chinese origin, Mauritius presents a colorful demographic mosaic rich in ethnic, religious and cultural diversity.

3. (U) Over the last 25 years, Mauritius has evolved from a heavily subsidized single commodity (sugar) island colony of the UK, to an independent, economically strong and relatively diversified, free market economy, which is bolstered by a democratic, multi-party political system. Sir Anerood Jugnauth has served as this country's Prime Minister twice (1982-95 and 2000- present), and he is credited with having engineered the economic miracle that Mauritius has become. During his second administration, PM Jugnauth actively pursued a policy of "maximum autonomy" for Rodrigues Island to accommodate the aspirations of the ethnic Creole population on that sister island dependency.

4. (U) Jugnauth promoted free education for Mauritians and made the construction of schools the cornerstone of his first administration. As a consequence, Mauritius ranks higher than all sub-Saharan African states in literacy. It also has an excellent tertiary education system, which the administration would like to convert into a regional hub for higher learning. As an extension of his emphasis on education Jugnauth, in his second administration, insisted that Mauritius carve out its niche in the Information Technology arena. He launched the "Cyber Island" concept and encouraged IT-related investment. IT development is the GOM's economic "fifth pillar;" the first four being textile production, tourism, sugar, and financial services.

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5. (SBU) Politically, Mauritius stands out as an anomaly among the other Indian Ocean island states and to a large extent has distinguished itself in Africa because of its stable government, commitment to democracy, transparent electoral system, thriving (if not undisciplined) newspapers, and protection of human rights. Although committed to democracy, Mauritians are not reluctant to adopt untried political solutions to meet their specific needs. Generally, these solutions enjoy public consensus. For example, in September/October of this year, through an election year commitment (2000) made between the parties of the winning ruling coalition, PM Jugnauth will voluntarily step down from office in order to allow his Deputy Prime Minister Paul Berenger to become Prime Minister. Jugnauth will become the

ceremonial President and Head of State. Jugnauth's son, currently Minister of Agriculture, will move into the vacated Deputy Prime Minister slot for the remaining two years of the Administration's term. Attempts by members of the political opposition to force the administration to abandon the agreement and to incite ethnic division because of Berenger's minority status have failed. All signs indicate that Paul Berenger, a white Franco-Mauritian, will become Mauritius' first minority Prime Minister before the year is out.

6. (SBU) Similarly, Mauritius avoided a constitutional crisis when the incumbent President and Vice President abruptly resigned from office over the Government's handling of post-9/11 anti-terrorism legislation. The Jugnauth administration calmly went through the required constitutional processes before finding a replacement for both offices. The country waited patiently and under no threat of violence.

7. (SBU) In September 2002, PM Jugnauth welcomed the inauguration of the newly elected Council of Ministers for the "autonomous region" of Rodrigues Island, a predominantly Creole island dependency of Mauritius. Rodrigues' "maximum autonomy" was negotiated in the legislature not in the streets.

8. (C) Within the larger community of African states, Mauritius appears to exercise positive influence as well, and diligently sends representatives to meetings of the African Union (AU), Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) and their subsets. At USG urging, Mauritius competed for and won one of the African seats on the UN Security Council

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2000-2002) and, generally supported USG positions while on the Council. Its errant Permanent Representative created the only distortion in an otherwise harmonious bilateral working relationship when he decided to ignore instructions emanating from capital and use the UNSC as his personal bully pulpit to challenge USG policy in Iraq. Mauritius takes seriously its responsibility to be a role model in the region and has taken on the role of mediator in the political crises affecting its neighbors, especially Madagascar and the Union of Comoros. In the World Trade Organization (WTO) Mauritius has advocated for special and differential treatment for small island developing states (SIDS). Mauritius will host the United Nations Meeting on SIDS in September 2004.

9. (U) Throughout the build-up of the coalition against terrorism, the war in Afghanistan and the war in Iraq, PM Jugnauth has consistently and publicly supported the USG.

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TERRORISM  
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11. (U) The GOM has enacted all of the anti-terrorism legislation recommended by the UNSC since 9/11 and has set up several mechanisms to protect its financial institutions from abuse by money launderers and terrorist networks. In that regard, the USG has recommended Mauritius' candidacy for inclusion in the Egmont Group of countries sharing information on banking transactions and related matters. When admitted in July, Mauritius will be one of only two African countries participating in the Egmont Group (South

Africa will be also be invited to join in July).

ECONOMY

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12. (SBU) TEXTILE SECTOR: Mauritius is currently experiencing an economic downslide of unprecedented proportions. The number of unemployed has soared to 10% of the total workforce. For the first time since its creation 30 years ago, the Export Processing Zone (EPZ) registered a negative growth rate of 4% in the year 2002. According to the GOM Economic Indicators Bulletin, 25 companies in the EPZ closed down in 2002, leaving 3,600 workers out of jobs. Over half of the closures were from the apparel sector, representing 3,152 job losses. Since January 2003, seven EPZ textile companies have closed down. The number of job losses is estimated between 3,000-3,500. This accounts for roughly 10,000 jobs but the numbers could swell further. In the coming months, it is expected that another 2,600 textile industry workers will be laid off, the bulk of whom will be Mauritian nationals. (FYI: Mauritius does use guest workers, mainly Chinese, some of whom will also lose their jobs, End FYI.)

13. (SBU) Several Hong Kong textile companies are leaving Mauritius in anticipation of the termination of the Multi-Fiber Agreement and the subsequent elimination of quotas. Those firms will probably relocate to China, Vietnam and other countries with cheaper labor and production costs. The recent proposal at the World Trade Organization (WTO) to remove all tariffs on textiles (non-agricultural products) will eliminate any remaining trade preferences enjoyed by the textile sector in Mauritius and is expected to have an even more devastating effect on the local industrial sector with massive job loss. The WTO measure will also have a spill-over effect on the larger Mauritian economy. The growth rate of the economy fell from 5.8% in 2001 to 2.5% in 2002, due in part, to the deceleration of growth in the textile and clothing sector.

14. (U) The Government is encouraging vertical integration to consolidate the textile sector. A special package of fiscal incentives has been devised to promote investment in spinning mills. While in the U.S., Trade Minister Cuttaree will spend one day in North Carolina attempting to entice U.S. companies to invest in the textile sector and to support Mauritius' efforts.

INFORMATION TECHNOLOGY

15. (SBU) The GOM is hoping that the ICT sector will emerge as an engine of growth and employment creation. The challenge for Mauritius is to carve out a niche for itself in the highly competitive global ICT market. The budget

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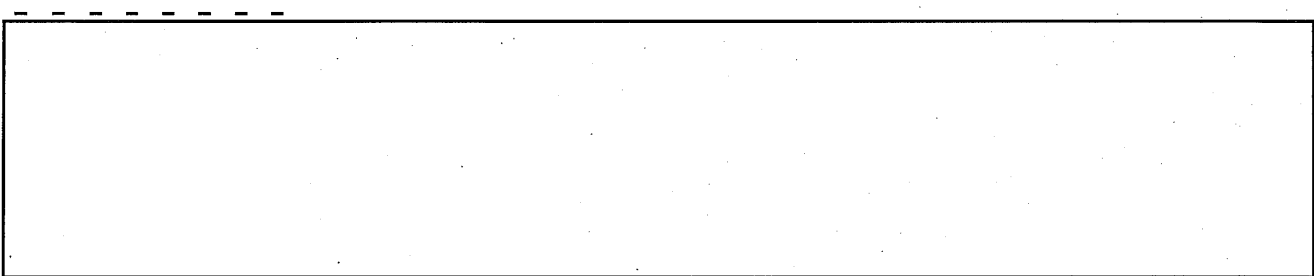
indicates that Business Process Outsourcing (BPO) is an area Mauritius can exploit to build a solid ICT industry--in particular BPO in financial services covering areas such as financial payments systems, insurance claims processing, and customer services in which Mauritius already has competency. A dedicated secretariat will be set up at the Board of Investment to specifically handle BPO projects. A strategic study on developing Mauritius as a BPO destination has been commissioned and will be completed shortly. GOM may also seek USG support encouraging big U.S. corporations to use Mauritius for their BPO needs.

16. (U) Also, a number of companies have already shown interest in setting up call centers in Mauritius including GE Capital based in India. A few Indian firms, including world-renown Infosys, have firm plans to build Disaster Recovery Centers in Mauritius. PM Jugnauth and his delegation will be looking for help attracting U.S. companies in these areas.

17. (SBU) The GOM realizes that the success of its efforts to build an ICT industry will depend on its ability to create a critical mass of ICT skills in-country. While the GOM recognizes the contribution of local institutions, it believes the presence in the country of world-class technology institutes will be a major asset. PM Jugnauth and

his Government have thus initiated consultations with potential institutes for the setting up of a training campus in Mauritius. They may ask for U.S. training institutions to come to Mauritius.

### THE GOM AGENDA



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19. (SBU) AGOA: PM Jugnauth will express his appreciation for the confidence President Bush and the Administration showed in his government by agreeing to co-host the AGOA Forum in Mauritius earlier in January of this year. Although disappointed that neither President Bush nor Secretary Powell attended the Forum, the GOM was nonetheless proud of its resounding success. The AGOA Forum was an unprecedented success because of its smooth organization, high attendance

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by American and African businesses and the quantity and caliber of the discussion sessions -- both public and private sector. Much of the success of the AGOA Forum is attributable to the long hours the GOM spent planning the event with USG counterparts. PM Jugnauth believes that President Bush promised to visit Mauritius. He will probably remind him of that "promise" and extend an invitation to the President to stop in Mauritius during the President's July trip to Africa.

20. (SBU) It is the "next step" of AGOA that is of concern to PM Jugnauth. Current USG consideration of extending benefits under AGOA coincide with discussions at the WTO on non-agricultural tariff reductions (Multi-Fiber Agreement) and Jugnauth is likely to make his pitch to the President in that light. Although an advocate of free trade and competition, the GOM also believes that small island states must have protections in order to be able to compete in a global market. Jugnauth will tell the President that Mauritius does not have the capacity to produce competitively with countries such as China, India, Pakistan or Vietnam which will have greater access to the U.S. market if the Multi-Fiber Agreement establishing quotas on exports from those countries is eliminated. Mauritius' economy has so far been buffeted by its success with the AGOA legislation. If countries with cheaper labor forces are able to mass produce for the U.S. market, as they presumably will be once the MFA is eliminated, many foreign textile manufacturers currently in Mauritius will relocate to lower-cost countries, and Mauritius will lose dramatically. Large-scale manufacturers will pull out and the local unemployment rate will soar. Mauritius has no specialized international market and no sizable domestic market for its production. PM Jugnauth will tell the President that Mauritius needs special trade measures put in place to enable it to compete against bigger, stronger states. Jugnauth will argue for "more time to adapt" to the demands and challenges of a global market.

21. (SBU) PM Jugnauth can also be expected to urge the President to allow Mauritius to be treated as an LDC until its vertical integration strategy for textile production has begun to take hold. If granted LDC status, Mauritius will be exempted from the requirement of using only African- or U.S.-origin materials on textiles exported to the U.S. under AGOA. Although "technically" Mauritius is not an LDC because of its high GNP, Jugnauth will argue that Mauritius' economy is highly fragile and that it should receive the same special dispensation granted to Botswana and Namibia despite the high revenue those two countries receive from diamond and mineral sales.

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2. (SBU) Current discussions about extending the benefits of the AGOA legislation are of special interest to the GOM. The GOM wants the term of the AGOA legislation to be extended -- so long as Mauritius, too, can be a beneficiary of the legislation. Ironically, despite Mauritius having been a

major contributor to the original drafting of the AGOA legislation and of having worked tirelessly to convince African states to accept the initiative, Mauritius may soon be the only sub-Saharan country to be excluded from the full range of AGOA's intended benefits. The GOM has advocated extending the AGOA legislation to benefit African countries longer. The GOM believes however, that Mauritius' competitiveness will be undermined by LDC African states benefiting from AGOA on the one hand, and by China, Pakistan, Vietnam and others unleashed to compete against it through the elimination of textile quotas on the other. PM Jugnauth will urge President Bush to support a special "facility" or other protective measures for Mauritius to remain commercially viable in the textile field.

23. (SBU) FTA: Failing LDC status, Jugnauth may advocate in favor of signing a bilateral Free Trade Agreement (FTA) or may ask for USG support for Mauritius being included in the Southern African Customs Union (SACU) FTA recently negotiated in South Africa.

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25. (SBU) TERRORISM: Jugnauth will reaffirm his appreciation of the tough fight the USG has waged against terrorism and the GOM's commitment to support us in that fight. The GOM has been unconditional in its support for the GWOT. At the same time Jugnauth has expressed his belief that much of the problem in the Middle East region stems from the unresolved

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situation between Israel and the Palestinian Authority. He will most likely praise the bold step the Administration has taken in the latest "Middle East Road Map." Jugnauth's Administration has worked closely with the Embassy in Port Louis on American citizen security concerns and on border control issues. The GOM receives military assistance and some anti-terrorism related training from the USG. Jugnauth may ask for strengthened assistance. In that vein and related to the economic issues he will raise, Jugnauth may take this opportunity to ask for USG support to obtain sophisticated Customs X-ray container scanning equipment for the sea and air ports. An initial tender for such equipment was rescinded upon discovering that the specifications were insufficient. The GOM wants US-made equipment but is having difficulty raising the money to buy it.

26. (C) NEPAD & CONFLICT IN AFRICA:

[REDACTED]

[REDACTED] FM Gayan will accompany PM Jugnauth to Washington and will most likely attend the meeting with President Bush. If Gayan is there, he will have at least one issue from his portfolio and it will concern USG support for the New Economic Plan for the Development of Africa (NEPAD).

[REDACTED]

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[REDACTED] FM Gayan has requested appointments with Washington officials who cover NEPAD and conflict in Africa. He would like to encourage the USG to take an even bigger role in resolving the ongoing crises in

Africa.

USG AGENDA

27. (U) THANKS FOR THE MEMORIES: Jugnauth has been a trustworthy and responsible friend to the USG. The President's meeting with him sends a clear message of USG appreciation of that friendship. The President can also express USG appreciation for:

-- Mauritian Support in the Global War on Terrorism;

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-- Entering into an ICC Article 98 Agreement relating to the non-surrender of US nationals to the International Criminal Court, which will be signed during Jugnauth's visit to Washington;

-- Support from Mauritius on critical issues at the UN and WTO;

-- Admirably Co-hosting the AGOA Forum;

-- Excellent and successful cooperation on the extradition of a [ ] fugitive of U.S. law [ ] wanted on several counts of mail and securities investment fraud; and

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-- The mediating role Mauritius plays in the Indian Ocean region, especially with Comoros and formerly with Madagascar.

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29. (SBU) TRADE: PM Jugnauth and his Trade Minister Jayen Cuttaree make compelling arguments for special treatment for Mauritius, especially in regard to the non-agricultural tariff elimination issues. They will both discuss this same issue with USTR Ambassador Zoellick. We understand that both WTO Ambassador Deily and USTR Ambassador Zoellick are sympathetic to the Mauritian situation. Embassy defers to their view on how to address the question of the non-agricultural tariffs and special status for Mauritius.

30. (C) IPR: Closer to home, we do have trade and investment concerns. The President should urge PM Jugnauth and the GOM to take a more aggressive stand against violation of Intellectual Property Rights (IPR). To his credit, Jugnauth's administration drafted and adopted tough IPR legislation in 2002. Unfortunately, enforcement is weak.

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American companies such as Ralph Lauren, Nike, and Oakley have been discouraged from investing in Mauritius because their products are not protected adequately against counterfeiters. To gain stronger USG support on trade issues, especially in textiles, Mauritius must show that it is willing to crack down on illegal merchandisers.

31.(U) HAGUE CONVENTION: There are two cases of American child abductions pending in the courts in Mauritius. The cases initially were very sluggishly handled because the GOM had no central office to implement Hague Convention cases. An office was recently established but poorly staffed. Just within the last three months has the office seen stability. The American fathers of the children in question deserve to have their day in court. The President should let Jugnauth know that these cases are taken seriously by the USG and that we are watching closely to see whether the law will be

applied fairly and without prejudice to the fathers.

WILLIAMS

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