DEVELOPMENTAL LEADERSHIP PROGRAM

DLP

Policy and Practice for Developmental Leaders, Elites and Coalitions

Research Paper 04

# Coalitions, Capitalists and Credibility:
## Overcoming the crisis of confidence at independence in Mauritius

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# Executive Summary

Few countries in the developing world have solved the puzzle of governing for broad-based prosperity. The Indian Ocean island nation of Mauritius is an exception. An isolated plantation economy at the end of the colonial period, dependent on the export of sugar, with a deeply divided, multi-ethnic population that had just experienced violent urban riots, Mauritius was transformed between 1968 and 1988. On multiple measures – growth, stable democracy, social welfare, equity – Mauritius has earned its status as a development "superstar".

A skillful mix of policies encouraged global competition in some areas (tourism, export manufacturing) while taking full advantage of trade preferences in others (sugar). Leaders were accountable for performance to domestic constituents, but kept their eyes on the outside world, experimenting, learning, adapting. They respected and strengthened key governance institutions: skilled bureaucracy, an independent judiciary, a free press, an inclusive electoral system. Most importantly, an elected leader, avowedly socialist, was able to convince the business community of his government's credible commitment to their prosperity, and to wrest from them the understanding that their prosperity would have to be shared in order to underwrite the social stability of the country. Social democracy would be combined with managed capitalism. Using a process-tracing methodology, this paper examines how, at the critical juncture of independence, this commitment was forged, and how it was sustained through being embedded into formal and informal institutions

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Violent and divisive elections in 1967 launched Mauritius into independence, but the coalition for development took shape through a painstakingly negotiated government of national unity. This brought the party of the economic elite into a coalition government headed by the socialist Labour Party, a firm sign of the latter's commitment to market-based development. The national unity government provided the framework for decisions in three key policy arenas: upscale tourism; protected sugar exports into Europe; and export processing zones (EPZs). Trust between the public and private sectors was built through three principle means. First, key public and private sector leaders used symbolic, public gestures as *signals of commitment* to cooperation, thereby shifting societal perceptions and easing a potentially dangerous ethnic polarization. Second, the business class organized itself into a unified, cross-ethic constituency, with *a peak association* that could negotiate, and speak with a single voice. Third, government leaders and the private sector fostered dense *clusters of consultation*: regular formal and informal arenas for government-business interaction.

Why did Mauritians have the desire and ability to unify? The paper argues that four factors explain this exceptionalism. (1) **Education**: The leaders who negotiated these new relationships were exceptionally well-educated. Many were graduates of the main island's competitive, elite government secondary school, Royal College. At least half of the national unity cabinet of 21 people had earned university degrees in London. (2) **Societal support**: A free media, new civic associations, and even the Catholic Church gave repeated and vocal societal support. (3) **Transnational networks**: These provided the ideas (Fabian socialism, export processing zones) and resources that created a concrete hope for the future.

Finally, (4) **Systemic vulnerability** (that is, absence of resources or geopolitical patrons; a price-volatile monocrop; hurricanes and droughts): This fostered a sober realization that the country needed to unify, or sink.

# 1

# Introduction

The Indian Ocean nation of Mauritius is widely believed to be a development success story. An isolated plantation economy at the end of the colonial period, dependent on the export of sugar, with a deeply divided, multi-ethnic population, Mauritius was transformed in the first two decades after independence. Its development strategy marries relatively high employment, export-led manufacturing, tourism, cyber-industries, and financial services with a broad base of social benefits. The country scores particularly well on cross-national measures of good policies and institutional quality, business climate and the protection of civil and political rights. Its institutions are rated as some of the most favorable in the developing world. Its state is relatively effective and responsive. On multiple measures – growth, stable democracy, social welfare, equity – Mauritius has earned its status as a development "superstar" (Mukand and Rodrik 2005: 376).

These features of the Mauritian political economy are increasingly well-known, and many credit the country's "good" institutions for its development success (Brautigam 1997; Brautigam, Rakner and Taylor 2002; Subramanian and Roy 2003; Sandbrook, Edelman, Heller and Teichman, 2007). The evidence is robust that Mauritius does have relatively good institutions (See Table 1 below). That institutions structure much economic and political activity is, likewise, not in question. But it is much less clear how good institutions come into being, and, in particular, what the political processes are which give rise to good institutions.

**Table 1 - Governance Indicators: Top Ten Developing Countries (average 1996-2006) (Percentile)**

| Countries | Voice and Accountability | Political Stability | Government Effectiveness | Regulatory Quality | Rule of Law | Control of Corruption | Average |
|---|---|---|---|---|---|---|---|
| Chile | 77 | 68 | 86 | 92 | 86 | 89 | 83 |
| Botswana | 70 | 78 | 73 | 71 | 68 | 77 | 73 |
| Costa Rica | 80 | 78 | 67 | 69 | 67 | 75 | 73 |
| **Mauritius** | **75** | **76** | **71** | **65** | **76** | **68** | **72** |
| Uruguay | 77 | 70 | 70 | 68 | 65 | 77 | 71 |
| Poland | 79 | 61 | 71 | 72 | 65 | 66 | 69 |
| South Korea | 68 | 56 | 79 | 71 | 72 | 65 | 69 |
| Malaysia | 38 | 57 | 79 | 68 | 65 | 66 | 62 |
| South Africa | 70 | 35 | 75 | 64 | 58 | 70 | 62 |
| Trinidad & Tobago | 67 | 48 | 65 | 73 | 57 | 61 | 62 |

Note: Table includes only countries with populations greater than 1 million.

Source: World Bank Governance Research Indicators Database: Average Scores, 1996-2007

Learning more about the political processes behind institutions should be of interest not only to political scientists, but to the field of development writ broadly. One of the sad realities of good institutions is that many of them have been transferred or introduced from environments where they worked well, to those in which they worked poorly, or were quickly abandoned. For example, many developing countries were bequeathed carefully negotiated electoral systems and political parties at independence, but jettisoned them shortly afterward for presidential rule and single party systems. Export processing zones worked well in East Asia, and were tried in many parts of Africa, but succeeded only in Mauritius. Today, many countries have good institutions on the books – independent judiciaries, autonomous central banks, multi–party systems, elected parliaments with the constitutional right to scrutinize borrowing and expenditure, for example – but far fewer have political elites who agree to be bound by those rules.

Institutions are not physical entities that arise and operate independently of society. They are shaped by agents: by the elites or key stakeholders who agree to work within their confines, or to enforce the constraints they represent. The process is called state-*building* for a reason: people build states, and maintain them. State-building is not simply a technical process, but one deeply influenced by leaders who can rise above their immediate interests and chart a developmental pathway (Leftwich and Hogg 2007). Our questions then become:

- What explains the emergence of effective, developmental leadership in some countries?
- How do leaders form broad, cross-societal coalitions to solve specific development challenges?
- How do they solve the difficult collective action problems involved in balancing between accumulation and redistribution, protection and competition?
- How can the international community best encourage these processes?

One way to understand leadership and coalitions is to look for the incentives and opportunities that structure choices for a nation's political leaders. The international community's use of foreign aid conditionality is designed to help create these incentives and opportunities. Yet the very widespread use of conditionality in Africa's weak states over the past several decades seems not to have fostered more effective developmental leadership, calling into question the utility of conditionality as an incentive. Another way to view these processes is through a focus on leadership itself: the ability of individuals to mobilize others to cooperate in achieving goals. A focus on leadership can emphasize the *qualities* of individual leaders, as the so-called "great man" approaches to history do, or it can highlight the process of leading: the actions, choices, bargains, negotiations, and general political entrepreneurship (Leftwich and Hogg 2007). It may be that both are important.

Today, Mauritians looking back believe that they were blessed with good leaders as they started down the path toward prosperity. "At the dawn of independence," a 2004 newspaper editorial remarked, "Mauritius was fortunate to have remarkable men at the helm" (Boullé 2004). They are surely right in this assessment, yet this focus on the qualities of leaders runs the risk of neglecting the context, in which they worked, the political processes through which they resolved collective action problems, and the formal and informal norms that shaped their leadership. It also fails to explain how remarkable men (and they were all men) in Mauritius came together in joint efforts to overcome challenges in ways that led to prosperity, while other remarkable men (Tanzanian president Julius Nyerere, or Zambian president Kenneth Kaunda, for example) did not.

Leaders are important. However, the decision to retain, transform or discard colonial institutions is rarely the autonomous choice of a single strong leader. Rather, it involves a process of bargaining, negotiation, and the formation of alliances within the state and between the state and societal actors.

Leaders forge coalitions; they do this in part through the ideas that motivate them and their followers. In this sense, those who emphasize extraordinary leaders are right to turn attention to the choices and the statecraft of key actors. Yet the kinds of coalitions that leaders forge are a function of a preexisting set of stakeholders, the resources those groups can bring, their personal characteristics, and their interests. These coalitions, at critical junctures, determined the political purposes for which institutions were designed, while over time, other coalitions determined their fate. Both the initial coalitions, and those subsequently formed, are important for understanding institutional sustainability and evolution. As Kathleen Thelen (1999: 400) has pointed out, we need to "link the origin of institutions to the material and ideological coalitions on which institutions are founded."

This paper starts from the premise that in order to understand the role of leadership and coalitions in a development success story, we need to look back historically at the point at which the country embarked on the path that ultimately transformed it. Mauritius has been managing the pressures of globalization fairly successfully for several decades, but the foundation of this success was laid early, at the critical juncture of independence. In five short years after independence, economic and political elites resolved enormous challenges, in a concerted effort that reached across the social, economic, and political spectrum. Most importantly, an elected leader, avowedly socialist, was able to convince the business community of his government's commitment to their prosperity, and to wrest from them the understanding that their prosperity would have to be shared in order to underwrite the social stability of the country. In return, the government provided unusual access to business, through regular formal consultations, as well as joint overseas missions to solicit foreign loans, and even to negotiate trade benefits for the country in international treaties such as the Lomé Convention's Sugar Protocol.[1] Never written down, this pact has nonetheless governed state-business interactions through the turbulent decades of Africa's economic crisis of the 1970s and 1980s, and into the repeated challenges of globalization before and after the millennium.

This was *not* expected to happen. As Adele Smith Simmons remarked in her 1982 study of the politics of decolonization in Mauritius, "the economic chaos that was expected to follow independence did not materialize" (Simmons 1982:190). The formation of a broad-based coalition grouping business, government, and political leaders took place at a moment of high urgency. The business class, dominated by ethnic minorities, believed that the election of a Hindu majority-dominated, socialist government posed a grave threat to their interests.

The new government needed to establish a compromise with the business class that would stop capital hemorrhaging from the country. At the same time, they had to create desperately needed employment and begin to meet societal demands for a better standard of living.

The key challenge for socialist political leaders and their allies in the business sector in Mauritius at this juncture was to create enough confidence among *domestic* and foreign investors for an increase in employment-creating investment. We argue that they created this credibility in three major ways. First, both public and private sector leaders used symbolic, public gestures as *signals of commitment* to cooperation, thereby shifting societal perceptions and easing a potentially dangerous ethnic polarization. Second, the business class organized itself into a unified, cross-ethic constituency, with *a peak association* that could speak with a single voice on critical issues. Third, government leaders and the private sector fostered dense *clusters of consultation*: regular, public, joint, formal and informal arenas for business-government interaction.

1 As an example of this understanding, see « Pour combattre le chômage : Le secteur privé disposé à aider mais réclame une participation au plan de développement national, » L'Express, Novembre 27, 1970 : «Le secteur privé (ce qu'on appelle communément la place d'Armes) s'est dit d'accord en principe pour augmenter de 10% les emplois dans les différents secteurs économiques dans le cadre d'un plan à court ou à moyen terme.»

The problem Mauritius faced was not unknown in the rest of Africa, but other socialist governments made different decisions. Kenya created a one party state. Tanzania nationalized its minority business industries. Uganda drove them out of the country. Countries like Ghana and Sierra Leone, which also inherited "good institutions" from their British colonial experience, went down the path of instability, authoritarianism, attacks on property that frightened off investment, and even civil war. Analysis of the Mauritius puzzle of exceptionalism can inform our understanding of other similarly situated countries, particularly those where ethnic minorities dominate the business class, while ethnic majorities hold political power.

# 2

# Organization and Methods

The paper begins with a narrative of the politics behind the construction of a broad-based, centrist coalition just after the critical juncture of independence. Critical junctures are key historical moments when changes might actually move a country from one path to another (Collier and Collier 1991; Huber and Stephens 2001). Frequently at critical junctures, political leaders put together coalitions that attempt to resolve collective action, information, coordination, and credibility problems. At these particular moments of crisis, the choices of leaders are weighted more heavily. One thinks, for example, of the choices facing South Africa and Nelson Mandela in the period leading up to the transition of 1994.

At independence, as the editorial referenced above proclaimed, "the joint efforts of business and politicians allowed Mauritius to gain advantages that were critically important for the country's prosperity" (Boullé 2004). The editorial called these joint efforts "le grand bond" or, in other words, a development coalition. In Mauritius, the post-independence coalition was deliberately put in place by a socialist leader, who knew he was feared by the business class, in order to create a credible commitment to capitalism and to heal a country that had recently gone through a divisive founding election, and social and political upheaval. It was symbolized by the national unity government that brought the opposition into the governing coalition between 1969 and 1973. During that time, leaders in Mauritius put in place the foundation for their post-independence growth. They established the export processing zone and embarked on the first steps of a high-end tourism strategy that successfully diversified the economy. Business leaders built an unusual peak association for the business class, and initiated regular consultations and meetings with political and government leaders. They solidified their commitment to their social welfare state, with its unusual guarantee of a universal old age pension. And they reshaped transnational business networks first built in the colonial period by bringing in a new partner: the government.

After providing a narrative of the events that we need to explain, the paper turns to the developmental results of the initial coalition, linking the politics of the national unity government to the origins of the three critical post-independence pillars of the economy: upscale tourism, export processing zones, and entry into Europe's protected markets for Mauritian sugar. The following section provides more detail on how these pillars were built, showing the three key elements (public-private signaling; a peak association that organized the business class across the ethnic groups and sectors; and multiple formal and informal arenas for consultation) that built confidence and allowed for the three pillars to be constructed. Finally the paper turns to an analysis of the underlying factors: why did leaders in government and the business sector decide to cooperate? How were they able to make it work so successfully? This analysis suggests that four variables made a critical difference: (1) leaders' educational capacity and education-based networks; (2) vocal societal support for national unity and compromise (media, associations, church); (3) transnational networks for ideas and resources; and (4) systemic vulnerability. The final section reviews the implications of this case study for the international community.

This paper is part of a larger project on the roots of the Mauritian development success. It uses a process-tracing methodology to work out the details of how this "grand bond" was constructed, and why it endured. This involved three steps: (1) review of memoirs, biographies, and obituaries of the key stakeholders of the time, and other secondary materials focused on the time of independence; (2) review of archival materials: parliamentary debates over the key institutional changes, four years of newspaper reports for the transitional period, the Mauritius files in the Public Records Office in London, and the World Bank's Mauritius project archives; (3) interviews with knowledgeable informants and remaining stakeholders.

# 3

# The Context

Mauritius did not sail smoothly into its status as an "economic miracle" with a pro-poor foundation. The period of independence was fraught with perceived peril, and the population was divided even over the issue of becoming independent, with a large percentage preferring some kind of continued association with Great Britain along the lines of the nearby French island of Réunion. Some even pressed for association with France, referring back to the early history of French colonialism shared by Mauritius and Réunion, until the British captured Mauritius during the Napoleonic Wars, in 1810. The Mauritius Labour Party, headed by a 67 year old, London-educated physician, Dr. Seewoosagur Ramgoolam, won the elections of August 1967 with 56 percent of the vote, in an electoral alliance with two smaller, ethnic parties (Muslim and Hindu). The victory of the "Independence Alliance" in a bitterly fought election sealed the decision that the British would leave. The population was then about 52 percent Hindu, 17 percent Muslim, 3 percent Chinese, and 28 percent Afro-Mauritian (Creole). Less than 1 percent were of European origin. The Mauritius Labour Party included all ethnicities, but was perceived by many as being a vehicle for Hindus. The closeness of the vote showed that nearly half of the country was fearful of the future and rule by the Mauritius Labour Party without the restraining influence of the British. Independence was scheduled for March 12, 1968.

In January 1968, deadly ethnic riots between urban Muslims and Creoles left 29 dead, with 2473 arrests, 597 houses burnt, and 700 displaced families. The government imposed a state of emergency and brought in British troops (Mauritians had decided late in the colonial period to forgo have a standing army. As Dr. Ramgoolam once explained: armies in Africa seemed to serve the purpose of overthrowing governments and thus he saw little reason for Mauritius to have one). The bitter election campaign, and a vibrant, free, and sometimes vituperative press, had compounded the minority's fears of governance by a Hindu majority. As Rico du Mée, a prominent Franco-Mauritian entrepreneur and former director of the Mauritius Employers Federation, later recalled: "The evening of the vote of '67, Gaëtan Duval [the leader of the anti-independence alliance] cried. Me, I was afraid. I wondered who would be there to help the Mauritians."[2]

The effect of this divisive period on the economy and on the government bureaucracy was disastrous. Those with economic means emigrated in droves: between 1963 and 1968, net emigration rose *seven fold*.[3] A former government minister, André Nairac, traveled to Brazil to investigate the possibility of establishing a Mauritian colony there.[4] The bureaucracy lost many of its experienced, high-level Creole and Franco-Mauritian officials. Capital moved offshore: during 1964 and 1965, the country experi-

2 « L'invité - Rico Du Mée, Entrepreneur : « Notre Atout, C'est le Mauricien,' » L'Express, March 9, 2008.

3 World Bank, "Current Economic Condition and Prospects of Mauritius," Eastern Africa Department, Washington, DC, February 10, 1971. The deprivations caused by World War II, and the presence of malaria until the 1950s eradication campaign, meant that the quality of life in Mauritius was low. Infant mortality was 188/1000 in 1945 (although it improved to 70/1000 by the end of the colonial period, 1969). Between 1942 and 1946, life expectancy was 33 for males, and 34 for females (no page).

4 Interview, Philippe Hein, Port Louis, October 22, 2008.

enced an annual net capital outflow of about Rs 21 million (US$ 4.4 million).[5] New capital investment in manufacturing fell precipitously, from an average of about Rs 25 million (US$ 5.25 million) per year between 1960 and 1964 to about Rs 14 million (US$ 2.94 million) between 1965 and 1968 (World Bank 1971). The polarization of opinion was such that many in Mauritius believed this private sector response to be a deliberate sabotage of the economy. As one observer described it: "the sugar barons … stopped investing, banks refused loans, overdrafts, and credits to small businesses and home owners" (Mannick 1989: 22).

The internal assessments of the risks facing the country were compounded by external ones. Mauritians were very aware that Cambridge economist (and later Nobel laureate) James Meade had used Mauritius as a grim example of Malthusian population dynamics in articles published in 1961 and 1967 (Meade 1961: 521-534). An internal World Bank memo commented that a report written by Bank staff after a mission to Mauritius in May 1967 drew "a rather gloomy picture about the development prospects in Mauritius," as it described the "intractable nature of Mauritius' economic problems".[6] Per capita, national

income at independence was a mere $190. A staff member of the World Bank concluded with resignation: "the African Department [of the Bank] will just have to shoulder the burden of taking care of Mauritius."[7]

As the country moved through this critical juncture, two factors caused this crisis of confidence to turn around: the visible rapprochement with the private sector, and the enthusiastic commitment of the government to an employment-intensive development strategy encompassing sugar, tourism, and export manufacturing. Who were the actors who orchestrated what became a development coalition? How did they find, and maintain, common ground? Why did they choose this path, instead of nationalization or authoritarianism (as in much of the developing world at that time)? We begin to find answers to these questions when we consider the process undertaken between 1967 and1969 to form a grand coalition, a national unity government, that lasted for nearly four years.

5 In 1966, the colonial government imposed a special "stamp duty" on outward capital transfers. This was gradually increased to 35.7% by mid-1969. World Bank, "Prospects of Mauritius," p. 39. Exchange rates were fixed at Rupee 1.00 = US$0.21 until November 1967, and Rupee 1.00 = US$0.18 after November 1967.

6 Memo, M. A. Burney to Rezaul H. Khandker, "Mauritius: Prime Minister's Visit to the Bank," April 30, 1968,MAUR-Gen-Negos II, General, WB IBRD/IDA 01, Country Operational Files, Mauritius, hereafter WB IBRD/IDA 01 MAU. This memo also noted that the policies suggested by the World Bank in the report were directly opposed to "the political interests and policies of the ruling party."

7 Memo, J. Burke Knapp to A. G. El Emary, "U.K. □□□ Mauritius," October 23, 1967, WB IBRD/IDA 01 MAU.

# 4

# Forging *Le Grand Bond:* The National Unity Government

The coalition of parties that won the independence election in Mauritius could be described as a democratic alliance of rural workers and small planters (predominantly Hindu), some parts of the educated middle class, but with important support from some sectors of all the other ethnic groups. The government clearly leaned to the left. In a very short time, however, Prime Minister Seewoosagur Ramgoolam initiated negotiations for a grand alliance, a national unity government that brought the opposition (and its urban Creole and capitalist business supporters) into the government. As a World Bank official reported at the time:

> The Government and especially the Prime Minister have to spend a lot of time and effort in maintaining good relations between various ethnic groups. This, they claim, is very demanding and the Government does not have the time or the energy to concentrate on long-term problems. A coalition government which will have the support of about 80% of the Parliament is likely to be firm and should be able to take the necessary but unpopular decisions (dealing with trade unions, welfare expenditures, family planning, etc.).[8]

It was this broad but somewhat authoritarian coalition that laid the groundwork for the industrial boom and the move into upscale tourism that would successfully diversify the economy, and set the stage for the successful negotiations over the Lomé Convention Sugar Protocol, discussed below. The coalition had four goals: to show that Mauritius was not a purely Hindu country and thus stem the tide of non-Hindu emigration; to ensure political stability; to build the confidence and encourage economic cooperation of the "sugar barons" who also controlled the Mauritius Commercial Bank (at the time, the country's main source of private finance); and to encourage foreign investment with the hope that this would generate employment.

## A. The Key Players

The key players in the negotiations over the coalition were the Prime Minister, Seewoosagur Ramgoolam, and Gaëtan Duval, head of the Parti Mauricien Social-Democrate (PMSD). Ramgoolam was a British-educated physician by training, a member of the Fabian Society (a group of democratic socialist intellectuals that also included the founders of the London School of Economics, and the playwright George Bernard Shaw), and a man of calm temperament. First appointed to the legislative council by the British in 1940, Ramgoolam remained in the legislature through several rounds of elections after the franchise was broadened in 1948 to encompass many more low-income (mainly Hindu) voters. This gave him almost 30 years of governing experience. The charismatic Gaëtan Duval was a flamboyant, Afro-Mauritian (or Creole) barrister, 37 years old at independence, who was also educated in London but had ties to France. A man with an enthusiastic following among the Creole urban masses, Duval

8 Memo, M. A. Burney, to Mr. A. G. El Emary, "Visit to Mauritius – November 11□17, 1969," December 1, 1969, WB IBRD/IDA 01 MAU.

was popularly known as "King Creole." Both leaders had been educated at the meritocratic Royal College of Curepipe, the colony's competitive, preeminent, government-run secondary school.

The Mauritius Labour Party was established in the 1930s by progressive Creole politicians, who modeled it after the British Labour Party. Over time, it grew to be dominated numerically by Hindu politicians. The *Parti Mauricien* was originally established in a period of restricted franchise to represent the interests of the tiny white minority of Franco-Mauritian economic elites and their allies among wealthier mixed-race Mauritians and some Chinese. As the franchise broadened, demographic realities brought forward an Afro-Mauritian (Creole) leader, Gaëtan Duval. Duval attempted to attract cross-class support into the party, changing its name (if not its ideology) to *Parti Mauricien Social-Democrate* (PMSD) and establishing a short-lived affiliated federation of trade unions (the Mauritian Trade Union Congress) to bolster his working class credentials.[9] The party continued to be bankrolled by the economic elite. The choice of a new name could be seen as a cynical ploy, but given Duval's background and populist ties to the urban working class, it could also be seen as an effort to signal a significant shift toward inclusion and rapprochement.

Perhaps the first person to publicly broach the idea of a national unity government in 1967 was a young Franco-Mauritian, Paul Bérenger, a twenty-two year old student, who would go on to co-found an important political party, the *Mouvement Militant Mauricien*. Decades later, Bérenger himself would become prime minister in Mauritius. Two days before the August 7, 1967 election, Bérenger wrote a front page article, "Aprés les Élections," in *L'Express*, one of the colony's major newspapers. Bérenger said that for him, it did not matter which party won the election, as long as they ruled with justice, but that a coalition government would be important for healing the wounds opened up by the election campaign and moving forward. He quoted the economist Arthur Lewis:

> The idea that democracy is effectively only when there are two parties, one in the government and the other in the opposition, is an Anglo-Saxon myth … the plural society goes back to the primary meaning of democracy, according to which all those who are affected by a decision should have a chance to participate in making thatdecision. IT IS OBVIOUS THAT THE COALITION SYSTEM IS WHAT THE PLURAL SOCIETY REQUIRES [emphasis not in the original but in Bérenger's article].

Bérenger continued by emphasizing the overriding importance of establishing confidence after the election: "for this it is necessary to have a coalition government… Enormous responsibilities are resting on the shoulders of our leaders. We await their decisions about the future of the country" (Bérenger 1967a).[10]

Several days later, after the victory of the Mauritius Labour Party alliance, Bérenger wrote another article urging a coalition government. This time he emphasized the ongoing negotiations over the entry of Britain into the European Economic Community. It would be necessary for the new government to safeguard the close ties with Great Britain, the Common Market, and especially, France. In a coalition government, who better to take on this vital task than Gaëtan Duval, the leader of the PMSD, a man with close connections to both France and England (Bérenger 1967b). However, Bérenger's prescient recommendation took some time to work out.

## B. Negotiating the National Unity Government

The Labour Party won the August 1967 elections in an alliance with the *Comité d'Action Musulman* (CAM, a Muslim party) and an outspokenly Hindu party, the Independence Forward Block (IFB). The

9 In the mid-1960s, when the Mauritian Labour Party was admitted to membership in the Socialist International, the PMSD also applied for membership. The General Secretary traveled to Mauritius in 1966 to investigate the PMSD and reported back that it clearly "had no place in the Socialist International." Socialist International Information 1969: 111.

10 Translations here and elsewhere by Deborah Brautigam and Tania Diolle.

election was widely viewed as a referendum on the question of independence, and they named their group the Independence Alliance. The PMSD was able to rally multi-ethnic support from all those who feared the departure of the British, but the Independence Alliance won 55 percent of the vote, and 39 out of 62 elected seats, against the PMSD's 23 seats and 43 percent of the vote. However, the coalition government was an unstable alliance from the first, and it was unable to reassure the PMSD supporters of its intention to respect their property rights and foster investment. Ramgoolam saw that a government of national unity could do this, and he commenced negotiations with Duval. They would negotiate over a period of nearly two years. The national unity government would be established ultimately only on the 2nd of December 1969 after the Constitution had been amended, giving the new national unity government a supplemental mandate that effectively postponed elections until 1976, and enlarging the size of the cabinet of ministers.[11]

The press first announced that a national unity government was under discussion in June 1968, although some report that Ramgoolam and Duval had discussed a possible government of national unity even before the election (Seldon 2005: 442-3).[12] The PMSD was deeply divided over the issue. In February 1969, when the Labour Party and the PMSD formed an electoral alliance for the March 30 municipal elections, three PMSD parliamentarians resigned from their party.[13]

However, other PMSD supporters in the economic elite worked with Ramgoolam and Duval to urge them to form a government of national unity. Franco-Mauritian business leaders Claude Noël and André Nairac "understood immediately that if the struggle between the PMSD and the Labour Party continued, Mauritius would become bankrupt."[14] Claude Noël, a Franco-Mauritian who rose from modest origins to become managing director of a group of sugar estates, president of the Chamber of Agriculture, and a prominent private sector leader, was particularly trusted by Ramgoolam. He acted as a key go-between for the negotiations between Ramgoolam and Duval, and conveyed the strong desire of the private sector that the coalition government succeed.

Ramgoolam also needed to shore up support in his own party for the rapprochement with the capitalists who dominated the economy. The Labour Party was comprised of people who had declared themselves to be socialists. Consider the comments of one of his most trusted colleagues, Satcam Boolell, Minister of Agriculture, who told a reporter that he supported the coalition government, but under one condition:

> I am a socialist, and for me, the class struggle continues: capitalists against workers. … However, for me as for others, the overriding interest of the country comes first. That interest today is to eliminate unemployment, hunger, destitution. My condition is that the large sugar employers, the groups of the Mauritius Sugar Producers Association, give a formal guarantee that they will employ the unemployed, those who have been laid off since the introduction of the wage councils, and that they will start up other projects. I will support the coalition if it leads to work for everyone.[15]

Although this guarantee was in fact never made formal, the understanding was clear: the national unity government would provide the stability and credibility sought by the private sector and support their efforts to gain entry into protected sugar markets in Europe. The private sector would invest, creating desperately needed employment, and they would pay the sugar export taxes that would allow the Labour Government to finance its social programs.

11 Government of Mauritius, Legislative Assembly, Act No. 39 of 1969.
12 Interview, Paul Bérenger, Port Louis, January 20, 2009.
13 « Scission profonde au sein du PMSD, » L'Express, February 24, 1969.
14 Interview, Ivan Martial, Port Louis, June 26, 2008.
15 « Déclaration capitale au sujet de la coalition: Boolell prend position," L'Express, 20 May 1969.

## C. The Role of Outside Brokers

External actors also urged a government of national unity on Ramgoolam and Duval, a role they had played in an earlier, short-lived, all-party coalition government formed in 1964. During the last years of the colonial period, the British government had strongly encouraged a government of national unity. The parliamentary elections of 1963 showed the difficulty any single party faced in winning power alone. In 1963, the Mauritius Labour Party won 19 seats (out of 40), but allied with the Comité d'Action Musulman and its four seats, they were able to form a majority against an array of other parties, including the Parti Mauricien (which later became the PMSD).

Mauritians were aware that during World War II, British prime minister Winston Churchill had formed an all-party government of national unity with strong links to business and labor, the better to mobilize for the war effort. Britain's example showed that a national unity government could be a way for a country to come together to meet a credible threat. Nevertheless, when the British government urged Ramgoolam and the CAM to allow the opposition to join them in a government of national unity after the 1963 elections, they initially refused.

Over the next months, supporters of the Parti Mauricien rallied, sometimes violently, against independence, and conditions deteriorated in the colony. The British continued to urge a national unity government, using it as a condition before granting self-government to the colony. They pressed the point during a series of consultations and meetings in London to design a new constitution. The major sticking points turned out to be the allocation of cabinet seats, not any particular policy issues. With British encouragement, this was finally negotiated. On March 12, 1964, Mauritians learned in a dispatch from London that the colony had been given full internal self-government, and that all the parties would join the government in a power-sharing cabinet.

In a similar fashion, the post-independence coalition was also encouraged by external actors. Michel Debré, the French foreign minister, a parliamentarian elected to represent Réunion, a neighboring island visible from the mountains of Mauritius on a clear day, and still a part of France, helped broker the coalition. Debré visited Mauritius for a six hour stop-over in March 1969, and at a joint MLP-PMSD municipal election rally where he shared a platform with Ramgoolam and Duval, he joined their hands together in a symbolic gesture of solidarity, saying "now the coalition is formed."[16] Debré reiterated the support of France for a national unity government during a joint visit made by Ramgoolam and Duval to France in July 1969.[17] As Duval later recalled, during that time he traveled with Ramgoolam "to Paris, London, and New York. The West feared that without a coalition government, communism would be installed in Mauritius through the desperate poverty of the population. They promised, in exchange, their unconditional financial support"( Duval 1976:155-56). There is little evidence, however, that this post-independence support was withheld until the government of national unity was formed.

## D. Suspending the Elections

One of the critical elements of the government of national unity was Ramgoolam's insistence on a condition *sine qua non*: that parliamentary elections required by 1972 be postponed. Ramgoolam's rationale for amending the constitution to prolong the sitting government was clear: if a coalition government was formed in order to foster the peace and reconciliation necessary for economic development, it would need more than two years (the time before elections were due) to do its work.

Duval resisted this abuse of an unbroken legacy of regular legislative elections in Mauritius that dated

16 "Opération Debré: Manifestation de bienvenue à Curepipe, » *L'Express*, 19 March 1969. Debré's visit of six hours took place on the 25th of March. At this point, the MLP and PMSD had already formed a coalition to stand for municipal elections.

17 « Duval : La France souhaite un gouvernement d'unité nationale, » *L'Express,* August 11, 1969.

back to the Constitution of 1886. "This will Africanize the country," he declared to *L'Express* in June 1969.[18] But eventually, the government of national unity went ahead with Ramgoolam's condition intact. The mandate of the sitting government was extended until 1976. Both Duval and Ramgoolam later expressed regret that they had suspended the very first elections that would have been held in their new nation.[19]

## E. The National Unity Government Cabinet

As in the short-lived coalition brokered by the British in 1964, the distribution of cabinet posts was a contentious issue in the negotiations for the post-independence coalition. As Table 2 notes, Ramgoolam and Duval eventually reshuffled ministerial positions in order to allocate those most important to the private sector to the PMSD as a clear signal of their commitment to getting the economy on its feet. Duval took the portfolio of Minister of Foreign Affairs, Tourism, and Emigration, with the idea that he would be a key force in the negotiations to position Mauritius to gain entry to protected markets in Europe and to invite investment into tourism. Paul Hein, a Franco-Mauritian, became Minister of Justice, a signal that property rights would be respected. Two Creole leaders, Guy Ollivry and Guy Marchand became, respectively, Minister of Planning, and Minister of Commerce and Industry. A Sino-Mauritian, President of the Chinese Chamber of Commerce, Jean Ah Chuen, was appointed Minister of Local Government, helping to ensure high level representation for the interests of the city of Port Louis, where many ethnic minorities lived and had their business interests. Duval pointed out: "the choice of these portfolios represented the principle preoccupations of the party. This gave ample proof of our determination to work for the development of the country" (Duval 1976:155-156).

At the same time, Ramgoolam's close lieutenant, Veerasamy Ringadoo, became Minister of Finance, and Satcam Boolell stayed as Minister of Agriculture. As an interviewee remarked, "The distribution of the ministries was essential. Boolell was highly trusted by the private sector and the fact that Boolell was at the Ministry of Agriculture, Duval at the Ministry of Tourism and Marchand at the Ministry of Industry helped in building the trust of the private sector towards the government."[20]

**Table 2** (which can be found at the end of the paper) indicates several other things about the politicians who came together in the government of national unity. First, their general level of education was very high. More than half had professional tertiary education of some kind, including two medical doctors and nine barristers-at-law. Second, half of the cabinet members obtained their advanced professional qualifications in London, again, mainly in law, at the Inns of Court. This unusually high level of education and legal training helped ensure that political leaders were accustomed to working out their conflicts through debate, and that they would be more likely to use the pen than the sword.

## F. Organized Labor and the Rise of the Mouvement Militant Mauricien

Joining with the PMSD was a risk for the Labour Party, which needed to convince its main constituency (educated Hindus and part of the Creole middle class; Hindu workers and small planters) of this necessity. The PMSD was perceived as the party of the sugar elite: this meant cozying up to the Franco-Mauritian "bosses." Although its formal ties to the unions were severed in the 1960s, the Mauritius Labour Party was still seen as the main voice of organized labor at independence. The MLP-organized

18 « Coalition : Duval donne des précisions, » *L'Express*, June 3, 1969

19 Why did the country hold elections as scheduled in 1976? The leaders violated the spirit of democracy, but they did everything by constitutional means. When the PMSD was expelled from the government, and the coalition of national unity fell apart in 1973, the remaining Labour-led coalition would have been unable to muster the votes to amend the constitution again. Duval remarked later that the postponing of elections was a deep regret: "This was worse than a crime, we committed an offense, we caused a huge wrong to the polity. Even though it was all done with absolute legality, I think that it was not legitimate." Duval (date: 85). Duval had pushed Ramgoolam to dissolve parliament and allow new elections in which they would stand in alliance together, gaining an electoral mandate, but Ramgoolam refused.

20 Interview, Michel Dedans, Port Louis, October 16, 2008.

labor networks remained intact, strengthened by individuals such as M. Sharma Jagdambi, a union leader, member of parliament, and also deputy head of the Labour Party. Jagdambi was helpful in organizing support for the national unity government. Referring to the context of uncertainty and fears about the economic viability of the island, Jagdambi told *L'Express* that the labor movement supported the proposed government of national unity; they "wanted to help the government and the opposition to save the country."[21] At the same time, however, bringing the opposition into the government created a political vacuum (Seegobin 2008: 84). This would be filled by a new political party, the *Mouvement Militant Mauricien.*

In 1968, parallel with the rise of student mobilization in Europe, the United States, and elsewhere, Paul Bérenger and other young people in Mauritius founded an organization of radical students, the *Club des Étudiants Mauricien* (CEM).[22] On September 12, 1969, the CEM organized mass demonstrations as the motorcade of British Princess Alexandra and her husband, businessman Angus Ogilvy, moved across the island (Ogilvy had close business ties with "Tiny" Rowland, notorious for breaking British sanctions against Rhodesia after Ian Smith's effort to prolong white rule by a unilateral declaration of independence).

After the visit of Princess Alexandra, Bérenger and the CEM decided to form a political party. The *Mouvement Militant Mauricien* (MMM) was formally founded on November 7, 1969. Less than a year later, in September 1970, the MMM surprised the country when a candidate they put up won an overwhelming victory in an important by-election, gaining 76 percent of the vote. Allied with the General Workers Federation, the MMM ratcheted up the mobilization of the country, pushing against the general austerity policies of the post-independence period, rallying workers and those who were disappointed by the decision of Gaëtan Duval to join the coalition and by the postponement of the elections. In December 1971, the GWF and the MMM brought the country to a stop in a general strike. The coalition government responded by imposing a state of emergency, and then arresting the defiant Bérenger and several colleagues under a hurriedly passed Public Order Act. They were held in jail for nearly a year; their newspaper, *Le Militant,* was ordered to close. The state of emergency was slowly relaxed, but formally renewed by parliament every six months until just prior to the scheduled elections of 1976.

This period of political repression has to be seen as part of the package of building a developmental coalition. As Finance Minister Ringadoo noted in a letter to World Bank President Robert McNamara:

> We have made good progress, we have a carefully prepared plan, foreign investors are coming, we are moving ahead, but we have now to face some wild youngsters of the "Che Guevara type" who are in a hurry to overthrowthe government and seize power by organizing strikes and political uprisings. We are thus not being given a proper chance to work in peace.[23]

It is important, however, to note the timing. The long process of negotiating the government of national unity mainly took place *before* the founding of the MMM. As Paul Bérenger explained, "There is a false idea that the coalition was forged as a counterweight to the MMM, but the MMM itself was only born after the visit of Princess Alexandra in September 1969."[24] The main goal of the coalition government was to heal the wounds of the divisive and ethnicallypolarized struggle over independence. As the Minister of Finance commented during legislative debates, "We cannot in this country afford the rest of our lives and the lives of our children to have two camps, one which fought for independence and

21 « Les sept vies de la coalition, » *L'Express*, 8 May 1969.

22 Paul Bérenger, one of the principle members, published their manifesto, "The ABCs of Our Revolution," in Le Mauricien September 11, 1968 [date confirmed].

23 Letter, V. Ringadoo, Minister of Finance to Robert McNamara, President, World Bank, October 4, 1971, Maur-Gen-Negos 1969-General, WB IBRD/IDA 01 MAU.

24 Interview, Paul Bérenger, Port Louis, January 20, 2009.

one which fought against."[25] The other goal was to use all the resources available on *and off* the island to build confidence and to enable the private sector to invest and thereby expand employment. The political repression of the MMM came later, a joint decision by the government of national unity, the Labour Party and the PMSD, to enable the country to avoid what they saw as a threat to their goal of political stability and business confidence.

25 Government of Mauritius, Legislative Debates, November 18, 1969, p. 4828.

# 5

# The Fruits of the Coalition

In Mauritius, the national unity government is widely believed to have established the foundation of the tourism, export industry, and enhanced sugar export quota policies that later made Mauritius famous as a development success.[26] The confidence-building impact of the coalition was immediate. Early in 1971, a World Bank report remarked that there had been a "marked improvement in the social and political climate, following the constitution of a coalition government" (World Bank 1971: 9). Foreign investment began to surge into the country, and domestic investment increased. Capital outflows were reversed, with a net inflow of Rs 17 million in private capital in 1969.[27] Between 1971 and 1979, Mauritius grew at an annual average rate of 10 percent (Seldon 2005: 457).

Despite the high growth rate, however, the political backing of these confidence building measures and new economic institutions was not a "growth coalition" per se but a *development* coalition, emphasizing the interconnectedness of investment and employment. As Paul Bérenger pointed out, "one of the reasons for the success of Mauritius is that economic development was accompanied by the creation of employment." [28] This was not a coincidence, but an intention, and it was a surprisingly unusual intention in this period. As a World Bank staff member commented in forwarding a copy of the Mauritius Ten Year Plan, 1971-1980, to Washington:

> "… this is indeed the first document of its nature that I have read in a long time which emphasizes so forcefully the employment objective as against the traditional GDP approach. For this reason, it should be greatly praised [and circulated] within the Bank .. in order that they might consider the merits and pitfalls of an approach to the elaboration of a development strategy which is quite different from the approach which is usually followed in Bank economic mission reports."[29]

As a Fabian socialist, Ramgoolam's main goals were social, but he realized that he needed an economic base in order to achieve his social goals.[30] That economic base would be realized through upscale tourism, export processing, and preferential access to European markets for Mauritian sugar. Each of these sectors was itself an arena where public-private coalitions were forged and progress made.

## A. Upscale Tourism

The coalition government enabled Ramgoolam and Duval to put together a team of people to develop

26 Interview, Michel Dedans, Port Louis, October 16, 2008.

27 This position was helped also by carefully negotiated new foreign exchange control measures, including a special "stamp duty" imposed in 1966 on outward capital transfers by Mauritians, but not foreigners. The stamp duty was gradually increased to 35.7 percent by mid-1969. The control measures do not explain this turnaround, however. Many other countries imposed exchange control measures without being able to stem capital flight.

28 Interview, Paul Bérenger, Port Louis, January 20, 2009.

29 Memo, G. Fossi to Joseph Hilmy, World Bank, "Mauritius: Development Strategy 1971-1980," May 21, 1971. Maur – Gen – Negos 1969- General, WB IBRD/IDA 01.

30 Mohamad Vayid, 'SSR's Vision of a Mixed Economy,' article in *Indradhanush*. Progressive Monthly of Mauritian History, Arts, Culture & Literatures, Issue 17-18. No date, but appears to be 1993; Alain Gordon-Gentil, *L'Incarné du voyage*. 'Editions Vizavi : Port-Louis, Mauritius, 1996

upscale tourism in the country, a strategy that remains the hallmark of the Mauritius "brand." The idea of tourism as a development strategy was controversial. Many worried that tourism would increase social ills such as prostitution, or feared that all the country's seafood would be reserved for foreigners.[31] Duval and Ramgoolam developed a network that brought together skilled people with a private sector orientation (the brothers Amédée and Réné Maingard de Ville Es Offrans, known informally as "Dédé" and "Colo"), and civil servants (Regis Fanchette, the director of the Mauritius Government Tourist Office). The two Maingard brothers had served with a great deal of heroism in Europe during World War II. As another businessman recalled, "Their time in Europe had really opened their eyes to what was possible in terms of development and it had also given them a good overseas network" (Taylor 2008: 40). On returning to Mauritius, they joined a prominent trading company, Rogers, in which their family had a stake, and began to expand into shipping, cement, aviation, and tourism.

As partners in the venerable Mauritian conglomerate Rogers, the Maingard brothers secured contracts to represent Air France, South African Airways, and Quantas, convincing them to use Mauritius as a stopover en route to South Africa. The focus on high-end tourism meant that each arrival would bring significantly more revenue than a mass-tourism strategy, allowing the numbers to be kept down. The strategy of exclusive resorts created a natural barrier between the tourism sector and Mauritians' everyday life. Both decisions helped to reduce the social impact of tourism in most parts of the island, but they also meant that economic gains from tourism were shifted toward high-end investors. After independence, Ramgoolam saw the establishment of a national airline as a way to help ensure adequate arrivals to bolster the new tourism sector. Yet the government had little money, and was strongly committed to a fiscal austerity program to address an overly expansionist pre-independence budget. The establishment of Air Mauritius provides a good example of the pragmatic government-business networks that existed between Ramgoolam and Franco-Mauritian businessmen such as the Maingard brothers, and that enabled political leaders to leverage private sector resources for ends of mutual benefit. As a biographer of Amédée ("Dédé") Maingard explained it, "Although a socialist, the Prime Minister was quick to appreciate that skilful and well-connected leaders of industry such as Dédé were essential to the future of the island. … [Ramgoolam] entrusted [Maingard] with the task of establishing the new airline. There was no public finance available to finance the venture, but Ramgoolam was confident that Dédé would have the right business contacts to broker a deal" (McCue 2007:163).

Maingard negotiated with several potential foreign partners and in June 1967, Air Mauritius was launched, a public-private joint venture investment with Air France, Britain's BOAC, and the Government of Mauritius each holding 27.5 percent of shares, while Rogers contributed 17.5 percent. Maingard was appointed Chairman of the Board of the new airline. Air Mauritius was run far more profitably than other state-owned airlines in Africa, thanks in part to the government's decisions to eschew a controlling interest and retain only a minority stake, and to bring in external partners.

Amédée Maingard also set up the first two tourist hotels in Mauritius: the Park Hotel in Curepipe in 1952, and the first beach bungalow hotel, in 1954, at Le Morne. By 1964, he had founded the New Mauritius Hotels group. As businessman and intellectual Mohamad Vayid recalled, the idea of concentrating on up-market tourism and the money to develop the industry came from the private sector, but the government provided critical and eager support. In particular, Ramgoolam allowed the best beaches of Mauritius (some on public land, some on land owned by sugar conglomerates) to be given under "extremely favourable conditions … to the promoters of our hotel industry."[32] At the same time, Ramgoolam kept veto power over approval of large projects on the coast: Dédé Maingard's plan for a large resort at Bel Ombre had to be shelved (McCue 2007:166).

31 Noë, *Gaetan Duval*, p. 101 (citing Duval's *Une Certain Idée*).
32 Vayid, "SSR's Vision."

Bringing a broader private sector voice into the national unity government also had the effect of shaking up some of the potentially clientelist relationships that were at risk of limiting the further development of the tourist industry. The Mauritian government was believed to have allowed Maingard's New Mauritius Hotels to have a monopoly in the resort sector, blocking investment by other Mauritian firms.[33] Gaëtan Duval insisted that the country needed to open more hotels, and proposed inviting Sol Kerzner's South African Sun Resorts hotel group to invest in upscale hotels in Mauritius.[34] Hearing of Duval's intention, Ramgoolam commented "Dédé [Maingard] won't like this ... Dédé is our friend."[35] Duval responded, "Yes, but the country comes before our friend."[36] Competition was good for business, he added. It improved quality. That competition, combined with the cooperation between the Prime Minister and private sector elites interested in building the Mauritian tourism industry, created a strong, world-class tourist industry.

## B. The Export Processing Zone

The Export Processing Zones Act of 1970 was the second major policy initiative fostered by the coalition government. The first EPZs were set up in Puerto Rico (1950), Shannon Airport in Ireland (1959), Kandla Port in Gujarat, India (1965) and Kaohsiung, Taiwan (1966). A report prepared in 1961 for the government of Mauritius by prominent economist James Meade emphasized import-substituting industrialization (ISI), along with a policy of wage restraint, as a way to absorb the rapidly increasing working-age population (Wellisz and Saw 1993: 230-231). But few saw Mauritius as a viable candidate for the kind of export processing that was starting to attract notice in some other coastal economies. In 1962, a visiting World Bank mission was quite skeptical of the idea of export-oriented industrialization as a strategy for the island:

> A limited industrial expansion may take place mainly to serve domestic requirements. A lack of domestic raw materials and of power supply, a shallow local market, great distances and relatively high labor costs set definite limits for industrial growth. *Obviously, the conditions which helped Hong Kong or Puerto Rico to attain their present prominence do not exist in Mauritius.*[37]

Many Mauritians believed in the idea, however, and Mauritius was the first African country to try this innovation.

In February 1968, a month before independence, a committee on employment headed by Finance Minister Veerasawmy Ringadoo recommended the establishment of a free zone for export-processing.[38] Maurice Paturau, the Franco-Mauritian former minister of industry at the end of the colonial period, and an important liaison between the government and the private sector, visited Taiwan in March 1968, two years after their first EPZ was launched on an island in the harbor of Kaohsiung. He reported on his visit in April 1968, with some enthusiasm for the EPZ idea (Seldon 2001: 441).

In late 1968, a mission from UNIDO was invited to Mauritius to examine the idea of export processing industries along the model of a Mauritian factory, "Micro Jewels" set up in 1965 by Jose Poncini, a Swiss-

33 Letter, Phiroze B. Medhora, Industrial Credit and Investment Corporation of India, Ltd., to Mr. William Diamond, IBRD, January 20, 1970, WB IBRD/IDA 01 MAU.

34 Although Prime Minister Ramgoolam spoke at the United Nations against apartheid, and most African countries were boycotting the South African regime, Duval said: "Mauritius will refuse to cut ties with a country that gives us a good price, and that is a reservoir of raw materials for our embryonic industries. Other countries – the US, Belgium, Japan, the U.K. – have not cut commercial ties with South Africa."

35 Noë, *Gaëtan Duval,* pp. 101-102 (author's translation); Interview, Rico du Mée, Port Louis, January 19, 2009.

36 Interview, Rico du Mée, Port Louis, January 19, 2009.

37 Memorandum, C. H. Calika to S. R. Cope, July 5, 1962, "Mission to Mauritius – Preliminary Conclusions," p. 6, Maur – Gen Negos, General, WB IBRD/IDA 01 Country Operational Files Mauritius. (Emphasis added).

38 «Fort courant de l'opinion en faveur de la création d'une zone franche, » *L'Express*, February 15, 1968. In a letter to the World Bank several months after independence, Ringadoo repeated this intention. Letter, Minister of Finance Veerasawmy Ringadoo to World Bank, July 16, 1968, Maur – Gen Negos, General, WB IBRD/IDA 01.

Mauritian.[39] But they concluded that the distance and logistical challenges would be too great.[40] On the other hand, Poncini himself actively promoted the idea of expanding the arrangement established for his company, Micro Jewels. The organized private sector supported the idea of export industries. In its *Annual Report* for 1968, the Mauritius Chamber of Commerce and Industry declared that: "it no longer is relevant to ask whether export industries should be set up. The important question is how best to achieve this kind of development" (Mauritius Chamber of Commerce and Industry 1968: 7). The goal of establishing an export processing "free zone" was raised in the "speech from the throne" that laid out the government's agenda at the opening of the new parliamentary session of 1969.[41]

The EPZ strategy is widely considered to have taken on more concrete form with the vision of Dr. Edouard Lim Fat, a Sino-Mauritian professor of engineering. Lim Fat was persuaded by Ramgoolam to leave his position in the UK Atomic Energy Authority and return to Mauritius to help with the new public university (Reddi 2006). Upon his arrival, Ramgoolam and a prominent Sino-Mauritian businessman, Antoine Seeyave, enlisted Lim Fat's help in efforts to promote industrialization.[42] Lim Fat had also been intrigued by the EPZ established in Kaohsiung. He knew of it personally: his in-laws had fled the Canton area to settle in Taiwan, where Lim Fat and his family visited them frequently. In November 1969, Lim Fat prepared a detailed paper on the EPZ system in Taiwan, and Puerto Rico, and Singapore, and their application to Mauritius, for the International Sugar Conference, held in Mauritius (Fane-Pineo and Lim Fat 2008:269). Lim Fat's paper was widely reported in the Mauritian press, particularly in *L'Express*, which had taken on the mission of campaigning for economic diversification.

The EPZ idea became a symbol of one of the concrete outcomes a government of national unity might achieve. In late 1969, during legislative debates over the constitutional amendment that prolonged the sitting government and enlarged the cabinet, Duval commented that a key reason for having the government of national unity was the hope that the ensuing political stability would promote employment through export processing zones. In Taiwan, such zones had already created more than 38,000 jobs: "A 'free zone' in Mauritius, under the right social and political conditions, could do the same thing here," he
argued.[43]

It still took more than a year for the EPZ Bill to be voted upon in parliament. In typical Mauritian fashion, the details of the Zones were worked out gradually by a cross-ministerial committee which worked cooperatively with the private sector.[44] The government had little ability to support the infrastructure required for geographically-based zones, for example, near the port. But the private sector itself had resources. Together, the promoters of the EPZ decided upon a novel arrangement: the private sector would be allowed to start up "operational" EPZs as bonded factories in any spot zoned as available for industry, much as had been done for Micro Jewels. In one stroke, this saved the government the expense of building a geographically-based zone and constructing industrial estates, while enabling the program to start immediately, and offering a new use for the dozens of sugar factories that had been abandoned under the trend toward centralization and economies of scale. At least six firms started operations under this system even before the EPZ Act itself had been passed.[45]

39 «Zone Franche sur la Mer Rouge: L'étude de L'UNIDO a commencé, » *L'Express* August 14, 1968.

40 José Poncini, "Le Cercle des Poètes," *L'Express: Edition Spéciale: 40 Ans d'Indépendence*, March 10, 2008.

41 Government of Mauritius, *Legislative Debates*, November 4, 1969, p. 4655.

42 Interview, Professor Sir Edouard Lim Fat, Port Louis, Mauritius, 19 April 1999; see also Dick Chan, 'Mauritius wants to be Hong Kong', *South China Morning Post* (Hong Kong), 23 January 1995.

43 Government of Mauritius, *Legislative Debates,* November 4, 1969, p. 4655.

44 « M.Guy Marchand a la C.I.C. [Chamber of Commerce and Industry] : La zone franche est mise en vedette, » *L'Express,* March 19, 1970. Professor Lim Fat was at the time President of the Senior Government Civil Servants Association, and the Secretary of the Association was Benoit Arouff, the senior civil servant in the Ministry of Industry and Commerce. Telephone Interview, Edouard Lim Fat, November 21, 2008.

45 « La Zone Franche Opérationelle, » *Le Mauricien*, July 9, 1969.

Although there was widespread support for an initiative that promised to create employment, the *Mouvement Mauricien Militant* campaigned against the EPZ, with the slogan: "*Zone Franche, Zone Suffrance*" [Free Zone, Zone of Suffering]. Commenting on the new labor laws which would be applied in the Zone (including an exemption from the statutory severance package), Bérenger told *L'Express:* "All the benefits and all the profits will go to foreign bosses; for Mauritian workers, only super-exploitation."[46] Trade unionist and member of parliament Jagdambi countered this with a more measured statement: "The law seems arbitrary, but it is necessary to give a chance to the Free Zone."[47] Within the legislative assembly itself, there was little opposition to the passage of the Act.

On December 12, 1970, Export Processing Zones Act No. 551 became law. Ramgoolam and Finance Minister Ringadoo asked Lim Fat and member of parliament Jean Ah-Chuen to promote the EPZ among their East Asian contacts. They promoted the EPZ "with ceaseless missionary zeal … taking advantage of [their] numerous personal contacts in these Far Eastern lands" (Lim 1997).[48] In January 1972, a World Bank consultant reported: "Nobody seems to notice that the country is still under the State of Emergency declared last December 16 [1971], and we saw no sign of it, except for a soldier in front of the closed opposition newspaper. No one is holding [up] investment plans. Industrialists from Japan,
Taiwan, Hong Kong, India, South Africa, Germany, and other places are pouring in."[49] In the first decade of operation, some 60 percent of the capital investment in the EPZ came from Hong Kong (Lamusse c1985). Exports from the EPZ grew over 30 percent annually from 1971 to 1975, and employment in the EPZ expanded by 38 percent.

## C. OCAM, ECC, and the Lomé Convention Sugar Protocol

The Lomé Convention Sugar Protocol was a third institutional pillar of post-independence success in Mauritius. The Sugar Protocol has its origins in Britain's 1951 Commonwealth Sugar Agreement (CSA), which lasted for nearly 25 years, allocating sugar quotas to all Commonwealth producers for entry into protected British markets. Mauritius had a price-guaranteed quota of 335 thousand tons under the CSA.

As Britain negotiated its entry into the European Economic Community (EEC), it also negotiated the inclusion of the Commonwealth Sugar Agreement as an annex to the 1974 Lomé Convention, which established special preferences and aid for the smallest and least developed former European colonies in Africa, the Caribbean, and the Pacific (the "ACP" countries). In Mauritius, the desire to safeguard the country's existing trade preferences for sugar, and possibly even enhance them, was part of the underlying rationale for the government of national unity. Negotiating these benefits for Mauritius created an opportunity for joint action on the part of the political and economic elites.

Britain had been refused entry into the EEC in 1963 and again in 1967. Unsure whether Britain would be able to carry Mauritius into Europe, the new national unity government laid out a strategy to position the country to enter the protected European market, if necessary, even without Britain. First, Duval spearheaded the negotiations over Mauritian membership in one of the French-sponsored African regional organizations: OCAM (African-Malagasy Common Organization). Mauritius was later able to parlay this strategic membership into French sponsorship of its special association with the EEC in 1972, at a time when Great Britain was not yet a member. This gave the country dual sponsorship from France, and, later, from Great Britain (finally admitted into the EEC on January 1, 1973), when the

46 «Commentaires de Jagdambi et Bérenger sur les conditions de travail dans la zone franche industrielle, » *L'Express*, November 17, 1970.

47 «Commentaires de Jagdambi et Bérenger.»

48 See also Michael Young, "Mauritian development strategy: Hong Kong is the model," The Financial Times May 5, 1971.

49 Letter, Mr. Nespoulous-Neuville to Bill Diamond, January 15, 1972. World Bank Archives.

EEC was negotiating the terms of the Lomé Convention, and its Sugar Protocol.

Second, Duval negotiated the entry of Mauritius to the Yaoundé Convention, in October 1972. The Yaoundé Convention provided EEC trade preferences and other economic benefits for a number of former European colonies. Mauritius emphasized its relationship to France, noting that it had been admitted to the OCAM, on the strength of its French language and culture, a legacy of it having been a French colony until 1810. Preferential entry into Europe would prove a boon for Mauritian sugar, and for the export processing industries.

The Yaoundé Convention transitioned swiftly to the Lomé Convention. In late 1973, as the Lomé Convention and the associated Sugar Protocol negotiations were underway, world sugar prices rocketed upward due to a combination of supply shortages, speculation, and consumption increases (Chalmin 1990:439). This forced the ACP countries, former beneficiaries of the Commonwealth Sugar Agreement, to decide in a situation of strong "free market" prices, whether to agree to lock in promises to deliver fixed amounts of sugar to Europe at prices indexed to the EEC price, and if so, what amount to agree to deliver.

Countries made different decisions here. Jamaica, which had had the largest CSA quota, negotiated a reduction, from 797 thousand tons, to 118.3 thousand tons. Fiji, Malawi, and Mauritius increased theirs, leaving Mauritius as the new leader, with an increased quota of 487 thousand tons. Sugar prices soon fell, and remained low for the next several decades, while Mauritians enjoyed the high prices in Europe that were guaranteed under European protection for its own beet farmers. In the early years, these sugar rents contributed several percentage points of Mauritian GDP.

The decision to lock Mauritius into the managed quotas, eschewing the temptation of the free market, might not have been made without the strong networks that had developed by then between the government and the private sector, something fostered by the government of national unity. As the son of prominent businessman Claude Noël, a confidant of Ramgoolam, noted:

> One wing of the government tried to pressure Ramgoolam not to sign the Convention. The private sector worked hard to explain the consequences of this to the politicians. It was here that the relations between the prime minister and Sir Claude Noël were important. After having heard all the opinions against the Convention, SSR [Sir Seewoosagur Ramgoolam] asked Claude Noël to come to his office. Claude Noël told him: the price can fall at any moment, we need to think about the long term. Ramgoolam was himself persuaded of this, but he wanted to have a confirmation.[50]

As a Mauritius Chamber of Commerce and Industry official, put it: "it is now clear that the partnership struck between government and the Private Sector at the time of [the Sugar Protocol negotiations] was a defining moment of the economic history of post independence Mauritius" (Servansingh 2004).

50 Interview, Alain Noël, Port Louis, January 22, 2009.

# 6

# Credibility and Government-Business Cooperation

The post-independence government of national unity was successful in establishing the credible commitment to capitalism demanded by the private sector (domestic and foreign) before it would invest. This commitment was built through strong government-business cooperation, which rested on three successive elements: (1) early "signaling" by influential individuals in the private sector and government; (2) the building of a peak association in the private sector; and (3) dense formal and informal "clusters of consultation" between the government and the private sector.

Relations between government and business were anything but close in the pre-independence period. As C. G. Marshall, an expatriate industrial advisor recruited by the British colonial government, commented in 1965: "One of the very first complaints I was faced with on arriving on the Island was from the commercial community who bitterly resented the fact that the Governor never took the slightest notice of them or consulted them in any way … [I have] never come across anywhere with such a gulf between business and industry on the one hand and government on the other; there were no points of contact."[51] Likewise, the president of the Chamber of Commerce and Industry noted in March 1970, "cooperation between the private sector and the government was nearly nonexistent before independence."[52] The government of national unity, which brought the left-leaning Labour Party together with the party of the business class, the PMSD, allowed not only for a rapprochement, but for an unusually collaborative relationship to develop.

## A. Building Trust Through Public-Private Signaling

One factor that helped build trust was a series of "signals" sent by key actors in both the private and the public sector. As early as the 1950s, when he was rising in the Mauritius Labour Party, Ramgoolam was already beginning to form close ties with some prominent business people in the Franco-Mauritian community, for example, René Maingard and his brother Amédée. In 1954, René Maingard and some of his colleagues went to visit Ramgoolam at his physician's office, to discuss an idea they had to create the Mauritius Steam Navigation Company (for transport among the three major islands comprising Mauritius), to see if the MLP might support the idea publicly, which it did. As an obituary of Maingard noted: "Thus commenced a strong and loyal friendship that continued despite the efforts of some in the Franco-Mauritian community who continued to push for a racist and class separation that was already *dépassé*."[53]

Even before independence, other members of the Franco-Mauritian minority had reached out to

51 Letter, C. G. Marshall, Industrial Adviser to the Minister of Industry, Commerce and External Communications, Mauritius to A .N. Galsworthy, Colonial Office, London, December 30, 1965, Public Records Office, Kew Gardens, London.

52 "Développement Coopération secteur privé-gouvernement, » *Le Mauricien*, March 19, 1970.

53 "Obituary : Sir René Maingard de la Ville ès-Offrans," *L'Express,* 15 January 1982.

Ramgoolam. LeClézio, one of the owners of the large F.U.E.L. sugar estate, created a stir in the Franco-Mauritian community early in the 1960s when he first decided to go to the airport to join the delegation meeting Ramgoolam's plane returning from constitutional negotiations in London. This act aroused bitter condemnation from the large group of Franco-Mauritians who were against independence, but he said: "the past is the past, we have to look to the future now."[54] Meeting the delegation was a public statement. Although LeClézio himself ended up emigrating to France, Franco-Mauritians still comment on his bold action, which helped legitimized greater behind the scenes contacts between Ramgoolam and representatives of the polarized economic elites.[55]

During the months that the coalition was being negotiated, Ramgoolam also made many efforts to signal publicly that he wished to cooperate with the leader of the business-oriented opposition, Gaëtan Duval. For example, he invited Duval to accompany him to the United Nations General Assembly meetings in New York as a member of the official delegation. Secretary General U. Thant remarked that other countries could learn about achieving harmony from Mauritius, given that this was the first time he had seen a leader of the opposition as part of an official UN delegation.[56] Ramgoolam brought Duval with him on a visit to France in July 1969, seeking assistance from that country. [57] These joint government-opposition missions paved the way for joint public-private sector missions that became a characteristic feature of Mauritian politics.

Finally, Ramgoolam signaled his openness to collaboration by several personnel decisions. He placed Henry Ythier, a PMSD deputy and chairman of the PMSD, on the board of the state-owned Mauritius Development Bank several years before the government of national unity was concluded.[58] In addition, one of his first acts after the 1967 election was to retain Hervé Duval, the brother of Gaetan Duval, leader of the opposition, in place as Permanent Secretary, an ordinary act, involving a consummate professional civil servant, but one noted by other Mauritians who were looking for signals of how the new government would behave (Banyamandhub 2007:95).

## B. The Joint Economic Council

"We all have to compromise. You must always come to an 'arrangement' in Mauritius," the former Franco-Mauritian head of the MCCI noted. "We attach a hell of a lot of importance to dialogue."[59] Important in bridging the distrust and friction opened up by the divisive independence campaign were decisions by economic elites to unify into a peak association, the Joint Economic Committee (later, Council), and to adopt techniques of persuasion rather than confrontation.

With the opening up of the franchise in 1948, economic elites gradually lost their privileged political position. They had retained some influence through the 1960s with the British system of filling some seats in the legislative council through the governor's nominations, and in particular, the ministerial position given to Maurice Paturau, who served as Minister of Commerce and Industry between October 1962 and July 1966. Maurice Paturau was highly respected by many in Mauritius: an engineer, a "walking encyclopedia," and a former fighter pilot and secret agent during World War II, decorated both by the British and by the French. Today his face adorns the 50 rupee note, the only Franco-Mauritian so honored. Paturau had been an active member of the Chamber of Agriculture, but was not himself the owner of an estate or a factory. But with independence, the Franco-Mauritian elites would

54 Interview, Roland Lamusse, Port Louis, check date.

55 He was joined in this effort by Émile Séries, the manager of the F.U.E.L. estate, who attended Royal College with Ramgoolam: "Émile Séries could talk to both Gaetan Duval and Seewoosagur Ramgoolam, an interesting link." Interview, Raj Makoond, JEC, Port Louis, Mauritius, June 25, 2008.

56 Ambassador Chit Jesseramsing, "SSR: A Global Visionary," *Indradhanush*, pp. 108-109.

57 « Ramgoolam et Duval à Paris pour rechercher l'amitié de la France, » *L'Express*, 30 July 1969.

58 « Rapport de la Banque de développement: Manque d'argent dans le secteur privé, » *Le Mauricien*, January 10, 1968.

59 Interview, Jean-Claude Montocchio, Secretary-General, MCCI, Port Louis, Mauritius, July 7, 1999.

no longer be able to count on the British to appoint some of their rank like Maurice Paturau to the legislative assembly as nominated members.

After the August elections of 1967 which decided the question of independence, a small group of the country's most influential businesses and the heads of the Chamber of Agriculture, the Chamber of Commerce and Industry, and the Mauritius Bankers' Association, met informally to strategize a common response to the new political realities of independence and a Labour government. The PMSD had failed to convince the population that it could represent the country's interests, and the business elite were not convinced in any case that the mercurial Gaëtan Duval would be a reliable political partner. In February 1968, with the country in a state of emergency, British troops keeping order, and independence a month away, the group invited the Mauritius Employers Federation to join them, and they began to call their informal forum the "Joint Economic Committee" (Mauritius Employers Federation 1968:3).

In 1970, the business sector democratized further. The Mauritius Chamber of Commerce and Industry (MCCI) moved in 1970 to democratize and strengthen its representativeness by creating permanent associated membership for the ethnic business associations. The Chinese Chamber of Commerce, the Indian Traders' Association, and the Mauritius Chamber of Merchants (the latter groups Muslim merchants) gained permanent reserved seats on the governing council of the MCCI (Bräutigam, Rakner and Taylor, 2004).

The JEC also became more institutionalized in 1970, deciding to appoint a director, René Noël. By December 1970, the JEC was being described in the Mauritian press as a formal "bridge between the private sector and the government".[60] In 1972, Maurice Paturau replaced Noël as coordinator, remaining in this role until his retirement in 1994. Paturau's extensive earlier experience as Minister of Commerce and Industry, his service in the Chamber of Agriculture, and his contacts with government made him an inspired choice. His role was critical in establishing trust between the organized private sector, and the government. The JEC itself also helped normalize expectations that the government-business relationship should be institutionalized, rather than a personal relationship between political leaders and heads of business, with all the risks that entailed for collusive and predatory engagement.

## C. Clusters of Consultation

The third factor in building the government-business trust and collaboration that underpinned the developmental outcomes in Mauritius was the repeated, often public, and high-level opportunities for meaningful consultation. By the end of 1968, the chairmen of the four business associations in the JEC had began to meet on an ad hoc basis with government leaders, sometimes directly with the prime minister, sometimes with Veerasamy Ringadoo, the Minister of Finance, and a small team of advisers from the government (Mauritius Chamber of Commerce and Industry 1968: 5). These meetings expressed the joint concerns of the business class about the government's overall economy policies, as well as specific issues such as a controversial proposal to establish a government-owned, bulk-handling sugar terminal, or the export processing zones.[61] The reminiscences of a prominent civil servant about these meetings (where as a young man he served as personal secretary to the prime minister) gives a picture of prime minister who took an active role in these meetings. Ramgoolam would set the date of the meeting himself, approve the agenda, and review the summary notes of the meetings. They were held in his office, and included his closest senior ministers: Duval, Finance Minister Ringadoo, Abdul

60 «Entretien avec M. René Noël [newly appointed coordinator of the JEC] La philosophie derrière de nouvelles fonctions,» *L'Express*, December 21, 1970.

61 Mauritius also had a long standing tripartite system involving organized labor, the Mauritius Employers Federation, and the government, but this system focused on labor disputes, and on the setting of wages and conditions of employment on a sectoral or industry basis, and not on the broader policy and program questions.

Razack Mohamed (head of the CAM), Satcam Boolell, Harold Walter, and Kher Jagatsing. Maurice Paturau, whom Ramgoolam had known well as a fellow minister during the late colonial period, and private sector members Claude Noël, Rico du Mée, and Mohamad Vayid would participate on the private sector side. The meetings "allowed both parties to consult, exchange notes at the highest level on all issues affecting the country. The discussions on sugar, agricultural diversification, industrialization and tourism were sharp and passionate, but at times overheated with the Prime Minister and Maurice Paturau crossing swords."[62] The government called at least one meeting with the JEC after the MMM's overwhelming victory in the Triolet by-election in September 1970.

One of the initiatives of the government and the private sector was the formation in July 1970 of a joint advisory council to work on the EPZ: the *Conseil de Promotion des Exportations* (CPE), an idea promoted since 1968 by the Mauritius Chamber of Commerce and Industry, but given form by the national unity government. A technocrat, Benoit Arouff, Secretary for Industrial Development in the Ministry of Industry, was named president, while Phillipe Boullé, general secretary of the Mauritius Chamber of Commerce and Industry, was named secretary.[63] Other technocrat members from the government included the Financial Secretary, the expatriate Director of the Economic Planning Bureau (a man seconded from the World Bank), a marketing specialist from the Ministry of Commerce and Industry, and an investment officer from the Mauritius Development Bank. The private sector members included Maurice Paturau, as well as the current president of the MCCI, and the general secretary of the Chamber of Agriculture. Boullé commented to L'Express: "It is with pleasure that we salute the efforts of the Ministry of Industry and Commerce and the Secretary of Industrial Development. This deserves to be underlined: the private sector has been called to work very closely with the government."[64]

In another highly unusual move, the national unity government established a precedent of joint missions overseas to promote business. For example, in September 1971, the World Bank received a telegram from the Financial Secretary in Mauritius asking whether the chairman of the Mauritius Bankers Association would be allowed to "form part of the official delegation of Mauritius" to the Annual Meetings of the World Bank.[65] On March 2, 1972, the Mauritius delegation to the negotiations on the Yaoundé Convention arrived for negotiations over European trade preferences for sugar, textiles, and other exports from African, Pacific and Caribbean developing countries. The Mauritian delegation had two private sector representatives on the team, along with five ministers, five technocrats, and a handful of diplomats (Seldon 2005: 453).

When the new government agreed to work with the sugar plantocracy on what became the Lomé Convention Sugar Protocol, they agreed to let the Chamber of Agriculture and Guy Sauzier from the Mauritius Sugar Syndicate's office in London take the leading role in the negotiations. A memoire prepared by Guy Sauzier shows how intertwined and close this relationship was:

> In addition to my activity in Great Britain, I decided to pay regular visits to Brussels and to Paris to meet officials of the EEC Commission and representatives of beet sugar producers and beet growers. At the same time, I suggested to the Prime Minister, Sir Seewoosagur Ramgoolam, that he should organize a high level tour of the capitals of the Common Market, in order to meet high ranking Ministers and officials, and put our case to them (Sauzier 1991: 39).

Sauzier was later made the Government of Mauritius' official representative to the EEC, and, as he

62 Kris Ponnusamy, "The Corridors of Power," *1968-2008: Genèse d'un Miracle: L'Express Édition Spéciale,* March 10, 2008, p. 73.

63 Another part of their workplan was a proposed Bureau of Standards, an idea nurtured by Maurice Paturau. « Une réalisation importante : Un conseil d'exportation créé dans l'optique de la zone franche, » *L'Express,* July 28, 1970; « Development of New Industries, » no date (c1965), CO 1036/1432 Industrial Development Policy in Mauritius 1963-1966, Colonial Records Office, Kew Gardens, London.

64 « Une réalisation importante : Un conseil d'exportation créé dans l'optique de la zone franche, » L'Express, July 28, 1970; see also « La Zone Franche Opérationnelle, » *Le Mauricien*, July 9, 1970.

65 Telegram, Financial Secretary to Secretary, IBRD, Washington, DC. September 1, 1971, Maur – Gen – Negos 1969- General, WB IBRD/IDA 01, Country Operational Files, Mauritius, hereafter WB IBRD/IDA 01 MAU.

remarked: "I was thus able to act in a dual capacity as representative of the private sector as well as of the Government."[66]

The Mauritian government and business cooperated unusually closely in trying to shape the transnational rules for trade and investment. Their success at this institutional craftsmanship has to be seen as central to the explanation of development performance in Mauritius. The joint effort to secure access to Europe for Mauritian sugar and other exports did much to create the credible commitment sought by the private sector at independence. It explains why predictions made by the British that Franco-Mauritian capitalists "would rapidly take their money out of Mauritius" if independence came, did not, in fact, come to pass.[67] It also had the side effect of ensuring that the most generous rents available to producers would have to be earned through success at exporting, not through connections to patrons in government. The Sugar Protocol negotiations and the partnership they fostered remained a defining characteristic of the Mauritian political economy. Before 2000, only two of the 71 Africa, Caribbean and Pacific (ACP) states party to the Lomé Convention had official delegations that included representatives from the organized private sector: Mauritius and Zimbabwe.[68]

A final point can be made. Mauritius did not have strong state institutions at independence. As in many other countries, state capacity was built gradually, over time, and followed the fashions of the times. For example, at independence an Economic Planning Bureau was established under the Prime Minister's office, to formulate five-year plans, following the pattern in most British colonies (Jamaica, Botswana, Malaysia, Lesotho, etc.). Most of these Economic Planning Bureaus were staffed with at least some key expatriate officials, given the lack of trained officers locally. But the role of the EPB in Mauritius was limited. As former Prime Minister Paul Bérenger commented: "The Economic Planning Bureau did not play a big role in the economic development of the country. It was, above all, the change of attitude toward the private sector that made the country develop. The private sector was given les *moyens de travailler* (the means of working)."[69]

66 Sauzier (1991): 39. Sauzier reports that like Claude Noël, he was strongly in favor of retaining the application for a quota increase, even in the face of what was then a very high world market price for sugar. "I was much heartened when the Prime Minister informed me that he shared my view and that I could proceed accordingly." (p. 45).

67 Letter, C. G. Marshall, Industrial Adviser to the Minister of Industry, Commerce and External Communications, Mauritius to A .N. Galsworthy, Colonial Office, London, December 30, 1965, Public Records Office, Kew Gardens, London.

68 Interview, Jean Claude Montocchio, Port Louis, 1999.

69 Interview, Paul Bérenger, Port Louis, January 20, 2009.

# 7

# What Factors Drove Cooperation?

After documenting the fruits of the national unity government, and the formal and informal cooperation it fostered, we need to consider: what drove Mauritians to do this? Why were they able to cooperate so successfully? I argue that four factors are likely to have made a difference: (1) systemic vulnerability that provided a compelling motive; (2) the high degree of education and personal networks forged through secondary and tertiary education; (3) strong societal support from the media, church, and new, cross-cutting social organizations; (4) transnational networks that provided compelling ideas and resources that showed light at the end of the tunnel.

## A. Systemic Vulnerability

Leaders who construct the bases of support required to sustain or change institutions are likely to be influenced by a combination of incentives. One stands out as critical: a context of systemic vulnerability. Researchers have long pointed to a context of external security threats in East Asia, arguing that threat and vulnerability created strong incentives for economic performance and for the kind of close ties between governments and business that underpin more effective policies. Doner, Ritchie and Slater (2005: 328) use the term *systemic vulnerability,* or "extreme geopolitical insecurity and severe resource constraints." They argue that three conditions are necessary for systemic vulnerability to operate: (1) "the credible threat that any deterioration in the living standards of popular sectors could trigger unmanageable mass unrest; (2) the heightened need for foreign exchange and war matériel induced by national insecurity; and (3) the hard budget constraints imposed by a scarcity of easy revenue sources."[70] Threats can make business groups more receptive to state direction and can foster cooperation with political elites. These researchers emphasize the very real security threats in a region where the Cold War always remained tense, and where the predominantly Chinese city-state of Singapore was expelled from a union with the much larger and Muslim-dominated Malaysia three years after independence. Yet the case of Mauritius, located in a calm international backwater, argues for a broader interpretation of threat and vulnerability.

The Mauritius case parallels the paradigmatic East Asian cases. Mauritius did not have a communist neighbor on its border, and its need for war matériel was minimal, but it was an isolated country without close international alliances. Given its extreme dependence on sugar production, it was highly vulnerable, both to price fluctuations and to the menace of hurricanes and drought. Like the East Asian tigers, it was resource poor. As they prepared for independence, Mauritians were very aware that one of Great Britain's leading economists had called their island a "case study in Malthusian economics"

70 Doner, Ritchie and Slater, p. 328. They explain their terms more fully in footnote 12, p. 331. "By "ruling elites," we refer to the political leaders atop the incumbent regime. By "broad coalitions, " we mean those in which ruling elites provide tangible benefits to popular sectors in exchange for political support or acquiescence. By "severe external threat," we mean situations in which outsiders credibly threaten not merely to initiate a military dispute or seize valued territory, but to terminate the target state as a sovereign political unit. By "resource constraints," we refer to a condition in which states enjoy access to neither credible longterm commitments of foreign assistance nor easily exploited commodity resources."

concluding that if political leaders did not manage the country wisely, "the outlook for peaceful development" would be "poor" (Meade 1961, Meade 1968). Deadly interethnic riots that probably had their root cause in high unemployment and frustration broke out in the urban areas early in 1968 heightened the feelings of insecurity, and helped propel the formation of the national unity government.

Vulnerability can thus be seen as a function not only of security threats from potentially hostile neighbors, but of size, distance from potentially helpful neighbors, and the risk of externally driven shocks. Smaller countries are inherently more vulnerable because they lack economies of scale and have greater difficulty diversifying, while islands are frequently more dependent on imports and have higher freight costs. Vulnerability provided part of the incentive that pushed leaders in Mauritius to establish, very early, effective institutions that would support an export industrialization project. Many small countries are equally vulnerable, however, and few have followed the path taken by Mauritius. Vulnerability alone is clearly insufficient to create an incentive to establish and maintain robust export institutions and strong external linkages. It also helped that, like the East Asian countries, Mauritius did not have much in the way of revenue sources. This meant that even the sugar rents obtained through trade preferences had to be earned, unlike the revenues coming in through natural resource extraction or foreign aid.

## B. Education and Networks

Second, the high degree of education and the potential for personal networks is obvious from Table 2, which lays out the post-graduate level of education of many key politicians in the national unity government. In addition, as Table 3 below shows, an unusually high number of people who were stakeholders and decision-makers at independence were graduates of the island's elite, meritocratic government-run secondary school, Royal College - Curepipe.

**Table 3 - Key Coalitions Stakeholders Attending Secondary School at Royal College**

| Leader/Elite | Secondary School |
|---|---|
| Ramgoolam, Seewoosagur | Royal College - Curepipe |
| Duval, Gaëtan | Royal College - Curepipe |
| Lim Fat, Edouard | Royal College - Curepipe |
| Maingard, Amédée | Royal College - Curepipe |
| Maingard, Réne | Royal College - Curepipe |
| Paturau, Maurice | Royal College - Curepipe |
| Forget, Philippe | Royal College - Curepipe |
| Walter, Harold | Royal College - Curepipe |
| Fanchette, Regis | Royal College - Curepipe |
| **Other** | |
| Margéot, Cardinal Jean | Attended RC-C briefly but transferred to St. Esprit |
| Burrenchobay, Dayendranath | Was a teacher at Royal College - Curepipe |
| Bérenger, Paul | St. Esprit |
| Noël, Claude | Pére Laval (St. Esprit) |

As one Mauritian commented, Royal College became "the nursery supplying Mauritius with its leaders … thinkers, researchers … all those professionals whose intellectual ability was crucial to the economic march of Mauritius" (Banyamandhub 2007:13). Mauritians credit some of their ability to negotiate and compromise to this cultural experience shared by Mauritian leaders, even those who did not actually attend Royal College itself. As one interviewee said: "These men read the great Western writers. That is why they were not sectarian. They had a great openness of spirit."[71]

71 Interview with Michel Dedans, Port Louis, November 22, 2008. Consider also two quotations. The first is from Satcam Boolell, barrister and Minister of Agriculture in the first coalition government, reminiscing about his friendship with a man who was often his political opponent, Sookdeyo Bissoondoyal, leader of the Independence Forward Bloc (IFB), a rural-based party that was at

It is hard to gauge the influence of a certain type of education, or to chart the existence of networks based on old-school-ties, among people who are no longer alive. But given the claims such schools make for the important formative role they play in the education of youth, we can assume it likely that "familiar moral or cognitive templates" (Hall and Taylor 1996: 19) formed through shared education, had some influence on the ability of leaders to cooperate.[72]

## C. Media and Societal Support

Mauritian newspapers, led by Dr. Philippe Forget, editor of *L'Express,* campaigned in favor of diversification, with front page stories celebrating each new factory. Dr. Philippe Forget was a physician and graduate of the island's prestigious Royal College secondary school. He had been active in politics, but retired after losing in the 1963 election. As one of the journalists active at the time later recalled, after independence, "economic diversification became a national obsession" spurred on by the press, which helped "to cultivate a pro-business attitude" (Seldon 2005: 441).

Forget, in particular, dedicated his newspaper to the cause of industrialization and development, "hoping to stimulate and support young entrepreneurs with new ideas, that could be the springboard of modern industry in Mauritius."[73] Forget's editorials were influential. He "successfully used *L'Express* to promote the ideas of industrialization and agricultural diversification and modernization". [74] Reinforcing this support for the country's development, the government appointed Forget as one of the directors of the Development Bank of Mauritius.

Other societal support came from the church, particularly via the influential Monseigneur Jean Margéot, a Franco-Mauritian priest who was appointed the first Mauritian bishop in April 1969 (and a cardinal in 1988), and who was influential in fostering an environment of conciliation and compromise. Most of the minority Creoles and Franco-Mauritians were Catholic, and feared domination by a Hindu majority. Yet Margéot "did not hesitate to celebrate independence," as one Hindu Mauritian recalled.[75] He was "the wise man of this period. He understood that it was necessary to turn the page," a Franco-Mauritian commented.[76] As the head of the Catholic church in Mauritius, Margéot was the confidant of many of the country's major businessmen, and also of Creole civil servants and journalists. "They would ask him what he thought. They had a lot of respect for him," a journalist said.[77] Duval noted that Margéot had been an inspiration for him personally, as an early and forceful proponent of a coalition government to promote peace among the diverse communities.[78] In May 1969, Margéot "publicly exhorted" both the PMSD and the MLP to come together in a coalition government to support national unity.[79]

Margéot preached reconciliation and cooperation for nation-building. In a pastoral letter published in *L'Express* just before the independence ceremonies, Margéot pointedly remarked: "Economic progress is unjust if it is not accompanied by social progress."[80] As a signal of the importance he placed on

independence one of the three main political parties: "I look back wistfully to these days when he would open up new vistas in the rich world of French literature. At this late hour of my life I still think of him when, reclined in my chair, I read a chapter of Zola or a few scenes from the plays of Molière" (Boolell: 1996: 49). The second is from Gaetan Duval, whose PMSD remains a 'swing party' in Mauritian politics. Speaking about his relationship with political rival and sometime coalition partner, Seewoosagur Ramgoolam, he said: "Ramgoolam and I could spend hours together without speaking a word about politics. Keats, Rimbaud, Chaucer, Lamartine could bring us together. One day we spent an entire afternoon discussing the French poems of Georges Pompidou" (Gordon-Gentil 1996: 17-18).

72 I thank Jo Beall for the reference to Hall and Taylor.

73 Gordon-Gentil, *L'Incarné du voyage*, 44. (author's translation)

74 Sydney Seldon, *Historical Dictionary of Mauritius*, 2nd ed. (Metuchen, N.J., Scarecrow Press, 1991), p. 75.

75 Interview, Chit Dukhira, Port Louis, June 26, 2008.

76 Interview, Henri Souchon, Port Louis, September 26, 2008.

77 Interview, Ivan Martial, Port Louis, June 26, 2008.

78 Noë, *Gaetan Duval*, p. 96 (quoting from Duval's book *Une Certain Idée*.)

79 D. J. Young, British High Commission, Port Louis to Miss B. J. Rogers, East African Department, Foreign & Commonwealth Office, London, May 21, 1969.

80 « Progrès économique est injuste s'il ne s'accompagne pas de progrès social » « Lettre Pastoral de MGr J.Margeot, » *L'Express,*

reconciliation and nation-building, on April 2, 1968, Margéot, like Leclézio, went to the airport to stand on the tarmac, part of the group of dignitaries that welcomed Ramgoolam as he disembarked from an overseas trip. Actions like this were unusual enough to make headlines in the local newspapers.[81] "He was a leading figure for the Catholics, a Mauritian remarked, "But he was also a leader for *Mauricianité.*"[82] And in his vision, Mauritians needed to work together.

Finally, the rise of cross-cutting, multi-ethnic service membership organizations like the Lions and Rotary also may have had some influence. [83] As one Mauritian commented: "The Rotary Club united the best of the different professions. When they met, they discussed. These Rotary meetings changed their point of view. It was an indirect platform."[84] Business leader, and confidant of Ramgoolam, Amedée "Dédé" Maingard was one of the founders of the Rotary Club of Curepipe, for example, while Mohammed Vayid was influential in the Lions Club, which had an influential Franco-Mauritian from an elite sugar sector family as its first president.

## D. Transnational Networks for Ideas and Resources

Finally, Mauritians had transnational networks that provided them with ideas that helped reinforce both their social and economic policy choices. First, a social democratic ideology linked to the influence of the London-based Fabian Society marked elite politics in Mauritius. An example of this can be seen in 1950, when a legislature elected by a newly enlarged franchise passed a bill establishing an unusual, non-contributory, universal old age pension. The founder of the Labour Party, Maurice Curé, by then a nominated member of the Legislative Assembly, remarked: "The fact that we have unanimously passed such a measure as the Old Age Pension is no doubt a proof that we are all progressive in this country."[85]

The idea of export processing zones also came from outside of the country, and took root in part based on the international networks that Mauritians already had formed: the Asian business networks in the Chinese community. The push to join the Lomé Convention and position Mauritius as part of Francophone Africa as well as part of the Commonwealth was also assisted by longstanding ties nurtured by the sugar sector elites (Bräutigam 2005). These ideas reinforced hope in Mauritius that there was a viable pathway out of their poverty, and provided light at the end of the tunnel in which the country's elites found themselves at independence.

March 4, 1968.

81 « Mgr Jean Margeot acceuille SSR, » *L'Express*, 2 Avril 1968.

82 Interview, Ivan Martial, Port Louis, October 17, 2008. Margéot also opposed publicly the State of Emergency and press censorship imposed between 1971 and 1974. Dukhira, *Experiments in Democracy,* p. 187.

83 « 'Lions' débarquent aujourd'hui à Plaisance. » *L'Express*, May 23, 1969.

84 Interview, Michel Dedans, Port Louis, October 16, 2008.

85 Colony of Mauritius, *Legislative Assembly Debates,* Session No. 33, October 3, 1950, p. 22. At first, the government applied a means test, but in 1957, the pensions became universal.

# 8

# Conclusions and Policy Implications

As economist Pranab Bardhan has commented, the study of the politics of coalition formation can yield useful insights: "Much depends on the nature of political competition and the context-specific and path-dependent formation of political coalitions. … Institutional economics would be richer for more … comparative historical studies rather than additional cross-country regressions (2001: 279)." The study of Mauritius shows how elites in one successful country were able to build a developmental coalition that helped to lock in a credible commitment to prosperity, both for the country's economic stakeholders, and for the mass of small planters and workers who also gained from employment-intensive, industrial investment, and from more secure access to protected markets for Mauritian sugar. It also shows how government-business coalitions were formed on a sectoral basis to advance the interests of high-end tourism, export processing industrialization, and sugar exporters. The prosperity of Mauritius was built on these three pillars, while the social democratic ideology shared (or at least voiced) by all key leaders ensured that benefits would be distributed broadly, allowing a politically sustainable development pact.

It helped at independence that the country already had a robust capitalist class, ready to invest if the government could ensure that their property rights would be protected. It helped that half the land was already owned by small and medium sugar planters, mainly Hindu, whose goals were similar to those of the sugar elite. Further, cooperation was probably helped by the fact that nearly all of the country's political and economic elites had post-secondary education; many had studied in the same meritocratic government-run secondary school, and many had tertiary education, generally in London. This brings into focus the contrast between support for elite secondary schools and tertiary education in the colonial period, something continued by donors in the 1960s and 1970s, and the relative gap in such support today. Meritocratic, elite secondary schools and support for liberal arts education are out of fashion for donors, but it is possible that both of these helped to build networks and socialized a cadre of effective leaders.

Independence brought a flurry of new, cross-cutting associations (Rotary Club, Lions, and a peak association for business, the JEC). Leaders in the Catholic Church pushed for a government of national unity as a healing measure. The media took up the challenge of promoting industrialization and economic diversification, and employment creation. As modernization theory would predict, these factors made it easier to associate across ethnic lines, and to come together for the purpose of employment generation, something everyone could agree upon. Donors today are well aware of the importance of civil society, but this "old fashioned" system of membership organizations does not much resemble the kinds of NGOs supported by most donors today in efforts to build civil society. The relevance for donors may be that support for the technical capacity of journalists (not simply economic literacy, but an understanding and appreciation of business) could pay dividends, as could technical assistance or a role as a broker to build peak associations to represent the business class, and ensure that they are capable of being useful partners. A focus on building robust domestic entrepreneurs can have positive externalities unavailable with foreign investors, or micro-enterprises. Donors could also encourage joint invitations to government leaders and business leaders, or assist them to travel on joint missions to investment or trade fairs.

In some contrast to current donor practice, the Mauritius case suggests that at the critical juncture of independence, it was at least plausible that a decision by Mauritian leaders to foster national unity through bringing the opposition into the government, and postponing scheduled elections, helped provide a breathing space for several key economic pillars to be consolidated. In this brief period of more authoritarian democratic rule, Mauritius looked a bit like Singapore. At the same time, Mauritian leaders demonstrated a mature commitment to their multiparty system, and democratic constitution, by ensuring that decisions to postpone elections and enlarge the cabinet to form the government of national unity were done by legal means and agreed upon by all major stakeholders. Donors might reconsider whether pressing for early elections after a divisive critical juncture is always justified.

Almost four years of shared governance enabled the founding of critically important economic development institutions – not only those shaping the industrial, tourism, and sugar sectors, but those bringing government and business together to discuss and debate the country's economic future. These institutions proved robust yet flexible, enabling Mauritians to meet other critical challenges: the global inflation and debt crisis of the 1980s, the end of the Multi-Fiber Arrangement (MFA) quotas that intensified competition from Chinese textile exports, and the negotiated price reductions for sugar in Europe's still protected markets (Bräutigam 2005). They provided the framework for solving collective action problems involved in the centralization and upgrading of the sugar industry; wages and labor regulations for the export processing zones; and the debates over elite versus mass-tourism. The broad-based prosperity that these economic institutions underwrote still gives Mauritians some reason to be optimistic about the future of their island nation. Once thought to be a hopeless case, Mauritius instead became a model, whose coalition for development and experience of political compromise, gradualism, and global engagement, is worth studying by other countries whose own experiences have been less fortunate.

### Table 2: Government of National Unity Cabinet, December 1, 1969

| Minister | Party | Ministry | Profession | Tertiary Education |
|---|---|---|---|---|
| Seewoosagur, Rangoolam | Labour | Prime Minister, Interior, Informaion | Medical Doctor | London: University College |
| Ringadoo, Veerasamy | Labour | Finance | Barrister-at-law | London: LSE |
| Duval, Gaëtan | PMSD | Foreign Affairs, Tourism & Immigration | Barrister-at-law | London: LSE, Lincoln's Inn |
| Boolel, Satcam | Labour | Agriculture & Cooperatives | Barrister-at-law | London: LSE, Lincoln's Inn |
| Mohamed, Abdul Razak | CAM | Housing | Politics | n/a |
| Walter, Harold | Labour | Labour | Barrister-at-law | London: Lincoln's Inn |
| Osman, Abdool H. M. | CAM | Works | Barrister-at-law | London: Middle Temple |
| Marchand, Guy | PMSD | Industry & Commerce | Accountant | Accountancy |
| Ghurburrun, Beergoonath | Labour | Communications | Medical Doctor | Paris |
| Ollivry, Guy | PMSD | Economy, Development & Planning | Barrister-at-law | London: Gray's Inn |
| An-Chuen, Jean | PMSD | Regional Administraion | Businessman | n/a |
| Rault, Raymond | Labour | Youth & Sports | Barrister-at-law | London: Middle Temple |
| Basant Rai, Dayanundlall | Labour | Social Security | President Hindu Maha Sabha | n/a |
| Jomadar, Raj Mohunsing | Labour | Education | Barrister-at-law | London: Middle Temple |
| Hein, Jacques Paul | PMSD | Attorney General | Barrister-at-law | London: Middle Temple |
| Ramnarain, Hurrypersad | Labour | Minister of State for Agriculture | Unionist | n/a |
| Rima, Jean Alex | PMSD | Minister of State for Foreign Affairs | Businessman | n/a |
| Jaypaul, Rameshwar | Labour | Minister of State for Information & Radio | Educator, member Arya Sabha | n/a |
| Patten, S. Aroonassala | PMSD | Minister of State for Finance | Educator | n/a |
| Leal, Michael | Labour | Minister of State for Labour | Pharmacist, Journalism, Business | n/a |

Sources: "Le gouvernemnet d'unité nationale a été constitué," *L'Express*, December 2, 1969; Memo, M. A. Burney, to Mr,. A. G. El Emary, "Visit to Mauritius – November 11-17, 1969," December 1, 1969 (appendix) World Bank, Country Operational Files, Mauritius WB IBRD/IDA 01, Maur-Gen-Negos II.

## Appendix : Timeline

| | | |
|---|---|---|
| 1965 | May | Trois Boutiques riots. State of Emergency: May-August |
| 1967 | August 7 | General Election |
| 1968 | January | Port Louis riots. State of Emergency: January |
| 1968 | March 12 | Independence |
| 1968 | | Club des Etudiants Militants (CEM) formed |
| 1969 | July | Ramgoolam-Duval trip to France, London, New York |
| 1969 | September 12 | CEM: Princess Alexandra demonstrations |
| 1969 | November 7 | *Mouvement Militant Mauricien* (MMM) founded by CEM members |
| 1969 | November 22 | Constitution amended to postpone elections, enlarge cabinet |
| 1969 | December 1 | Coalition cabinet announced |
| 1970 | November | By-election won by MMM candidate |
| 1970 | December 8 | Export Processing Zones Act |
| 1971 | December | Public Order Act |
| 1971 | December 16 | MMM-GWF general strike |
| 1971 | December 22 | State of Emergency: December 1971- March 1978 |
| 1972 | March 2 | Brussels negotiations for Mauritius admission to Yaoundé Convention |
| 1972 | December | MMM-GWF militants released from prison |
| 1973 | | Industrial Relations Act |
| 1972 | September 17 | Government of National Unity ends with Duval being removed by SSR |
| 1975 | May | University & secondary school student demonstrations "revolt" |
| 1976 | | State of Emergency removed |
| 1976 | December 12 | General Election. New Labour/PMSD coalition |

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