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The Developmental State in Mauritius

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THE Portuguese were the first Europeans to come across the island of Mauritius. It was found by the Dutch in 1598, and the Dutch East India Company settlement created in 1638 introduced both sugar cane and slavery. The French arrived in 1721, using slaves to clear large holdings which eventually became sugar cane plantations. Over time there emerged a colonial society of extreme inequality, where power and privilege belonged to estate planters from France while hard labour and deprivation became the lot of slaves imported from Africa. The British established political control of Mauritius in 1814 and preserved the structure of the island's economy and society with one exception: slavery was abolished in 1835 with generous compensation to slave owners.[1] The colonial state helped to organise the importation of indentured workers from India, and by the 1860s the island had become the leading cane producer in the British Empire.[2]

Mauritius experienced serious difficulties as the price of sugar from cane dropped with more being produced in Europe from beets. Epidemics from pests and diseases, as well as droughts and cyclones, only made matters worse. The severe economic crisis, combined with a growing shortage of labour, resulted in the *grand morcellement*, the subdivision of sugar estates that began in the 1870s. Small plots of fairly poor quality were sold, often to the '*sirdars*' who supervised groups of indentured labourers.[3] This process reduced the number of sugar plantations during the late nineteenth century, and changed the

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[1] Good accounts of early settlements can be found in Richard B. Allen, 'The Slender, Sweet Thread: sugar, capital, and dependency in Mauritius, 1860–1936', in *Journal of Imperial and Commonwealth History* (London), 16, 2, 1988, pp. 177–200; Larry W. Bowman, *Mauritius: democracy and development in the Indian Ocean* (Boulder, CO, and London, 1991); and Jean Houbert, 'Mauritius: independence and dependence', in *The Journal of Modern African Studies* (Cambridge), 19, 1, March 1981, pp. 75–105.

[2] See Auguste Toussaint, *A History of Mauritius* (London, 1977), pp. 45–70, and Ibrahim Alladin, 'Economic Development in a Plantation Economy', in *Studies in Comparative International Development* (New Brunswick, NJ), 21, 1986–7, pp. 90–1.

[3] Alladin, loc. cit. pp. 92–3, and Toussaint, op. cit. p. 77.

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distribution of land, creating a number of small farmers.[4] Originally a 'landowning proletariat',[5] these families were the historical foundation of an eventual indo-Mauritian middle class of successful farmers, civil servants, and educated professionals.

INDEPENDENT MAURITIUS

The economic power of the franco-Mauritian planters had been long resisted by members of the middle class, and they allied themselves with the Mauritius Labour Party (MLP) which was founded in 1936 with the backing of the unions and other community organisations. By the late 1940s the Hindu-dominated MLP had generated a strong movement for suffrage and independence that was endorsed by increasingly well-off indo-Mauritian farmers and professionals, along with Indian and Creole labourers. They were opposed by those who supported the *Parti mauricien* (PM) which was against independence and in favour of 'association', as were the white planters and Creole élites. The 1967 elections were won by the MLP and its allies, the *Comité d'action musulman* and the Independent Forward Bloc, who gained 55 per cent of the votes cast and 39 of the 62 elected seats, while the PM, by now renamed the *Parti mauricien social-démocrat* (PMSD), secured 43 per cent of the vote and 23 seats.[6]

At independence in 1968, Mauritius possessed both an indigenous capitalist class that had been created by the accumulation of sugar profits from their plantations, and, even more unusually, a middle class that also owned land, albeit as the outcome of the 'parcelling out' period, as well as the growing access to public education.[7] The fact that the social mobility of those in this group/category had previously been blocked by the colonial plantation structure helps to explain why they became leaders in the independence movement, and were later able to supply the new government of Mauritius with well-educated public officials.

The introduction of a multi-party democracy marked the end of social domination by the French oligarchy through its alliance with British colonialism. The leader of the MLP, Seewoosagur Ramgoolam, became Prime Minister after the single-chamber parliament had been

[4] Sheila Bunwaree, *Mauritian Education in a Global Economy* (Rose Hill, Mauritius, 1994), pp. 42–3.
[5] Alladin, loc. cit. pp. 93–6.
[6] Bowman, op. cit. pp. 32–3 and 40–1.
[7] See Ram Seegobin and Lindsey Collen, 'Mauritius: class forces and political power', in *Review of African Political Economy* (London), 8, January-April 1977, p. 110, and Adele Smith Simmons, *Modern Mauritius: the politics of decolonization* (Bloomington, IN, 1982), p. 43.

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established. The sugar economy remained in the hands of relatively few French families, but the state and the growing public sector was dominated by the ruling party and the indo-Mauritian middle class it represented.[8] The island retained many of the characteristics of a 'sugar colony', not least by being small and isolated, with few natural resources, and extremely dependent on the export of a single crop. In 1968 sugar accounted for 93 per cent of exports and 94 per cent of all cultivated land, with production being concentrated in 19 large estates, 15 of which were owned by local private concerns, three by foreign capital (Lonrho), and one was state property. Smaller planters, formed into co-operatives, accounted for 40 per cent of the crop.[9]

The new Mauritian state was administered by increasingly capable civil servants. Perhaps due to their small number and secure economic holdings, the franco-Mauritians never really sought positions in the state bureaucracy. During colonialism this was occupied by British expatriates and local Creoles, and after independence more and more by the new indo-Mauritian white collar and educated middle class. Grounded in their community's history of small farms and agricultural labour, these 'European' trained public servants were not closely connected to the interests of the sugar oligarchy. This did not worry the dominant economic élite which believed that the ruling party and the governmental bureaucracy would be forced to recognise that the sugar estates were too important to the national economy to be compromised. It is certainly true that although the leaders of the MLP were free of direct ties to the franco-Mauritian oligarchy they shared the latter's interest in successful sugar exports since these were an important source of state revenue.[10]

After independence the régime headed by Ramgoolam adopted a more or less Fabian or social democratic ideology by arguing for a partnership between the public and private sectors designed to achieve capitalist economic growth and a modern welfare state. The ruling party favoured local capital accumulation and had long questioned the rôle of foreign capital in Mauritius. It also recognised that the island faced some very serious problems, notably excessive dependence on sugar, a rapidly growing population, and rising unemployment.[11] In

[8] This leaves unmentioned for the moment some very powerful foreign interests, since according to Houbert, loc. cit., Mauritian independence included an agreement that granted Britain (perhaps as proxy for the United States) authority over the Chagos archipelago, including the strategically important atoll of Diego Garcia.

[9] Alladin, loc. cit. p. 98, and Bowman, op. cit. p. 104.

[10] Houbert, loc. cit. p. 87.

[11] Bowman, op. cit. p. 69.

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addition, the early years of independence were characterised by a stagnant economy that was not helped by shifts in weather and changes in international terms of trade.

All this had been described and analysed in a contracted study, written in 1960, which outlined the island's situation, highlighting problems of sugar monoculture, population growth, lack of investment, and increasing unemployment. The so-called 'Meade report' included recommendations for economic diversification into labour-intensive manufacturing, as well as measures designed to hold wages down and reward workers through public services and benefits.[12] The majority of these proposals were adopted by the MLP Government and placed at the centre of plans for development, [13] which were formulated in a domestic context in which politics often seemed to be more personal than ideological. Most of the key players – both organisations and individuals – seemed to agree that Mauritius should strive for a moderate welfare capitalism, and by the 1970s the MLP had formed an alliance with the old anti-independence forces represented by the PMSD.

Since then the tendency for cross-ethnic/class alliances has characterised all Mauritian governments which have consistently formed around coalitions of some workers, the middle class, and segments of the upper class. The moderate gravity of the island's politics is revealed in the history of the *Mouvement militant mauricien* (MMM), which had been founded in 1969 by an alliance of intellectuals and unionists who felt that the MLP had failed to represent the workers.[14] The MMM organised a general strike in 1971 and called for radical changes, including the nationalisation of the sugar estates and the redistribution of income. At this time it was actively repressed by the régime in power, which declared a state of emergency, detained party leaders, and banned its newspaper.[15] Yet when the MMM gained office in 1982, through an alliance with left-wing members of the MLP who had formed the *Parti socialiste mauricien* (PSM), it moved to the political centre, continued the policies that had been pursued in the 1970s, and implemented some economic adjustments at the insistence of the International Monetary Fund.

[12] See J. M. Meade et al., *The Economic and Social Structure of Mauritius* (London, 1961, reprinted 1968).
[13] Ibrahim Alladin, *Economic Miracle in the Indian Ocean* (Rose Hill, Mauritius, 1993), pp. 100–2.
[14] Seegobin and Collen, loc. cit. pp. 113–17.
[15] E. G. Mukonoweshuro, 'Containing Political Instability in a Poly-Ethnic Society', in *Ethnic and Racial Studies* (London), 14, 1991, pp. 206–7.

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Such widespread political agreement created a stable atmosphere for the growth and functioning of a capable public service. Since officials did not have to worry about conflicting ideologies, they could push consistently towards what appeared to be common social goals. A number of local analysts argue that, given these elements, the bureaucracy is the prime mover in Mauritian society.[16] While the state in no sense represents the working class, neither is it a tool of the planter oligarchy; rather, in a process often seen in dependent capitalist development, the state favours social and economic progress through industrialisation and local capital accumulation – what can be called 'a national logic of accumulation'.[17]

SUGAR, THE STATE, AND INDUSTRIALISATION

Although early development plans included the establishment of an 'export processing zone' (EPZ), the island's first try at industrialisation primarily relied on an import-substitution strategy.[18] It was soon discovered that Mauritius did not possess the labour supply, capital, and markets necessary for an internally-oriented process of industrialisation. Nevertheless, some economic diversification was accomplished in the early 1970s, when good weather and bumper cane harvests produced the economic growth necessary to provide funds for welfare and diversification efforts by the state. Manufacturing employment grew from 5 to 20 per cent of the labour force during these years, as did the infrastructure needed for any further industrialisation.[19] Still the island remained a society of great inequality, where the top 10 per cent of households received 46·7 per cent of all income while the poorest 20 per cent had only 4 per cent.[20]

The logic of Mauritian planning seems to have been to boost sugar production in order to accumulate both private capital and public revenues as a basic resource for a more diversified and industrialised economy. Following the recommendations of the Meade report, the Government decided to tax sugar exports and to use public revenues to provide jobs through a public works programme and state-supported

[16] For example, Bunwaree, op. cit. pp. 2–28.

[17] For a classic discussion of dependent capitalist development, see Peter B. Evans, *Dependent Development: the alliance of multinational, state and local capital in Brazil* (Princeton, NJ, 1979).

[18] Bowman, op. cit. pp. 111–15.

[19] See David Lempert, 'A Demographic-Economic Explanation of Political Stability', in *East Africa Economic Review* (Nairobi), 3, 1987, p. 82, and Joseph Kakoza, 'Mauritius Achieves Twin Goals of Stabilization and Growth', in *IMF Survey* (New York), 16, 3, 1987, pp. 34–6.

[20] Bowman, op. cit. p. 119.

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economic diversification. The idea of a sugar tax was not new, having been mentioned as early as 1949 in the MLP's programme.[21] Its advocates believed that various state-negotiated sugar marketing agreements guaranteed planters a healthy profit and a margin of 'rent' which would justly be taxed to produce revenue for social and economic development.[22] Contrary to advice in the Meade report, the enacted sugar tax applied most harshly to the large estates, while small cane growers were assisted and subsidised by the state. This reversal of the agricultural priorities of the colonial era was in part due to the need of the new leaders to be responsive to their own constituencies and electoral supporters.

The decision to tax sugar exports was made – and perhaps could only have been made – by a relatively autonomous state bureaucracy, which was free enough from the influence of the sugar oligarchy to impose a significant tax on their large estates. The MLP was at least somewhat responsive, through the imperfect processes of electoral democracy, to those in need of jobs, education, health care, and other social services. The Government decided, as recommended in the Meade report, to use sugar tax revenues to fund social services so that the lives of workers might be improved without increasing wages so much that potential investors would turn away. According to Edward Dommen, who took part in these decisions:

> The tax allowed government to fund its social programme, health, education, and food subsidies, and … rural electrification … The expenditure was … a way of meeting important consumption needs so that social peace could be maintained while wages were low.[23]

The issue was so controversial that the PMSD, which represented the sugar oligarchy, left its coalition with the MLP when the tax was decided.[24] It continued to be consistently opposed by the large planters and was re-debated every time the amount was raised, as it was several times. In short, the state demonstrated its autonomy by implementing, continuing, and increasing the sugar export levy.

The most obvious early evidence of the bureaucratic capacity of the Mauritian state was its ability to negotiate access to the European market at a regularised and, in a sense, even elevated price for the island's sugar. The Lomé Convention was supported in the face of

[21] Seegobin and Collen, loc. cit. p. 115.

[22] According to Bowman, op. cit. pp. 104–14, during the 1980s the sugar tax accounted for nearly 15 per cent of public monies.

[23] Edward Dommen, 'Meade's Sugar Export Tax Saved Mauritius', in *Week-End* (Port Louis, Mauritius), 10 March 1996, p. 42.

[24] Mukonoweshuro, loc. cit. p. 223.

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opposition from many planters who seemed to be mainly interested in the size of their immediate profits, and who hardly looked beyond the high expectations that currently prevailed. But state bureaucrats saw the importance of secure market access, and believed that in future the price of sugar was likely to fall below what had been negotiated.[25] They felt that the agreement would provide a secure source of the capital and revenue necessary to achieve diversification, industrialisation, and an increase in employment.

In large part, the impressive economic growth experienced since independence has been the outcome of the state's ability to negotiate market access for sugar and eventually other goods.[26] A great deal of early state revenues and efforts went to providing jobs in a '*Travail pour tous*' public works programme that employed over 5,000 during the 1970s. As a result, the state became the second largest employer on the island,[27] having emerged as a major player in the economy during the first decade of independence by spending substantial amounts on social welfare by funding measures related to employment, health care, and education, as well as food subsidies and public pensions.[28]

Although Mauritius was still characterised by economic structures dependent on foreign markets and high levels of social inequality, the state's early programmes were not a failure. Sugar exports were up at a guaranteed price, population growth was down, and jobs were growing in government service, manufacturing, and tourism.[29] There were visible improvements in wages and living conditions, as well as state schools, which offered a route to social mobility for the children of middle and working class families. The Government responded to the MLP's constituency by keeping taxes low on the cane output of small planters, and by funding services and subsidies. State incentives, market access to the European Community, and cheap but educated labour enabled the Mauritian EPZ project to become a reality when the first foreign firms established factories on the island to receive semi-finished goods and to export what had been processed. Overall economic growth was still slow, and unemployment remained around 20 per cent.[30]

Sugar prices fell, cyclones destroyed crops, and a world-wide

[25] Z. Bhugaloo, 'National Development Strategy in the Years 1980–1988', undergraduate dissertation, University of Mauritius, 1991.
[26] Houbert, loc. cit. pp. 88–91.
[27] John Addison, *A New History of Mauritius* (Rose Hill, Mauritius, 1993), p. 101.
[28] Mukonoweshuro, loc. cit. p. 201.
[29] Percy Selwyn, 'Mauritius', in Robin Cohen (ed.), *African Islands and Enclaves* (Bervely Hills, CA, 1983), pp. 259–71.
[30] See Houbert, loc. cit. pp. 93–101.

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recession shrunk export markets towards the end of the 1970s. The continuing social welfare programmes led to higher deficits and increasing public debt, and by the end of the decade the island was experiencing both a slump and rising unemployment. As a result the state adopted a World Bank/IMF structural adjustment package in order to receive soft loans to cover its expenditures,[31] and agreed to more conservative economic policies, including important concessions to the sugar oligarchy. The imposed conditionalities resulted in cuts in public spending, the introduction of wage restraints, and reductions in food subsidies.

If the creation of the sugar export tax offered evidence of the autonomy of the Mauritian state, its reduction underscored the relativity of that independence. As Fred Block has pointed out, economic 'hard times' increase the power of capital over the state since the latter's legitimacy rests in large part on its apparent ability to deliver a strong economy and improved living conditions.[32] In capitalist societies such 'good times' are the result of the investment decisions of the dominant class. On the other hand, recessions damage the political legitimacy of governments, a pattern especially characteristic of an electoral democracy where declining economic conditions translate fairly readily into the withdrawal of mass loyalty and falling votes.

This scenario seems to fit fairly closely the situation in Mauritius as the state yielded to pressures from local capital and international financial institutions (IFIs) in the late 1970s and early 1980s, and reduced the sugar levy, replacing it with policies, such as a sales tax, less directly harmful to the interests of capital. But these measures failed to fund recurrent expenditures adequately, and Mauritius continued to experience budget deficits which rose to over 10 per cent of the gross domestic product.[33] These in turn spurred renewed international borrowing which opened-up the economy even more broadly to the influence of the World Bank and the IMF. As usual these bodies recommended that the deficits be handled through reduced public spending, which served to further weaken the state.

This part of the Mauritian experience seems to confirm that the power of international capital and its local allies in developing societies is highest during times of economic recession. These are the years when the IFIs are most able to 'recolonise' the Third World. Even though the bureaucratic state had sufficient autonomy from local capital when

[31] Addison, op. cit. p. 102, and Houbert, loc. cit. p. 95.
[32] Fred Block, 'The Ruling Class Does Not Rule', in *Socialist Review* (Berkeley, CA), 7, 1977, pp. 6–28.
[33] Bunwaree, op. cit. p. 56.

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deciding to introduce the sugar levy and to implement social welfare programmes, it was still dependent on the investment decisions of capital for the production of 'better' times and its own legitimacy.

The changed policies failed to spur economic growth and the 'hard times' continued. The governing coalition was weakened and new elections were held in 1982, when a reorganised MLP supported by the rightist PMSD was defeated by a centre-left alliance that had been headed by the MMM. Although continuity of political rule was disrupted by an internal split, the *Mouvement socialiste mauricien* (MSM) created by the Prime Minister, Aneerood Jugnauth, won the 1983 elections. Regardless of their leftist campaign rhetoric the new leaders implemented the development policies of their predecessors, and this general ideological and political stability may have reassured foreign and local capital about the favourable 'business climate' in the island. The conservative nature of the MSM Government indicated that radical changes – such as nationalisation of the sugar estates and other industrial property – were not likely to occur.

EXPORT-LED INDUSTRIALISATION

The recession of the late 1970s opened the Mauritian state and economy to the advice and influence of the aforementioned international financial institutions. Since then various studies and reports, as well as a certain amount of personnel training and 'seconding', have maintained the relationship. For their part the local bureaucrats have responded quite selectively to the proposals of these IFIs – adopting some and rejecting others.

It appears that the idea of an export processing zone originated with a local university professor who was familiar with the experience of Taiwan, and who believed that the East Asian 'tigers' possessed a surplus of capital that could be invested in Mauritius.[34] The state's long-standing goals of economic growth, diversification, industrialisation, job creation, and social welfare remained, but now export manufacturing was seen as the primary means to these ends. It was decided to attract investors through incentives that included duty-free imports, untaxed operations, cheap but educated labour, and profit mobility. By the mid-1980s the EPZ had attracted over 90 firms, and was especially strong in textiles. Economic growth returned, again

[34] The creation of an export processing zone in Mauritius is discussed in Kevin Shillington, *Jugnauth: PM of Mauritius* (London, 1991), p. 88–9, which mentions that the originator of the idea became an early and successful investor in the EPZ.

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reaching an annual rate of 10 per cent, and unemployment began to fall once more.[35]

Why did the state choose export-led industrialisation? Apart from the bureaucratic preference for responding to crisis with gradualism rather than radicalism, Block's point about the capitalist state's structural dependence on capital is also relevant. These two factors were perhaps strengthened by MMM agitation and union strikes that threatened to scare away potential investment capital. Was the export model adopted by Mauritian bureaucrats a response to MMM rhetoric and an expression of their own interest in a comfortable, rewarding, and empowering environment of political stability and order? If so, export-led industrialisation can be seen as the developmental state's gradualist response to economic crisis and radical politics.

It is important to realise that the ultimate policy choice was made by Mauritian bureaucrats. Although sometimes touted as a example of the merits of 'free market' philosophy, export-led industrialisation must be attributed to the developmental state's economic planning and interventions. It was local bureaucrats – with help from academics and the Meade report – who recognised the potential of export-led industrialisation for the creation of economic growth, and who used state authority and resources to implement the policy. They saw that wages could be restrained, labour reproduced, and living conditions sightly improved by a 'social wage' constituted through a series of welfare measures. As the export-processing zone had been in place since the early 1970s, well before economic recession forced Mauritius to turn to the IMF, the industrialisation strategy was hardly a product of the unfettered market. Rather, it depended on the decisions and resources of a capable and relatively autonomous state bureaucracy, a 'developmental state'.[36]

After the early 1980s, sugar prices and production rose once again, and the EPZ spearheaded a decade of impressive export-led industrialisation and economic growth. Its success is reflected in the fact that manufacturing had replaced sugar as the country's largest earner of foreign exchange by 1985.[37] Mauritius modelled its programme on the so-called newly industrialising countries (NICs) of East Asia, especially Taiwan, and has achieved comparable rates of economic

[35] Alladin, 'Economic Development in a Plantation Economy', pp. 100–1.

[36] See Peter B. Evans, 'Predatory, Developmental and Other Apparatuses', in *Sociological Forum* (New York), 4, 1989, pp. 561–87.

[37] R. C. Kearny, 'Mauritius and the NIC Model Redux', in *Journal of Developing Areas* (Macomb, IL), 24, 1990, pp. 195–216.

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growth.[38]The general strategy of development appears to be supported by all the major political parties participating one way or another in government. Economic growth and the state's continued funding of social welfare programmes, combined with a willingness to let wages rise slowly as the economy grows, seems to have broadened and maintained this general policy agreement, thereby producing an important sense of security among real and potential investors.

Central to the scheme of establishing an export-processing zone was the idea of using the island's already negotiated access to the members of the European Community as a lure to potential investors, especially from countries that may have reached the limit of their own quotas in those lucrative markets. Hence the importance of the early sugar-marketing negotiations, as well as the period of import substitution when measures were taken to create the necessary infrastructure. Meanwhile, government policies in education and social services had resulted in the relatively cheap, skilled, and stable labour force that was so crucial for the successful export of locally manufactured goods. Apart from the state's decision to take control of labour relations through a corporatist process of national wage negotiations, as well as special regulations for EPZ firms, low wages in the island had at least two more indirect sources. First, they were a heritage of the coerced labour systems of the sugar plantations which produced a historical norm of low wages. Second, Mauritius was a highly patriarchal society, and the devaluing of women and their labour unintentionally produced a group of adults who could be employed very cheaply. As a result, manufacturing workers were disproportionately likely to be women earning on average around 60 per cent of the wages of men in the cane fields.[39]

State bureaucrats further recognised that the successes of the sugar sector had resulted in a sizeable local accumulation of capital which might be attracted to the EPZ. Sugar production seemed to have reached its limits in terms of land, labour, markets, and – to a lesser extent – mechanisation. Local capital was looking for new investment opportunities, and much of it was being sent off the island. State policies, guarantees, and concessions made the export-processing zone an especially attractive investment opportunity. A great deal of domestic capital was drawn to the EPZ, which was soon around 50 per cent locally owned, and while most came from the sugar oligarchy,

[38] Alladin, *Economic Miracle in the Indian Ocean*.

[39] It should be noted that as labour grows scarce and EPZ wages rise, more and more men are employed in export manufacturing.

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other sources included the commercial banks, half of which are locally owned, including the two most dominant institutions.[40] This indicates that the economy is less burdened with the kind of foreign dependency that has damaged so many other developing nations, while the high rate of local ownership and management ensures that at least some of the profits remain at home.[41]

It needs to be emphasised that the Mauritian EPZ is a geographically dispersed legal 'zone', so that not all factories are located in one area. Hence the generated employment opportunities are spread throughout the island and offer an unusual degree of linkage with other sectors of the national economy. These characteristics also reveal the extent to which export-led industrialisation has relied on the capability of a developmental state, which steers economic relations not only in Mauritius but also externally with foreign capital and markets. Here, once again, the policy has been to guide, direct, and use but not replace the markets. The state's ability to conduct this mediation successfully drew upon a clear understanding of the global economy. Mauritius wisely began its export-led development at a time when international conditions had produced geographically close and culturally friendly capital – notably from Hong Kong, Singapore, South Africa, and Sri Lanka – looking for new investment opportunities. It is also true that this occurred at a time of expansion in the world economy when the markets which received Mauritian goods were growing.

Designed, subsidised, and guided by the state, the EPZ expanded annually by as much as 30 per cent in the mid-1980s. By 1990 nearly 600 firms, heavily concentrated in textiles and garments, were employing over 90,000 workers, almost one-third of the island's total work force. They accounted for 63 per cent of all exports and 15 per cent of the gross domestic product, which helps to explain why the overall annual rate of growth during 1983–90 was around 7 per cent. Inflation was not a serious concern and Mauritius had no debt-servicing problem. When the numbers out of work fell to under 2 per cent the country was considered to have reached full employment. Wage restraints were loosened somewhat, and incomes per capital rose by over 40 per cent, doubling since independence. The distribution of income improved during the 1980s, evidenced by a drop in the Gini coefficient from 0·445 to 0·379.

[40] See Kearney, loc. cit. and Alladin, *Economic Miracle in the Indian Ocean*.

[41] Matthew William Roberts, *Export Processing Zones and Development: the experience of Mauritius* (Bloomington, IN, 1988), School of Public and Environmental Affairs, Occasional Paper No. 17, p. 28.

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Mauritius has combined a high level of economic growth with welfare measures designed to improve the lives of the working majority, not least because the state has spent widely on education, health care, and other social services. By the end of the 1980s infant mortality on the island was below 19, life expectancy was 65/72, and literacy was over 90 per cent. Education and health care were free, and by the 1990s Mauritius had been placed in the 'medium human development' category by the United Nations.[42] At the same time public budget deficits had been kept low at 3–4 per cent.[43] As Block suggests would be the case during these years, economic growth increased resources and tax revenues, as well as the legitimacy and influence of the state.[44]

What was the rôle of the IFIs in the Mauritian success? The adjustment programmes of the Washington-based financial institutions were introduced in the 1970s when the island was suffering from several years of economic recession, and their implementation by the leaders of the MMM served to undercut their radical rhetoric. This probably increased the 'comfort level' of local and foreign capital. Beyond this it seems dishonest for the IFIs to declare Mauritius their success. Clearly the state's adoption of industrialisation through an export processing zone, combined with aggressive social welfare programmes, was as much an indigenous as an external strategy, and more statist than *laissez-faire*. The high amount of state economic intervention apparent in the island was not usually part of IMF/World Bank recommendations to the Third World during the 1980s.

MAURITIUS IN THE 1990S

Although Mauritius may have been brought to the level of a middle-income developing country, it is still dependent on a few narrow external markets, a pattern that originated with the sugar monoculture. Currently, the EPZ is centred on the textile industry, which accounts for over 60 per cent of its manufacturing activity. The raw materials are imported, as in similar processing zones elsewhere, and the finished products are exported mainly to Europe. Although local incomes have been increasing, EPZ workers were by the late 1980s receiving only 30–50 per cent of comparable manufacturing wages in, for example,

[42] Kearney, loc. cit. p. 197, and United Nations Development Programme, *Human Development Report, 1994* (New York, 1994), p. 105.
[43] Tony Hawkins, 'Mauritius', in *Institutional Investor* (New York), September 1989, pp. 3–23.
[44] Block, loc. cit. pp. 14–20.

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Hong Kong or Taiwan.[45] Although the cultivation of sugar cane has decreased and investment in production in down,[46] the crop is still of great importance. The island's economic growth began with successful agriculture and, like Taiwan,[47] this remains a key source of local capital for other sectors. Booms and busts in sugar often seem to resonate throughout the economy.

The limits of the island's industrialisation strategy may now be arriving. As local wages have risen and cheaper competitors emerged, the export-processing zone has stumbled and the closure rate stands at nearly one enterprise in five, since the total number of firms had dropped to only 477 in 1995.[48] The economy is experiencing a declining rate of savings, a balance-of-payments deficit, and a slightly increasing public debt. GDP growth has slowed to under 5 per cent in the last two or three years, which means that the future of Mauritius and the advice of the IMF/World Bank have become important political issues. Capital is worried about inflation and budget deficits, while workers wonder if the welfare state is to be dismantled. Elections in 1995 brought a massive victory for the political opposition, and a new government was formed through a coalition of the MLP and the MMM.

The state bureaucracy has responded to these problems by setting several new goals. These include the modernisation of the sugar industry; the diversification of agriculture into fruits, vegetables, and flowers; and the further promotion of Mauritius as a most-desirable tourist destination.[49] Currently the EPZ is still sharply focused on textiles, and state planners fear that rising wages will make labour-intensive industry non-competitive.[50] They argue that it is time to create an economy where manufacturing is increasingly capital- and technology-intensive. This means training and educating a more skilled and higher-cost workforce, and improving the island's physical infrastructure and socio-economic institutions, while attempting to find new markets. Mauritius wants to use its reputation for political stability

[45] Alladin, *Economic Miracle in the Indian Ocean*, and Bowman, op. cit. pp. 128–9.

[46] Alladin, 'Economic Development in a Plantation Economy', pp. 98–9.

[47] See Alice H. Amsden, 'The State and Taiwan's Economic Development', in Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol (eds.), *Bringing the State Back In* (Cambridge, 1985), pp. 78–106.

[48] See Alladin, *Economic Miracle in the Indian Ocean*, and Bunwaree, op. cit. pp. 58–71.

[49] A considerable amount of the growing investment in tourism is domestic, and 75 per cent of those employed are Mauritians. World Bank, *Mauritius* (Washington, DC, 1992), estimated that 40–45 per cent of earnings from tourism remain on the island.

[50] During 1995 the Mauritian Employers Federation reported that local wages were much higher than in Thailand, Bangladesh, and some other textile-exporting countries.

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to become a financial centre linking Asia and Africa, and has established both a stock exchange and an offshore banking centre, as well as a 'free port' zone in the capital city and main seaport, Port Louis.

Several other related concerns loom large as regards the future of Mauritius, because planners are worried about what is going to happen when the Lomé IV arrangements between the European Union (EU) and the African, Caribbean, and Pacific countries (ACPs) expire in 2000, as does the General Agreement on Tariffs and Trade (GATT) in 2005. The island is faced with the potential ending of its preferential market access while experiencing the labour shortages and rising wages that are sure to challenge the competitiveness of its firms and products, especially as they already suffer from relative isolation and high transportation costs. Certain ill-considered industrial and tourist projects have taken a great toll on the environment, and ecological damage is a looming threat to continued economic growth. It may well be that wise public policies and social mobility will enable the island to maintain its reputation for unity in diversity, as well as tolerance. On the other hand, an economic recession may result in increasingly overt religious and ethnic conflict, because Mauritius is a plural society with a Hindu majority and significant minorities of Chinese, French, Muslims, and Creoles, and the latter two feel alienated from such key institutions as the courts and the police.

During economic 'hard times', as emphasised previously, the structural dependence of the state on capital is felt most intensely, and in recent years the power of both local and international capital in Mauritius had been substantial. In 1994 the Minister of Finance announced the total abolition of the sugar tax, and the acceptance of other recommendations from the IFIs suggested that those in power had embarked on a policy of further liberalising the economy, especially the flow of capital and foreign exchange. By late 1996 the Government was reportedly being urged by the World Bank to 'rethink its participation in the economy and move from its role as a provider of economic opportunity and of public services to a facilitator of internationally competitive activity, a guarantor of fair competitive practices and a last resort for the most disadvantaged'.[51] It has certainly decided to adopt the type of structural adjustment measures in place throughout much of the rest of Africa, notably those designed

[51] Pamela De St. Antoine, 'Government Delays Worry World Bank', in *Week-End*, 1 December 1996, p. 15.

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to reduce the size of the public sector. Hence recent proposals to open up telecommunications, port facilities, and air transportation to international competition, and to reduce taxes and regulations on non-EPZ businesses.

Resistance to these policies is being voiced by Mauritian intellectuals and trade unions, and they have launched a nation-wide protest against economic liberalisation. Specific concerns that arouse strong interest include the size of future wage increases, the protection of welfare services, reservations about privatisation, allegations of political corruption, and the controversy over the size of the budget deficit. The Mauritius Labour Congress charged that the latter was caused by the illegitimate transfer of public funds to the Bank of Mauritius, and the ensuing scandal resulted in the resignation of the Minister of Finance and a civil tribunal ruling in favour of union demands that salaries and wages in the public sector should be raised by 15 per cent, as previously promised by the Government.[52] The campaign includes opposition to the rôle of the IFIs, because although the specific overt concerns may be budget deficits and salary increases, the underlying issue is the future direction of development as the nation enters a new phase of industrialisation. Will the island follow the economic conservatism of the IFIs or remain true to its own social democratic traditions? This perhaps is now the major choice confronting the Mauritian developmental state.

SOME CONCLUSIONS

It is sometimes suggested that the NICs offer good examples of development by following the 'free market'.[53] To the contrary, their actual experience – as confirmed by what has been achieved in Mauritius – points to the importance of the state as regards the process of dependent capitalist development.[54] In these cases, economic growth has been the result of the guidance and intervention of the state bureaucracy rather than the unfettered market-place.

This pattern in capitalist development was perhaps first noted by Max Weber, who insisted on the importance of social institutions characterised by bureaucratic rationality.[55] More recently it has been

[52] International Confederation of Free Trade Unions, 'Discontent in Mauritius', in *ICFTU Online*, 28 October 1996.

[53] See Bela Balassa, *The Newly Industrializing Countries in the World Economy* (New York, 1981), and World Bank, *World Development Report*, 1987 (New York, 1987).

[54] For a brief review, see Gary Gereffi and Stephanie Fonda, 'Regional Paths of Development', in Judith Blake and John Hagan (eds.), *Annual Review of Sociology* (Palo Alto, CA, 1992), pp. 433–5.

[55] Max Weber, *Economy and Society* (New York, 1968).

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explored in the work of Peter Evans and others on the 'developmental state' characterised by a capable and autonomous bureaucracy that uses the market, that formulates national goals independent of the direct influence of the dominant economic class, and that has the competence and resources to implement these goals.[56] It has been suggested by Theda Skocpol that 'A state's means of raising and deploying financial resources tells us more than could any other single factor about its existing (and immediately potential) capacities'.[57] The sugar export tax provided a significant portion of the revenues of the Mauritian developmental state, which also possessed a cadre of educated officials and planners operating in a secure organisational environment defined by a basic ideological consensus. As a result, according to Bunwaree, 'Unlike their counterparts in more socially and politically troubled less developed countries, Mauritius's intellectually trained elite has been able to take a long range approach to macro economic policy making and implementation.'[58]

The autonomy of the state originated in the social space provided by the emergence of an indo-Mauritian middle class via the historical process of 'parcelling out' some of the sugar estates. It may well be that the most important factor in a full explanation of dependent capitalist development is 'the existence of a powerful state apparatus disconnected by historical circumstances from property holders as a class'.[59] The Mauritian state's autonomy is evident in the fact that its bureaucrats were not recruited from the sugar oligarchy but from the Indian and Creole middle class, and that they did not formulate close ties to the landed élite.[60] Needless-to-say, electoral democracy amounted to at least some political support for continued state autonomy *vis-à-vis* the oligarchy.[61]

If the state bureaucracy had not been able to tax sugar profits but had merely acted to increase the 'rent' accrued by wealthy planters, there is no doubt that Mauritius would be less developed, less industrialised, and less equitable today. However, it is the case that planning has been accomplished in a 'top-down' fashion with little

[56] Peter B. Evans, *Embedded Autonomy* (Princeton, NJ, 1995), and Peter B. Evans and John Stephens, 'Development and the World Economy', in Neil Smelser (ed.), *Handbook of Sociology* (Newbury Park, CA, 1988), pp. 739–73.

[57] Theda Skocpol, 'Bringing the State Back In: strategies of analysis in current research', in Evans, Rueschemeyer, and Skocpol (eds.), op. cit. p. 17.

[58] Bunwaree, op. cit. p. 28.

[59] Evans and Stephens, loc. cit. p. 756.

[60] See Ellen Kay Trimberger, *Revolution From Above* (New Brunswick, NJ, 1978), pp. 4–5.

[61] Dietrich Rueschemeyer and Peter B. Evans, 'The State and Economic Transformation: toward an analysis of the conditions underlying effective intervention', in Evans, Rueschemeyer, and Skocpol (eds.), op. cit. p. 63.

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mass participation, and that development has been characterised by a corporatism where the state mediated a bargain of acceptable profits, wage restraints, labour-intensive industrialisation, and a 'social wage' in order to maintain international competitiveness for its exports and produce economic growth, rising incomes, and jobs.

It is also important to underscore that the autonomy and capacity of the developmental state in dependent capitalist societies is relative. Development in Mauritius is capitalist development and in any such process the weight of capital is substantial. The workings of the Mauritian state are conditioned by the power of the local sugar oligarchy. The bureaucracy was able to overcome the latter's original resistance to economic diversification, and this may well have been because the planters became convinced that they, as capitalists, would benefit perhaps most of all from export-led industrialisation. In addition it is true that even during colonialism the sugar estates had accepted an interventionist state. Contrary to some of the implications of both modernisation and dependency theory, the local landed capitalist class eventually became an active partner in a state-directed process of manufacturing. The predominance of local capital in the Mauritian experience is one reason why the island has largely avoided the relationship between export orientation and developmental failure that is stressed by dependency analysts.

The Mauritian state is still conditioned by the power and interests of foreign capital which controls necessary overseas markets and dominates the increasingly powerful IFIs of global capitalism. It seems that some types of transnational economic linkages are more open to the manipulations of a developmental state than are others. Mauritius is integrated into the world economy primarily through trade and, as Gary Gereffi and Stephanie Fonda have noted, trade is a much less determining and damaging type of external linkage than, for instance, credit and debt.[62] International trade combined with a meaningful degree of local ownership seems to allow more room for the state to use its resources for national development.

With the assistance of the Mauritian case it is possible to describe the developmental state as both dependent and independent, a situation that Evan has called 'embedded autonomy'.[63] Although ultimately dependent on the activity of capital for its own resources and legitimacy, the state was only able to implement export-linked industrialisation because it had some significant degree of autonomy

[62] Gereffi and Fonda, loc. cit. pp. 442–3.

[63] Evans, op. cit. 1995.

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and bureaucratic capability. The idea of a developmental state appears to run counter to the images presented by the advocates of modernisation and the practices of the IMF and the World Bank, let alone the underdevelopment thesis of early dependency theory. Capitalist development requires the activity of a state strong enough to intervene in international and national economic relations. It requires a state with 'the capacity to secure a favorable opening and to persuade … domestic actors … to follow'.[64] That this type of development requires a capable state somewhat independent from the interests of capital itself is one of the many contradictions of capitalism.

Like all social institutions the developmental state has limits, and in Mauritius these most likely lie at the boundary between economic growth and social development. This means that the future may well depend more on the relationships between state and labour than on those between state and capital. In fact, it is these very matters that are creating current political conflicts on the island. The developmental state can certainly produce economic growth. The question is: can it also produce social development?

[64] A. D. Kincaid and Alejandro Portes, 'Society and Development in the 1990s', in Kincaid and Portes (eds.), *Comparative National Development* (Chapel Hill, NC, 1990), pp. 14–15.

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