

Interview

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A portrait of Eric Ng Ping Cheun, an economist, wearing glasses and a light blue shirt, sitting at a desk with his hands resting on the surface. The background is a plain, light-colored wall.

“This year has been a rather muted performance”

Given that this week sees the first anniversary of the Alliance Lepep, Weekly talks to economist Eric Ng Ping Cheun to get his opinion of the government's performance and the issues affecting the economy. He gives a candid evaluation of the DTAT debacle, the consequences of the BAI affair and unfortunately forecasts a somewhat grim economic future, but he does have some thoughts on how things could be turned around though...

PHOTOGRAPHER : NASURUDIN KERAMUTH

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By Touria PRAYAG

■ What is your evaluation of the Lepep government's performance this year?

It is a rather muted performance. In fact, the focus this year was not on the economy. It was on the British American Investment (BAI) affair etc. You will have noticed that after the budget, the prime minister at some point, had to intervene to try to refocus the country's attention on the economy.

■ Did he succeed?

Not really. Admittedly, there was a short span where the confidence index went up as a result of the fast-track high level committees set up to look after projects. That was short-lived and it quickly fizzled out, as other events cropped up, particularly the way the Double Taxation Avoidance Treaty (DTAT) with India was handled and the problems with that. So, today we are back to square one. The climate of business is morose and confidence low. In fact, the latest survey in the Mauritius Chamber of Commerce and Industry's (MCCI) report for the third quarter of 2015 shows that there has been a drop in the confidence index among those surveyed. The president of the MCCI has also highlighted the moroseness in the world of business and the treaty with India has largely contributed to that.

■ Why was the treaty handled in such a way, according to you?

I think that maybe the minister wanted to show that he has managed to strike a deal once and for all and that he is the mastermind behind that. He ended up signing something which is very detrimental to Mauritius. You cannot give up the traditional market overnight. Africa is a very different market and the product is different. In India, you do tax planning, investment funds etc. where there are very large margins, whereas in Africa, they are very small. It is not the same type of business.

■ The argument of the minister of finance is that we



"The image we are giving the world is that we are not far from being a banana republic."

are robbing the poorest of the poor of India.

(Bursts out laughing) I don't subscribe to this robbery theory. We do business. This is investors' money and we provide a service. Yes, we do help investors to pay as little tax as possible because we are in a very competitive world. And we are a low-tax jurisdiction so we put forward our advantages. But India still benefits from investment and job creation and other taxes on consumption. So how are we robbing the poor? They are getting foreign direct investment going into India.

■ What about investment within our shores?

It is stagnating. There are very bad signals for foreign investors. If you look at this new Good Governance and Integrity Act, the arbitrary arrests and the way the BAI was handled, I think it is clear that the image we are giving the world is that we are not far from being a banana republic. That is the perception we have created. Even Chinese investors are asking questions about these arbitrary arrests and

the bills being debated.

■ What about the employment situation?

The forecast is that unemployment will rise from 7.8% last year to 8% this year. Also, there is a lot of anxiety even among those employed because the situation is fickle. In parastatals, the situation is even worse. These parastatals are mismanaged and are in a bad shape, so some jobs will be lost. The problem is that there are no jobs being created to be able to allow those who have lost their jobs to be redeployed. There must be a dynamic situation where there is job creation so that when jobs are lost, others are created. That is not happening.

■ If we must remember one thing about Lepep's first year, would it be the handling of the BAI affair?

(Laughs) Yes, of course.

■ What are the consequences of that on the economy one year later?

(He hesitates) Up until now, we know nothing about the BAI problem. We have to wait for the nTan report from the Bank of

Mauritius. There will soon be arbitration and I hope the government has a strong case to present, for their own sake. There are many shady zones. There is also a court case by Courts Asia and our reputation in Singapore has taken a good thrashing. We wanted to have Singaporeans as partners for the port project, I don't think that will happen. Also, I can tell you that many multinational banks here in Mauritius are worried! First, the DTAT with India is a big chunk of their business and secondly, there was the Bramer Bank and what followed. So, we have not seen all the consequences of the BAI affair yet. There may be worse to come.

■ Government debt has gone up by Rs22 billion in one single year. Does that worry you?

Of course, it worries me! We were under the close watch of Moody's and we were supposed to aim for 50% in 2018. I can't see us reaching that target. When debt rises sharply, investors expect an increase in taxes and that weighs heavily in their decision to invest or disinvest.

■ In spite of all this, there is good news: Moody's has not lowered its rating for us. Do you draw satisfaction from that?

Not really. Moody's analyses every country in relation to its peers. So maybe in relation to our peers in the emerging markets, we may be doing relatively well. Besides, the rating is based on previous years. So if the debt situation continues and if things do not improve on the other economic indicators, I don't think Moody's will keep dishing out the same mark to Mauritius. We have to reverse the trend.

■ How? Will the smart cities project help?

To begin with, for the smart cities, the promoters are getting a lot of tax incentives for the first 10 years! So they will not help us get tax revenue. Some are talking about another Illovo deal. There have been several billions of rupees of exemptions. To generate revenue, we need to have growth

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Eric Ng Ping CHEUN, economist.



and job creation which results in spending.

■ **How do you achieve growth?**

Through investment. Not only in real estate construction but in other sectors too: ICT, manufacturing, tourism, agro-industry, financial services... We must have balanced economic growth so that the economy goes forward and money goes into the state coffers.

“We are among the few countries in the world where public sector salaries have been going up since 2008 in spite of the recession.”

■ **Will that happen?**

Well, even the Bank of Mauritius is expecting worse growth than last year. Last year, it was 3.5%, this year, the forecast is 3.4%. Even next year, we will remain below 4%, according to me, because of the big uncertainty in the offshore sector, there will be unemployment problems and even the manufacturing sector is growing at 1 or 2%, which is very low. Therefore, next year, there might be some growth from a low base but I think it will remain below 4%. And unemployment will follow.

■ **Won't unemployment be alleviated by the public sector jobs the government has been promising?**

That is the problem. Public

sector jobs will drive public debt even further up. The wage bill is really increasing and next year there will be the Pay Research Bureau (PRB) report and there will be a lot of pressure on the government. We are diverting resources from the private sector through taxes. We are among the few countries in the world where public sector salaries have been going up since 2008 in spite of the recession.

■ **What is the economic outlook then?**

Moderate growth not exceeding 4% and I fear that unemployment will go up much more. It will be above 8%. We are betting a lot on construction and smart cities but in the construction sector, only 50% of the staff are Mauritian. But to reduce unemployment you have to create jobs in all the sectors of the economy. There is a diversity of skills so there must be a diversity of jobs to absorb them. If I have no skill in masonry, how do you expect me to become a mason?

■ **What do you think will happen on the political front?**

That will depend a lot on Pravind Jugnauth's case and its outcome. Whether he wins his case in appeal or not, there will be another appeal in the Privy Council. If this drags on, there will be different currents within the government. Different people will try to position themselves. This might even result in a scission in the *Mouvement Socialiste Militant* (MSM). As far as the opposition is concerned, they will continue to exert pressure on the government and I think we are heading towards a three-cornered fight.

■ **If there is a three-cornered fight, who will be the winner?**

It is difficult to say at this point. It will depend on what each party will put on the table. Who will be prime minister, for how long etc? There are a lot of factors to be considered. It will be a very interesting election which will not be played in advance. ■

[SMELL THE COFFEE]

By Lina Myte PASCAL



Foreigners with a hidden agenda

Did you know that hundreds of volunteers from abroad are in your country right now, to teach Mauritian kids “good values”? Silly you for assuming that we were perfectly capable of tending to that task ourselves. No, it turns out that we were at a loss until Logos Hope, a ship full of good-hearted foreigners, turned up. No need to thank them – two government ministers attended the opening ceremony of the ship's visit to do it for you. So, who are they, these foreigners?

According to the PR material, the ship Logos Hope is run by 400 unpaid volunteers from 45 countries, and operated by a private charitable organisation in Germany. Their aim is to “bring knowledge to the world” through running a bookstore on board the ship – they call it the “world's largest floating library” – and to do social work in the countries they visit (in Mauritius, they teach local children “good values”). Does it sound beautiful? Perhaps – but here is the truth: These people who want to bring us “knowledge” aren't librarians, teachers or scientists. Nor do they belong to any other profession associated with the word ‘knowledge’. The simple truth is that these are missionaries who want to convert you to their religion.

Yes, folks, Logos Hope is really a Christian missionary movement that, like any religious movement, primarily works towards encouraging others to embrace its own way of life. The “private charitable organisation” behind it, OM Ships International, openly states that it is part of the global Christian outreach movement. What Logos Hope is doing is referred to by the organisation as a “ministry”, meaning an activity carried out by Christians to spread their faith – converting people, in other words.

We're not saying that missionaries don't have the right to try their luck in this country. On the contrary, we are great defenders of religious freedom. But please, Logos Hope, call a spade a spade. What you are spreading is a religious message, not “knowledge”. And no, we will not let you get away with the image that you are trying to project of your crew as the poster child of international cooperation, either. In the PR material, you make it a point to mention that the staff come from many different cultures and that despite their differences, “they seek to understand and respect each other”. You fail to mention what the captain gladly admitted to us – that no one who isn't a Christian can join your “charity”. A Muslim or Hindu on the ship as part of the team? Forget it. “They don't share our way of life,” the captain said.

Logos Hope crew, it's easy to respect people who already think and act like us. Where cross-cultural communication becomes rewarding is when we with an open mind seek to understand those who have a different worldview, without trying to convert them to our own. The kind of religious ethnocentrism that missionaries practise divides the world; it doesn't unite it. Our advice to the Logos Hope volunteers? When you go out to Mauritian children on this island of ours, where people live together in spite of having different religions, let them do the talking. They have a thing or two to teach you about good values! ■