CONTENTS

• Editorial: ~Erik von Uexkull

• World Bank Research: Does The Tide Lift All Boats? Income Inequality and Earnings Mobility in Mauritius ~Marco Ranzani

• Global Trends: And The Times They Are A-Changing Global Trends In Manufacturing and What They Mean for Mauritius ~Interview With Gaurav Nayyar & Richard Newfarmer


• About the World Bank: New World Bank Group President Sets Out to Improve Development Outcomes
EDITORIAL

When my family and I set out to Mauritius last year, we could not wait to arrive and learn everything about our new home. One year later, my baby daughter has taken her first steps on Mauritian soil, and ‘mine frite’ has become a beloved standard of our family diet. And every day, I remain in awe with the ‘can do’ spirit and vision of the many Mauritians from all walks of life I have the pleasure to meet. From ordinary citizens volunteering their time to help disadvantaged children, to dedicated and highly professional public servants, and a private sector full of ideas and appetite to try new things, I am starting to see what has enabled this country’s special journey.

As a global development institution, the World Bank’s mission is to support Mauritius in its continuing path to economic and social development to the benefit of all citizens. This can take many forms, and in high middle income countries like Mauritius it is often more about knowledge and technical advice than about the financing that our institution is best known for. In fact, there are currently no active World Bank lending operations in Mauritius, but our technical cooperation in areas such as education reform, banking supervision, economic planning, and productivity has been expanding in the past year.

The purpose of this update, which we will publish twice a year going forward, is to keep the Mauritian public informed of the work we do here, and to share some of our thinking on global issues that are important to the country. But beyond that, I hope that the newsletter will help us deepen our dialogue - so please do not hesitate to reach out with any comments or questions, or any topics you would like to read about in the future.

In this first edition, Marco Ranzani, World Bank poverty expert, summarizes the findings of two years of research on income inequality and labor mobility in Mauritius. We also sat down with the authors of two fascinating new books on the role of manufacturing for development to ask them how a changing global landscape is likely to affect the prospects for the Mauritian manufacturing sector. In a joint think piece, my colleague Roberto Echandi and I reflect on the experience of Costa Rica in landing a transformative foreign direct investment by Intel microchips that changed the country’s development trajectory, and whether Mauritius too could catch such a ‘Blue Marlin’ investor. Finally, we take the opportunity to introduce our new President, Mr. David Malpass.

I hope you will enjoy the read- please keep in touch!

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DOES The TIDE LIFT ALL BOATS?

Income Inequality and Earnings Mobility in Mauritius

By Marco Ranzani
Mauritius has enjoyed steady growth in its per capita income, but has this benefited all Mauritians? Marco Ranzani, World Bank Poverty Economist for Mauritius, reflects on the findings of his research on two key questions: How has the income distribution across households changed over time? And are there opportunities for individuals to move up the income ladder?

Few sub-Saharan African countries have achieved progress in living standards of their population comparable with Mauritius. In the aftermath of independence, Mauritius overcame a number of vulnerabilities, including high population growth, ethnic tensions, substantial unemployment, and an economy greatly dependent on the production of sugar for international markets. Since then, the economy has undergone an unprecedented structural transformation from a monocrop to a diversified and export-oriented economy that has made steady growth possible and has placed Mauritius solidly in the upper-middle-income category. In 2018, per capita gross national income of US$ 12,050 (measured in current international dollars) was the second highest in Africa.

The transformation of the economy has also brought about significant poverty reduction. Measured against the international US$5.50-a-day 2011 purchasing power parity poverty line, consumption-based poverty declined from 20.3 percent in 2006/07 to 18.1 percent in 2012 and 12.1 percent in 2017, well below the average of 34.4 percent among upper-middle-income countries. However, economic growth was accompanied by an increase in income inequality, particularly in the aftermath of the global economic downturn and terms-of-trade shock that hit Mauritius between 2008 and 2015. As measured by the Gini index and using data from Statistics Mauritius’ Continuous Multi-Purpose Household Survey, income inequality in Mauritius increased from 0.37 in 2001 to 0.42 in 2015. This is comparable with the levels of inequality in countries at a similar level of economic development (the average among upper middle-income countries being 40), and moderate compared with the most unequal countries in the world, such as South Africa (63.0), Namibia (59.1), Botswana (53.3).

The increase in inequality is largely due to the dynamic of income from labor. With the economy progressively shifting from traditional and low-skill sectors to professional, real estate, and financial services, demand for skilled labor has increased rapidly and considerably. Despite the substantial improvements in education among the population, supply of skilled labor has not kept the pace of the growth in demand. As a result, high-skilled workers benefited from larger increases in earnings compared with low-skilled workers. In other words, inequality has increased because the high-skilled have become much richer rather than because the low-skilled have become poorer.
But inequality only tells part of the story. Inequality indicators compare the position of one individual to another individual at a certain point in time. Let’s say that inequality increases over time. This tells us that the gap between individuals at the top and individuals at the bottom of the distribution measured at two points in time has widened. But it does not say anything about how the same individual fares over time, in other words whether that individual has gotten richer or poorer. Understanding the extent to which individuals change position within the distribution of earnings, also known as earnings mobility, is important because it alters our understanding of how people are affected by inequality. If individuals move along the income distribution over time, for example because they start out relatively poor and then become richer through their own effort, then a high level of inequality is less of a concern because where people start says little about where people will end up in the future.

What do we know about earnings mobility in Mauritius? Statistics Mauritius collects data that track individuals over a period of 16 months through the Continuous Multi-Purpose Household Survey. The good news is that, over a period of about one year, workers who start off at the bottom of the earnings distribution see on average larger increases in their earnings in absolute terms than those who start off at the top (figure below, green columns). By contrast, just looking at earnings at the bottom and at the top of the earnings distribution, regardless of whether such earnings belong to the same individuals over time, shows that incomes at the top are growing faster than incomes at the bottom, and therefore inequality is increasing (same figure, yellow columns). How is that even possible? Key to understanding the difference between these two findings is that inequality is about comparing earnings at different points of the distribution regardless of whether the same individuals occupy the same position over time, whereas mobility is about comparing the same individuals and how much they earn over time. Since workers can move along the distribution over time, workers initially at the bottom (top) are not necessarily the same workers that are found at the bottom (top) at the end of the period.

**Changes in earnings by Initial Income: Same individual over time vs income groups, 2005 - 2015**

![Chart showing changes in earnings by initial income quintile](chart.png)

**Source:** Based on data of the Continuous Multi-Purpose Household Survey, Statistics Mauritius.

**Note:** Earnings are expressed in 2015 prices.
Evidence of mobility in earnings is good news. However, this general finding does not apply to everyone: there are some characteristics that make catching up with the earnings of high-paid workers more difficult. As it happens, these are the individual traits that are also driving the rise in inequality. First, the more rapid increase in labor force participation of women in the most affluent households together with the increase in the probability of men and women with similar educational backgrounds to marry contributed to the rise in household income inequality. Moreover, women start with low earnings relative to men, and they also experience less mobility than men with similar characteristics. Different observable characteristics between women and men like educational attainment, occupation, sector of employment, and enterprise size, are important to explain part of the earnings gap. But here are also more unobservable factors at play. Examples are cultural values and social norms that assign to Mauritian women a traditional role as providers of child and elderly care and with responsibilities for a broad range of nonmarket domestic activities. As a result, women may seek less competitive and less remunerative career paths that allow for greater employment flexibility. Second, low educated workers experience lower mobility. The shift of the economy towards the services sector translates into a larger demand for high-skilled workers that not only benefit from higher earnings to begin with but also enjoy faster growth in their earnings.

In sum, over the last 15 years structural transformation has brought about sustained economic growth, poverty reduction as well as an increase in income inequality. Although both rich and poor have benefitted from economic growth, the high-skilled have gained much more over time than the low-skilled. At the same time, there has been some degree of short-term mobility in individuals’ earnings, whereby initially low-paid workers have enjoyed higher growth in their earnings than those initially high-paid. This makes rising inequality a little less concerning. However, women and low-educated workers are still at risk of being left behind because they start off with lower earnings and have more difficulty in catching up over time.

Where to from here? Mauritius has come a long way since independence in 1968. With a per capita gross national income of US$ 12,050 as of 2018, Mauritius is now at the top end of the group of upper middle-income countries and is bound to reach the threshold for high income status at US$ 12,376 in a short time. As Mauritius continues its journey along the path of economic development, innovation and entrepreneurship will be key to a successful and solid growth track. Countries do not grow by making more of the same, but by changing what they do. Such shift in gears requires sophisticated skills, expertise, new productive capabilities, and technology. The challenge will be to boost inclusive economic growth that provides economic opportunities for all. Ensuring that the bottom 40 percent have the skills required to access the fast growing and high-paying services sector will be crucial to reduce the income gap between rich and poor households and to make growth more inclusive.

Marco Ranzani is an economist in the Africa region of the Poverty and Equity Global Practice since 2014. His research focuses on labor market, poverty and inequality issues. Previously, he was consultant for the Poverty Reduction Anchor of the PREM network, researcher at Understanding Children Work, an inter-agency research cooperation initiative involving the International Labour Organization, UNICEF and the World Bank. He received his Ph.D. in Public Economics from the Catholic University of Milan, Italy, was visiting student at University College London, UK, and completed a post-doctoral fellowship at the University of Bergamo, Italy.
Global Trends in Manufacturing and What They Mean for Mauritius

Interview With Gaurav Nayyar & Richard Newfarmer
Two recent books shed new light on the future of global manufacturing and its importance for developing countries. In “Industries without Smokestacks - Industrialization in Africa Reconsidered”, Richard Newfarmer and co-authors argue that sectors such as tourism, ICT, and other services as well as food processing and horticulture share most of the crucial development benefits of manufacturing and could be the same ladder to development for Africa that manufacturing has been for East Asia. In “Trouble in the making - The Future of Manufacturing-Led Development”, Gaurav Nayyar and co-author show how new technology like advanced robotics, industrial automation, and 3-D printing are changing global manufacturing.

Gaurav, what has been the traditional role of the manufacturing sector in development and how is this changing?

G: The manufacturing sector has traditionally provided jobs for large numbers of relatively unskilled workers. Compared to agriculture, a job in manufacturing would boost their productivity because export-oriented manufacturing allows for greater specialization, technology use, competition, and other spillover effects. Although the agricultural sector was also traded, it faced price volatility and limits to demand in international markets, so productivity growth was limited. As for the services sector, high-end professional services are skill-intensive and were largely not tradable in the past, whereas many low-end services that could provide jobs for former agriculture workers were not very productive either. The double gain of productivity growth and job creation was therefore unique to manufacturing.

While manufacturing promised both more productivity and more jobs in the past, this appears to be changing in many sectors. New export-oriented jobs in developing countries may no longer be created as high-income countries adopt robots and keep more manufacturing within their own borders. And even if developing countries can compete in manufacturing production networks, they will likely have to adopt labor-saving processes and thus create fewer jobs. New technologies and changing globalization patterns may reduce international trade and therefore also diminish spillover effects in terms of bringing new skills and technologies to developing countries. If advanced robotics result in reshoring of unskilled-labor-intensive tasks to high-income economies or enable China to retain low-value-added manufacturing segments despite rising wages, opportunities for other countries to participate in these production networks diminish. 3D printing can replace traditional trade in physical parts and components with services trade through the electronic exchange of designs that are printed close to the end user. This can diminish the scope for manufacturing led productivity growth through increasing specialization and technology use in developing countries.
Richard, what are “industries without smokestacks” and why do they matter for Africa and for Mauritius?

R: As Gaurav has explained, historically, countries have relied on industry, particularly manufacturing, early in the process of development. But Africa’s experience with industrialization has been disappointing, with Mauritius being one of the few exceptions. In 2014, the average share of manufacturing in GDP in Sub-Saharan Africa was about 10 per cent, unchanged from the 1970s. Not surprisingly, Africa’s slow pace of industrialization has caused observers to question the durability of its growth prospects.

At the same time, changes in transport costs and information and communications technology are redefining industry. When today’s system of economic statistics was first drawn up there was little confusion over what industry was: mining, manufacturing, utilities, and construction. Of these, manufacturing—‘smokestack industry’—was regarded as the key driver of development. Today, a wide range of activities that include services exports—tourism, business services, and transport—and agro-industrial products, including horticultural products, have emerged. We call these ‘industries without smokestacks.’

They matter for Africa because these activities have many features in common with manufacturing, and Mauritius is a very good example for this. These industries are tradable and have high labor productivity. Like manufacturing, they benefit from technological learning and productivity growth. Some have clear advantages in specialization. For Africa, they hold the promise of creating new sources of employment, particularly for large numbers of relatively unskilled workers, much like they have done in Mauritius.

Mauritius has been a leader in Africa for some of the ‘Industries without smokestacks’ such as tourism, ICT, and financial services. How can these industries complement manufacturing to put the country on a sustainable, productivity driven growth track?

R: Your question prompts a preface to its answer: ‘Industries without smokestacks’ should not be seen as an alternative to manufacturing development, but rather an important complement. Mauritius is an example of a country that is using services exports to drive its development. In the early days of its development, sugar and manufacturing in the EPZs were primary drivers; but today tourism, export of ICT services, and particularly financial services are driving export growth. So Mauritius is actually a very good example of how ‘industries without smokestacks’ complement traditional industry.

But services are also a key inputs into manufacturing, and this is an areas where continuous improvement is needed to keep up with the global technology frontier. Efficient telecommunications are central to efficient marketing and input purchasing, to say nothing of speedy intra-firm communication. Efficient transportation is essential to export development and importation of necessary inputs. Knowledge embodied in engineers, architects, accountants and legal services—even economists—are crucial to efficient enterprise development.

Whether it is telecommunications or legal services, for Africa as a whole, economists Hoekman and Shepherd have shown that more efficient services raise productivity in manufacturing industries and contribute to greater manufacturing exports. Beyond this, efficient services are key inputs into other services as well. In Mauritius for example, already back in 2006 a World Bank trade study emphasized the importance of improving telecommunication services to the development of the business processing outsourcing industry; the importance of air transport as well as telecoms to tourism; and the importance of educational services for high end tourism development.
In Mauritius, some have come to seen parts of the manufacturing sector as a ‘sunset industry’ that will no longer be competitive as the country approaches high income status and wages increase. Gaurav, how do the trends you describe in your book affect this calculation, and especially the importance of low-cost labor for manufacturing competitiveness?

G: The use of automation technologies, which increases the need for professional services’ input, and export concentration in established manufacturing centers are reducing the importance of low labor costs for competitiveness. The use of robots in high-income economies competes with the labor-intensive production processes used in less industrialized countries. The rise of services as a necessary complement to the success of manufacturing also deserves emphasis. A new wave of digitalization will be an important driver of this “servicification” of manufacturing with a range of professional, scientific, and technical services creating data or programs for use in “smart” factories. Last, but not least, the concentration of exports among a few countries will make it harder for others to maintain their competitiveness, let alone enter or expand production, because of large specialization advantage. The quality of infrastructure and logistics, the clustering of producers, and information flow about markets will be key in reducing time to market and raising responsiveness to changing customer needs.

But there are differences in the intensity of these trends across manufacturing subsectors. On the one hand, autos, electronics and other advanced manufactures have relatively high levels of robot use, export concentration, and use of professional services. These industries could therefore be growth areas for Mauritius as it approaches high-income status and wages increase. On the other hand, the textiles, apparel and footwear sector are the least automated sector and low labor costs continue to drive global competitiveness. But here, Mauritius can use its success in the apparel sector to diversify into niche areas. This includes positioning itself on “fast fashion” where its established supplier networks can help it score on “time-to-market”. It also involves focusing on those parts on the more knowledge and machinery intensive parts or production while offshoring some of the low skilled activities to lower wage countries. There is also the example of Adidas – the German sporting goods company – which has established “Speedfactories” in Ansbach, Germany, and Atlanta, U.S.A., which use computerized knitting, robotic cutting, and 3-D printing to produce athletic footwear.

My last question is to both of you: What are they key policy priorities that government and private sector in Mauritius should focus on to make the country fit for the mega trends you describe?

G: As new technologies, the increased use of professional services input, and shifting trade patterns raise the bar for what it takes to succeed in export-led manufacturing, the broad challenges can be summarized by competitiveness, capabilities, and connectedness (3Cs). As new labor-saving technologies reduce the importance of low wages in determining costs, countries will likely need to meet more demanding requirements in terms of infrastructure, logistics and other backbone services, regulatory requirements, trade restrictions, and so on. This places a premium on the “competitiveness” of the business environment and the “connectedness” to input and output markets. Using digital technologies to produce goods also places a premium on the country’s “capabilities” in terms of ICT infrastructure, skills, management practices, regulatory framework for the data, and intellectual property rights.

Relative to other countries in a large global sample, Mauritius ranks above the median in a connectedness index and lies in the top tercile in a competitiveness index. This makes competing globally with existing technologies viable in the short to medium run. However, Mauritius ranks below the median in a global capabilities index. Over time, therefore, it needs to bridge the capabilities gap to use more of the new technologies and related production processes.
Skills development, firm capabilities, and ICT-related infrastructure and regulations will be crucial to this upgrading. Education and training policies will need to be designed to deliver the new skills needed to engage in more complex production processes. To ensure access to new technologies, the introduction of improved production processes enabled by better management capabilities should be a priority. Finally, broadband infrastructure, systems of certifying quality standards, and regulations around data will become even more central.

**R:** As Mauritius moves into the next phase of its development, it does so by building on a foundation of past solid growth policies – protection of property rights, highly developed infrastructure, and openness to the global economy. One logical area to develop further is translating the success of Mauritius’ private sector into outward investment that can create high productivity jobs at home while taking advantage of the availability of low wage labor in the region. As Mauritius moves into the ranks of high income countries, it could concentrate domestic work on designs and R&D and product development in Mauritius while investing in other activities in neighboring countries of Africa. As a companion to outward direct investment, Mauritius has scope to further develop its financial services exports in support of its own activities and those of its businesses in other parts of the world.

All these activities underscore the importance of public and private investment in R&D to raise productivity in services and manufacturing and to develop new products and services. These might take various forms – ranging from artificial intelligence, to solar energy, or even financial innovation. Whatever the specific activities of R&D, reaching the next level of development requires substantial investment in education – improving quality, sophistication and access are crucial for driving growth in the future because sophisticated skills are essential to exports, particularly in services. At the same time, as the high-income countries have shown, Mauritius should not ignore agriculture; continuing its move out of sugar into higher value-added crops, using the local hotels as an initial market that could become a springboard into overseas sales in both regional and global markets. Whether in conventional manufacturing or industries without smokestacks, if the country makes these necessary investments in supportive policies, Mauritius is well positioned to propel it into the ranks of high-income countries.

Richard Newfarmer is Country Director for Rwanda and Uganda at the International Growth Centre (Oxford University and the London School of Economics). He a Member of the Advisory Board for the WTO Chairs Program, and consults with international organizations, including the World Bank, the OECD, and the International Trade Centre. He was the World Bank’s Special Representative to the World Trade Organization, and served as a lead economist in Latin America, East Asia, and the research department. He has authored numerous articles and books on trade, industrial policy, and foreign investment, recently co-editing Industries without Smokestacks: Industrialization in Africa Reconsidered with John Page and Finn Tarp (Oxford University Press).

Gaurav Nayyar is a Senior Economist in the Finance, Competitiveness and Innovation Global Practice at the World Bank. Previously, he was an Economics Affairs Officer in the Economic Research Division of the World Trade Organization, where he co-led the World Trade Report 2013. Gaurav’s research interests lie primarily in the areas of economic growth, structural transformation, trade, firm productivity, and poverty reduction, and he has published in a variety of academic journals on these issues. His most recent book is Trouble in the Making? The Future of Manufacturing-Led Development. Gaurav holds a PhD in Economics from the University of Oxford, where he was a Dorothy Hodgkin Scholar. His other alma maters include the London School of Economics and Political Science, the University of Cambridge, and St. Stephen’s College, University of Delhi.
Both books referred to in this article are available online free of charge:
Can MAURITIUS CATCH A BLUE MARLIN?

How Landing The Right Investor At The Right Time Can Change A Country's Development Path

By Roberto Echandi & Erik von Uexkull
A Blue Marlin is every fisherman’s dream. Hard to find and even harder to catch, it is the trophy that changes everything. These features have earned Blue Marlings a prominent place of prestige and respect amongst serious fishermen, and immortality through their depiction in Hemmingway’s masterpiece “The Old Man and the Sea”. Hemmingway’s novel plays up the Blue Marlin's reputation as a formidable challenge and the struggle between the old fisherman and the giant fish. Today, in the ocean of the globalized international economy, most governments resemble fishermen trying to make a living by fishing investors and to promote economic activity, exports and jobs. In such a world, there are also key investments which are, in fact, “Blue Marlings” for development that can change a country’s history.

Catching a Blue Marlin can be particularly transformative for smaller economies. Costa Rica, a small country in Central America, in 1996 managed to attract Intel, the world’s leading manufacturer of microchips, to set up an assembly plant. Intel's initial US$ 390 million investment was not only significant in itself – leading to more than 2,200 workers with salaries higher than the national average for the manufacturing sector. Intel's investment also sent a powerful signal to other leading multinational firms which took notice, became attracted to Costa Rica and started to invest in other export-oriented high-tech sectors like medical devices and business services. Intel’s operations in Costa Rica also evolved over time, from microchip assembly towards R&D and microchip design and other related services.

Until the late 1980s, more than 70 percent of Costa Rica’s exports were concentrated in a couple of commodities, basically coffee and bananas. By 1999, the value of Costa Rican exports had multiplied by a factor of 6, and today their value is 23 times higher than in 1990. Further, thanks to policies leveraging trade and Foreign Direct Investment (FDI), Costa Rican exports evolved from an export basket concentrated in a handful number of commodities towards a basket comprising more than 4,500 different products, with no single one accounting for more than 17 percent of the total, and with significantly higher value added. Exports of services, reaching 38 percent of the total Costa Rican export value in 2017, also increased substantially over the last two decades, diversifying away from tourism towards business processing outsourcing and other high-tech information technology services.
Just like catching a real Blue Marlin, using trade and FDI to place a country within fast evolving and highly sophisticated Global Value Chains (GVCs) is not an easy feat. But Costa Rica’s experience is just one among examples illustrating how focused governments have successfully managed to get their own Blue Marlins: Panama, with Geval and DHL starting a global logistics operation; Ireland, with IBM and Hewlett-Packard, followed by IGM and Oracle, starting the IT cluster; Morocco, leveraging the Renault-Nissan alliance to build a world-scale automotive hub; and Ethiopia, currently working together with PVH and other investors to develop a world-class garment and textile manufacturing pole.

In all these cases, we are talking about what is called “efficiency-seeking” FDI. That is, FDI that does not locate in the host country to exploit its natural resources or serve its domestic market, but to produce for the global market. This type of FDI is particularly relevant for small economies like Mauritius with small domestic markets and limited natural resources. Efficiency-seeking FDI is undertaken by firms engaged in GVCs that operate as sophisticated production networks often spanning multiple countries and continents. By definition, firms involved in international production activities are not only investors. They are also international traders. Like its name suggests, this type of FDI is lured into a host country for its capacity to enable firms to export and successfully compete in highly demanding international markets. Therefore, catching a Blue Marlin means knowing how to enable firms to compete internationally.

In addition to the obvious need to provide the fundamental levels of political and macroeconomic stability required by most types of investment, all countries which have succeeded in attracting efficiency-seeking FDI have realized that this also requires work on four critical fronts: (i) a highly predictable, transparent and efficient regulatory business environment for investors to operate, both at home and in their main export markets, (ii) efficient connectivity not only for trade in tangible goods but also for trade in intangible services between the host country and main export markets, (iii) proactive work with the private sector to ensure constant evolution of top human capital in line with skills needed by investors, and (iv) strong trustful relationships between host countries and investors.

All these points are critical, in fact indispensable in the quest for a Blue Marlin but let us drill on two key issues here which are often overlooked and that are particularly important for small countries like Mauritius.

First, in a globalized economy, governments should see international trade and investment policy as part of a single strategy fostering their country’s optimal positioning in the global economy. It is worth noting most successful countries attracting efficiency-seeking FDI have not relied on artificially low wages or tax incentives or subsidies to investors. Instead, most of them have coupled a package of domestic trade and investment reforms fostering the liberalization and facilitation of movement of goods, services, capital and people with initiatives to secure greater certainty and predictability regarding market access in key international markets. Experience has shown that relying on general agreements of cooperation, or on unilateral systems of preferences, will simply not do the trick. These unilateral preferences have limited coverage, include “graduation clauses” and tend to exclude trade in services. Further, and more important, can be unilaterally revoked at the will of the importing country, as Mauritius has experienced in the past. Instead, GVCs require deep integration trade arrangements. That is why, despite all their imperfections, leveraging the World Trade Organization (WTO) and negotiating Preferential Trade Agreements (PTAs) are critical to securing long term and stable market access.

Mauritius is already a WTO Member, and as a champion of regional integration in Africa actively participates in SADC, COMESA and in an interim EPA Agreement with the EU. However, the latter not only is an interim agreement, but it also excludes specific disciplines on trade in services, an area of particular importance for Mauritius. It would be worth exploring how to maximize potential benefits of the negotiations of the African Continental Free Trade Agreement, and steps towards a more stable trade regime with key export markets such as the United States, Europe and other countries in Asia and Indo-Pacific region. The new trade agreements with China and India are a significant step in this direction.
Second, not everything that can be measured counts, nor everything that counts can be measured. Experience shows that a critical factor of success for catching a Blue Marlin has been the irreplaceable human factor, and the ability of governments of countries to build strong trustful relationships with investors. Smaller economies may not always be the obvious choice for a global firm. But the Costa Rican case illustrates how critical it is for governments to generate a sense of partnership and convince investors that their success will also be a national one, and this cannot be achieved without a strong personal relationship at the top.

A key lesson from experience is that no country can predict or pre-select the specific niche sector or firm to land a Blue Marlin. It is the fish that bites the catch. However, the fisherman must understand the behavior of the fish, where to fish, and make sure the bait matches the intended catch. Given the geographic location of the country, its labor market characteristics, and attractiveness as both an economic hub and attractive place of residence for expats, it seems that FDI in services --leveraging knowledge-intensive activities-- may be rich fishing grounds for Mauritius to find a Blue Marlin.

Much like in Hemingway’s novel, the catch of a Blue Marlin starts with the clear and absolute determination of the fisherman to do so. Can Mauritius land one? No doubt, and a lot has been achieved to get ready, but going after the big price is never an easy trip.

Roberto Echandi is a Lead Private Sector Specialist, Trade & Regional Integration Unit, World Bank. Prior to joining the World Bank, he was Director of the Program on International Investment at the World Trade Institute of the University of Bern. Previous appointments include Ambassador of Costa Rica to Belgium, Luxembourg and the European Union and Chief Negotiator of Costa Rica to the negotiations of the Association Agreement between the European Union and Central America. He undertook his doctoral and LL.M. studies in International Trade Law at the University of Michigan School of Law and his M.Phil. in Latin American studies at the University of Oxford. He has published extensively on the legal and political economy dimensions of investment issues, dispute settlement, trade in services and regional economic integration in the Americas.

Erik von Uexkull is the World Bank’s Country Representative & Economist for Mauritius and Seychelles. His previous positions at the World Bank include Senior Economist with the Investment Policy and Promotion team and Country Economist for Equatorial Guinea and Gabon. Erik also worked for the International Labour Organization and the International Monetary Fund on topics related to trade, employment, and development, and as a lecturer on Development Policy at Dresden University of Technology. He holds an MA from Johns Hopkins School of Advanced International Studies.
The New World Bank Group President Sets Out to Improve Development Outcomes
Two months into his tenure as the World Bank Group (WBG) President, Mr. David R. Malpass vowed to improve development outcomes of the institution’s support around the world as he concluded his first trip abroad in his new capacity. “What stands out most for me is the urgency of our mission,” he said in a written piece. “My priority is helping countries get good development outcomes.” He then underlined the common themes that could help countries obtain good outcomes—peace and stability, country leadership, connectivity, resilience, sound business climate, and solid debt management.

While extreme poverty has dropped globally to 700 million at the last count, the number of people living in extreme poverty is on the rise in Sub-Saharan Africa. By 2030, nearly 9 in 10 extremely poor people will be Africans, and half of the world’s poor will be living in fragile and conflict-affected settings. The president made it clear during the April 2019 Spring Meetings that the Bank’s role is even more important in poorer countries, making an urgent call for action—“by countries themselves, and by the global community.”

At the recent G20 Leaders’ Summit in Osaka, Japan, the president highlighted some of the challenges the world is facing including slow growth rates and subdued investment and underscored the importance of strong leadership and policies that raise living standards. Mr Malpass is a strong advocate of the private sector’s role in lifting countries out of poverty. “Many countries need a much bolder agenda for boosting private sector growth to generate more and better jobs”, he said. Adding that the World Bank is actively identifying changes in the private sector environment that will attract investment and enable higher living standards and better lives. The president emphasized that addressing inequality and realizing an inclusive and sustainable world requires jobs, education, healthcare, attention to the environment, and robust commerce – trade among neighbors and nations. “We will continue working with all of you on these challenges.”

Mr. Malpass previously served as Under Secretary of the Treasury for International Affairs for the United States. In that capacity, Mr. Malpass played a crucial role in several major WBG reforms and initiatives, including the recent capital increase for IBRD and IFC. He was also instrumental in advancing the Debt Transparency Initiative, adopted by the World Bank and IMF, to increase public disclosure of debt and thereby reduce the frequency and severity of debt crises.

The World Bank President is Chair of the Boards of Directors of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), and an ex officio Chair of the Boards of Directors of the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the Administrative Council of the International Centre for Settlement of Investment Disputes (ICSID).