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**The Textile and Clothing Industry
in Mauritius**

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The Textile and Clothing Industry in Mauritius

By Gilles Joomun

1. Introduction

The textile and clothing sector appeared in the Mauritian government's agenda for the first time in the Meade's report in the 1960s. James Meade conducted a study on the Mauritian economy to find a solution for diversifying the sugar-based mono-crop economy. Meade advocated for the setting up of labour-intensive industries if Mauritius does not want to face the problem of 'Malthusian Trap'. The setting up of the textile and clothing industry was successful in terms of income generation, employment creation and capacity building for local entrepreneurs.

The success of the textile and clothing industry of Mauritius lies on three fundamental aspects:

- Conducive environment for investment
- Exogenous factors
- Preferential trade arrangements

Conducive Environment for Investment

In 1970, the government began its export promotion strategy with the enactment of the Export Processing Zone (EPZ) Act. The first Export Processing Zone was launched in 1971. The Act provided incentives and concessions to enterprises exporting their products.

The government took further steps:

1. Sustainable export growth through five successive stand-by arrangements and two structural adjustment programmes between 1980 and 1986
2. Establishment of key institutions like the Mauritius Export Development and Investment Authority for export promotion.
3. Monetary measures such as the devaluation of the rupee to make Mauritian exports internationally competitive.

During the 1980s Mauritius had a pool of educated labour, which was available at a cheap rate. Although the majority of the available workers was unskilled, they were very versatile and adapted easily to working in the textile and sector.

Exogenous Factors

The success of the textile and clothing sector is partly attributed to factors besides the control of Mauritian authority. Some of the factors which have contributed positively to the Mauritian economy, in particular the textile and clothing sector, are:

- The Multi-Fibre Agreement signed in 1982, which constrained several countries in their exports. It is in this context that investors from Hong Kong came to set up their firms in Mauritius.
- A combination of lower and falling oil prices together with a lower debt servicing arising due to the depreciation of the overvalued US dollar in 1984.
- An appreciation of the Taiwanese Dollar and thereby a fall in Taiwan's competitiveness on the world market led to Taiwanese investment in Mauritius
- After 1984, the appreciation of the European currencies in relation to the Mauritian rupee resulted in Mauritian goods becoming more competitive.
- During the 1990s, political uncertainty over the future of Hong Kong's reintegration into China encouraged investors to look for a safe haven and thus relocated to Mauritius bringing capital, marketing networks and technological know-how.

Preferential Trade Arrangements

Favourable terms of trade combined with ready markets attracted more foreign investors to set up their textile and garments firms in Mauritius. Investors, both domestic and foreign, successfully exploited all the preferential market access granted by the developed countries. The two main markets, which Mauritius could access through preferential trade agreements, were the EU and the US under the Lomé Convention and the GSP (now AGOA) respectively.

The Current Situation

For the past 30 years, Mauritius has benefited from a series of positive conditions, which have helped to create a solid textile and clothing industry with significant foreign and local investment. The sector was one of the main providers of employment and it contributed about 12% to the GDP.

The situation today with the dismantling of the Multi-Fibre Agreement and the new challenges of an extremely competitive world market has left the industry in a weakened state. The positive conditions, which have contributed to the thriving of the industry have now almost all disappeared. This forced Mauritius to rethink the textile and clothing sector in the country but many experts believe that this process started too late.

2. Structure and Development of the Textile & Clothing Industry in Mauritius

The textile and clothing industry in Mauritius experienced a rapid growth in the 1980s up to the year 2000. An analysis of the statistics over the past decade shows that the industry, which was once thriving is now facing a slow downfall. Employment, enterprise creation, contribution to the national wealth, growth of the industry and foreign direct investment are all showing a negative trend.

2.1 Employment

Table 1: **Employment in the Textile and Apparel Sector**

	1995		2000		2004	
	TOTAL	of which expats (est.)	TOTAL	of which expats (est.)	TOTAL	of which expats (est.)
Textile yarn & fabrics	4,659		5,557		7,681	
Wearing apparel	66,808		73,881		57,564	
Total Textile and Apparel Sector	73,462	6,145	81,438	13,848	67,249	13,792
All manufacturing	110,439	n.a.	114,477	n.a.	101,715	n.a.
Employment in T & A as % of Employment in Manufacturing	66.5		71.1		66.1	

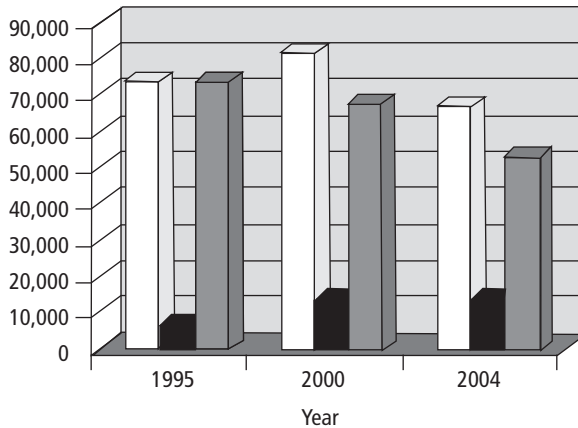
Source: Central Statistical Office

The textile and clothing sector has created a lot of employment since the 1970s. Mauritius having a pool of unskilled but yet educated labour provided an adaptable workforce for the textile and clothing sector.

However, this workforce has gradually become more expensive and could not produce as much as expected by industrialists to meet the challenges of the world market. In the 1990s, producers began to turn to foreign workers from China, India and other Far East Asian countries. These workers were considered more productive as they worked longer hours and were paid the same as local workers. In 2004, it was estimated that around 15,000 foreign workers were working in the textile and clothing factories of Mauritius.

Figure 1: **Employment in the Textile and Clothing Sector**

Number of Employees



Total Employment Textile and Clothing
 Foreign workers
 Local workers

Table 1 and Figure 1 show the evolution of the labour force in the textile and clothing sector since 1995. There has been a constant increase in the labour force from 1995 to 2000, followed by a 17.4% decrease in the labour force from 2000 to 2004. This can be attributed to the closures of several factories since 2002 and to the lack of interest of locals to work in the sector. Mauritians and especially the young generation do not see working in factories as a viable career option. Many consider the working hours as being too long and the salary too low considering the facts that they are now more educated than the previous generation and that they can have access to further technical training to apply for jobs in the Information Technology or the tourism sector. Furthermore, in 1995 only 6,145 foreign workers were employed, while in 2000 this figure had doubled. However, it can be observed that in 2004 there has been a slight decrease in the number of foreign workers employed in the industry.

2.2 Number of Companies and Investments

Table 2 : Number of Textile and Wearing Apparel Companies

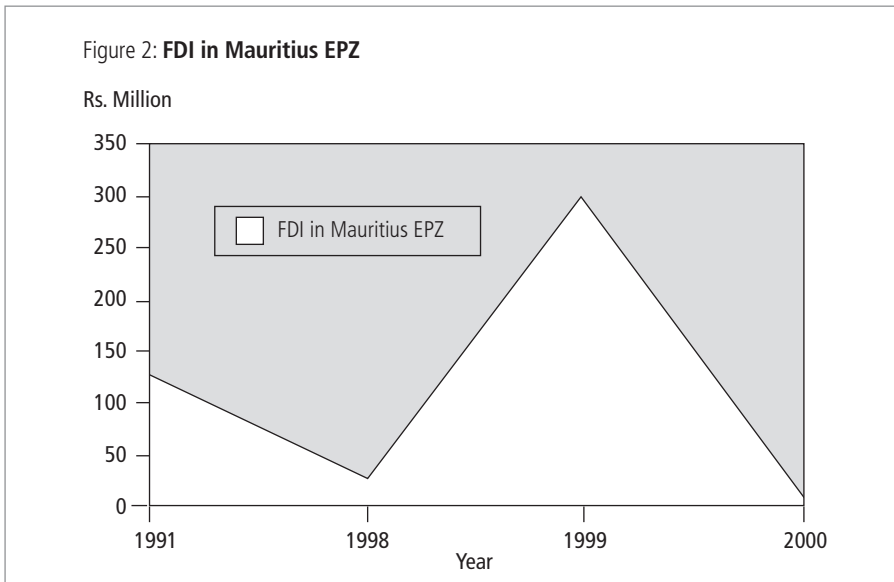
Industrial Activity	1997		2000		2004
	Total*	EPZ	Total*	EPZ	EPZ
Textile (Yarn and Fabrics)	52	34	65	46	41
Wearing Apparel	332	236	355	240	224
TOTAL	384	270	420	286	265

Source: Central Statistical Office & Bank of Mauritius * Non-EPZ and EPZ

Table 3: Foreign Direct Investment (FDI) in EPZ Sector 1991 to 2000

	Unit	1991	1998	1999	2000
FDI in Mauritius EPZ	Rs million	130	27	300	8

Source: Jeetah R. & Coughling P., SADC Study of Textile and Clothing Industry, Mauritius Country report, April 2001



In terms of FDI in the EPZ sector, it can be seen from Table 3 and Figure 2 that FDI in the EPZ has decreased in 2000 and although figures are not available for recent years, empirical evidence show that foreign investment in the EPZ sector is now marginal. Government policies in the recent years have aimed to encourage a diversification of the economy through the promotion of the offshore sector, the tourism sector and the Information and Technology sector. Mauritius now aims to be a cyber island.

2.3 Importance of Textile and Clothing Sector for the Overall Manufacturing Sector

The EPZ sector and by extension the textile and clothing sector has always represented an important proportion of the manufacturing industry in Mauritius.

Table 4: **Gross Domestic Product at current basic prices, 1990-2004 (Rs. million)**

	1990	1995	2000	2004
Manufacturing	8,143	14,289	24,701	31,850
Sugar	1,150	1,010	840	1,587
EPZ products*	3,965	7,067	12,523	13,134
Other	3,028	6,212	11,338	17,129
Gross Domestic Product (at basic prices)	33,415	62,260	104,271	151,296
Source Central Statistical Office				
* Textile and Clothing products represent almost 80% of EPZ products				

As can be seen from Table 4 above, the EPZ sector represented almost 50% of the contribution of the manufacturing industry to the national GDP in 1990, 1995 and 2000. In 2004 this contribution has fallen to 41% whilst the overall contribution of the manufacturing industry to the GDP increased consistently. This again is a sign that the importance of the textile and clothing sector is slowly losing ground to other sectors of the economy.

2.4 Domestic Textile and Clothing Production V/S Imports

Domestic Production of Yarn and Fabrics

The textile industry in Mauritius exists primarily as a provider of yarn and fabric to some local producers. The biggest garment factories are vertically integrated and produce their own fabrics. Currently, the textile sector is composed as follows:

- 4 woollen yarn spinning mills
- 2 cotton yarn spinning mills
- 2 cotton-weaving mills
- 30 knitting fabrics producers

The two cotton-spinning mills started their operation in 2003 and 2004 respectively. Prior to their operation, Mauritius was importing all its cotton yarn from India, the Far East and from Zambia amongst others. Mauritius with its two cotton-spinning mills now produces almost one third of the cotton yarn it consumes.

Imports of Yarn and Fabrics

Table 5 shows that there has been a decline in the import of yarn and fabrics as from 2003. This can be explained by the set up of the two cotton-spinning mills as from 2003.

Table 5: **Imports of Yarn and Fabrics (Rs. Million)**

	1996	1997	1998	1999	2000	2001	2002	2003	2004 ¹
Textile (Yarn and Fabrics)	6,643	7,250	8,888	8,931	10,843	10,650	10,365	9,949	9,225
Source MIDA and Central Statistical Office								1 Provisional	

Domestic Production for Clothing

Most of the clothing production in Mauritius is exported. In that respect only a few local producers, mainly small factories and the informal sector, produce for the local market. Producers in the Export Processing Zone can sell a small proportion of their production on the local market but with the authorisation from the Ministry of Industry and Commerce. These producers normally sell their products in their own factory shops. These products are mostly sold to tourists and to the Mauritian middle and upper classes.

Imports of Clothing

According to a report published by the Mauritius Industrial Development Authority in 2001, the level of garment imports into Mauritius was approximately 3.8 kg per head of population (2001: p24).

The direct imports for knitted and non-knitted garments are shown in Table 6. The table shows the constant progression of the Mauritian imports of knitted and non-knitted products. The value of imports of garments has increased by almost 80% from 2000 to 2004.

Table 6: **Imports of Knitted and Non-Knitted Garments (Rs. Million CIF)**

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Knitted garments	58	85	85	115	116	134	167	171	186
Non-knitted garments	249	330	312	310	327	353	518	534	607
Total	307	415	397	425	443	487	685	705	793

Source: Central Statistical Office and MIDA

Moreover, Government, in its vision of making Mauritius a duty-free island, has removed duties from 80% to 0% on imported garment articles in its last budget of April 2005. This will certainly lead to a further increase in the Mauritian imports and also put more pressure on local producers who have now to face what they perceive as unfair competition.

2.5 Importance of Textile and Clothing Exports for the Mauritian Economy

The textile and clothing sector has been at the heart of the economic success of Mauritius during the past decades. As shown in Table 4, the EPZ which, as mentioned above is mainly composed of textile and clothing factories, has contributed around 12% to the GDP of the country between 1990 and 2000. However, in 2004 the contribution of the EPZ sector to GDP has fallen to 8.7%.

Table 7: **Gross Domestic Product Growth Rate Over Previous Year, 91/92 to 04/05**

	91/92	99/00	03/04 ¹	04/05 ²
Manufacturing	4.8	2.6	0.1	-0.3
Sugar	-1.7	-45.0	3.1	6.5
EPZ products	5.6	5.9	-6.4	-7.4
Other	6.1	6.0	5.9	4.9
Gross Domestic Product (at basic prices)	4.9	3.2	4.0	4.1

Source: Central Statistical Office

1 revised estimates 2 forecast

From the table above, it can be noticed that the growth rate of the EPZ sector was 5.9% in 99/00 while it was – 6.4 in 2003/2004 and it is estimated to be –7.4 for 2004/2005. This negative growth shows how the textile and clothing sector is facing a crisis, which could have very adverse consequences for both the sector and the Mauritian economy.

Table 8: **Value of EPZ Exports to EU and USA, 1997-2004**

Year	TOTAL	EU		USA	
	(Rs. Million)	(Rs. Million)	% of Total	(Rs. Million)	% of Total
1997	23,049	16,304	70.74	4,354	18.89
1998	26,075	17,690	67.84	6,053	23.21
1999	29,131	19,214	65.96	6,824	23.43
2000	30,961	19,845	64.10	7,715	24.92
2001	33,695	21,291	63.19	8,804	26.13
2002	32,683	20,861	63.83	9,481	29.01
2003	31,444	20,507	65.22	8,474	26.95
2004	32,370	21,886	67.61	7,395	22.85
1 st Quarter 2004	7,410	5,149	69.49	1,632	22.02
1 st Quarter 2005	6,546	4,665	71.26	1,318	20.13

Table 8, on the other hand, shows that until 2004 the value of EPZ exports has remained more or less the same from 2001 to 2004. The value of exports to the EU have remained constant, whilst the value of exports to the US decreased slightly. The data for 2005 have not yet been published but indications from the figures for the 1st Quarter of this year are that there will be no improvement.

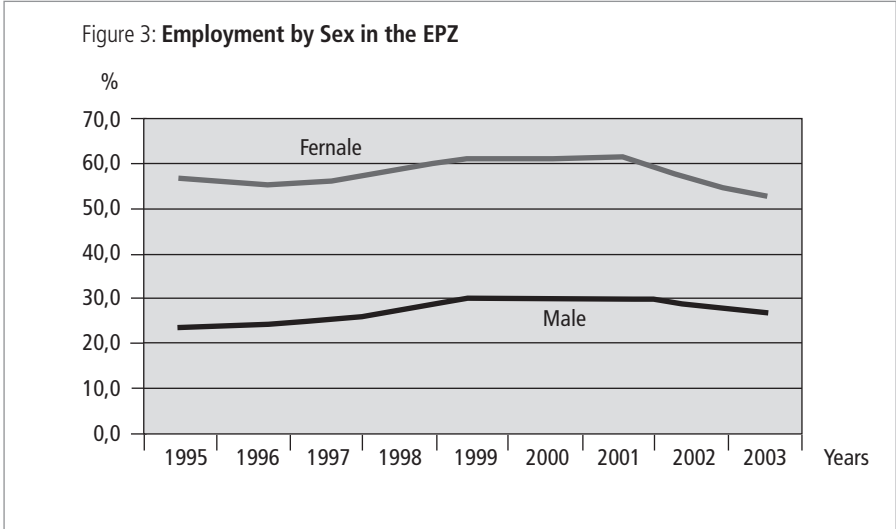
2.6 Impact of the Textile and Clothing Sector Development on the Society

The success story of the textile and clothing sector coincides with many important changes in the Mauritian society. It has undeniably contributed to the economic development of the country but it has also brought about important social changes, which are illustrated below:

(a) Emancipation of Women

The textile and clothing sector has employed and is still employing a majority of women. As shown in Figure 3 below, female workers represent about 60% of the

employees in the EPZ. Women who were traditionally seen as housewives and who did not even get access to formal education, represented an important pool of labour for industrialists. With the advent of the EPZ, men were no more the sole breadwinners. Women also were and still are bringing income to their families. This has obviously brought a change in the role of woman: from a docile housewife to an independent income earner.



(b) House Ownership

Table 9: **Percentage Distribution of Housing Units by Tenure, Republic of Mauritius**

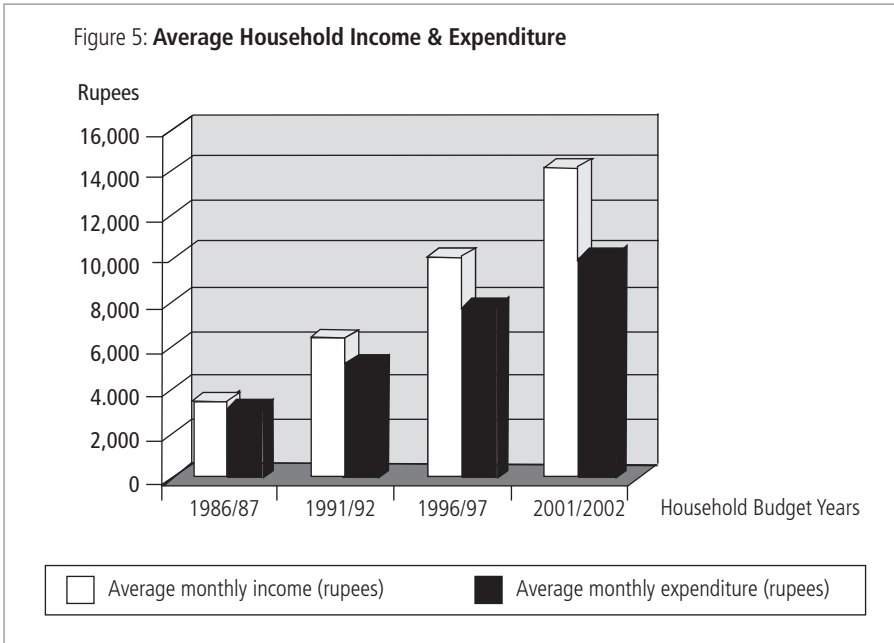
Tenure	Housing Census			
	1990		2000	
	Number	%	Number	%
Owner	179,700	76.0	257,700	86.5
Tenant	35,100	14.8	27,800	9.3
Sub-tenant ¹	900	0.4	–	–
Free	20,700	8.7	12,300	4.1
Other ¹	200	0.1	–	–
All Households	236,600	100.0	297,800	100.0

(1) Figures for “Sub-tenant” and “Other” are negligible for 2000 census

Source: Housing Characteristics 2000_files\cso_files\hous2000.htm. Date accessed: January 31, 2002

As can be seen from Table 9 based on the population censuses of 1990 and 2000, house ownership is high in Mauritius with 76% of housing unit being owned in 1990 and 86.5% being owned in 2000. Though the development of the textile and clothing sector is not the only contributor to the rise in ownership, it can be said that it has been one of the major factors behind this development.

(c) Increase in Household Income & Expenditure



Household income and expenditure has also increased during the past 2 decades. According to the last Household Budget Survey of 2001/2002, while the average household monthly income was of roughly US \$ 100 in 1986/87, it reached US \$ 474 in 2001/2002. The same analysis can be made for the average monthly expenditure. In 1986/87 households spent US \$ 87 on average while in 2001/2002 households' monthly expenditure stood at US\$ 338.

2.7 Foreign Direct Investment of Mauritian Firms in Madagascar

Mauritian garments firms have taken advantage of lower costs of production, more particularly the low wages in Madagascar by relocating part of their production there. The first major move was by Floreal Garments, member of CIEL, a leading

Mauritian textile and garment group in 1990. It was estimated that Floreal employed about 5,000 employees in Madagascar in 2000. The other major garment enterprise which has relocated part of its production in Madagascar is the Compagnie Mauricienne de Textiles (CMT). It has moved its “low-end” operations to Madagascar and was reported to employ about 4,000 jobs.

The table below gives an indication of Foreign Direct Invest (FDI) from Mauritius to Madagascar from 1990 to 2002. FDI reached a peak of Rs. 57 million (about US \$ 2 million) in 1999. However, the political crisis and the civil unrests (general strikes), which rocked Madagascar in 2002, directly affected Mauritian firms established in Madagascar. Some of them like Floreal and CMT had to repatriate their machines to Mauritius so as to minimise losses. Most of these Mauritian firms lost a lot of money especially in terms of orders which they could not meet. For example, Floreal lost US \$ 14 million due to the crisis.¹

Table 10: FDI Flows Abroad, by Geographical Destination, 1990-2002

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total World	8	170	674	587	19	63	48	67	329	162	333	82	36
Developed countries	3	-	5	3	8	4	3	-	27	5	180	-	-
Western Europe	3	-	2	3	3	4	3	-	21	-	180	-	-
European Union	3	-	2	3	3	4	3	-	5	-	180	-	-
France	3	-	2	3	3	4	3	-	5	-	180	-	-
Other Western Europe	-	-	-	-	-	-	-	-	16	-	-	-	-
Switzerland	-	-	-	-	-	-	-	-	16	-	-	-	-
North America	-	-	3	-	5	-	-	-	6	5	-	-	-
United States	-	-	3	-	5	-	-	-	6	5	-	-	-
South Africa	-	-	-	-	1	2	3	20	5	-	-	-	-
Developing economies	5	170	613	471	8	59	24	59	224	157	70	67	3
Africa	5	170	613	21	7	58	21	59	76	157	70	67	3
Other Africa	5	170	613	21	7	56	21	59	76	157	70	67	3
Comoros	-	165	-	-	-	49	18	26	-	-	-	-	-
Kenya	-	-	-	1	2	-	-	-	-	-	-	-	-
Madagascar	5	5	-	20	4	5	-	13	19	57	2	2	-
Mozambique	-	-	-	-	-	-	-	-	5	81	-	58	-
Reunion	-	-	613	-	-	-	-	-	17	10	-	6	3
Seychelles	-	-	-	-	-	-	-	-	30	9	68	-	-
South Africa	-	-	-	-	1	2	3	20	5	-	-	1	-
Asia	-	-	-	450	1	3	3	-	148	-	-	-	-
South, East, South-East Asia	-	-	-	450	1	3	3	-	148	-	-	-	-
India	-	-	-	450	1	3	3	-	148	-	-	-	-
Unspecified	-	-	56	113	3	-	21	8	78	-	83	15	33

Source: Central Bank of Mauritius

1 Business Magazine, 2-8 July 2003, p.5

In 2003, some of the firms and especially the big ones returned to Madagascar to reopen their factories or reinvest in new factories to take advantage again of the low costs of production in the country and because there was already a pool of trained workers available in Madagascar. However, there has been no clear indication of the value of FDI flows to Madagascar since 2002.

3. National Economic Policies to Promote Growth of Textile and Clothing Industry

During the 80s and the 90s, two institutions were set up by the Government to accompany the development of the textile and clothing sector in the country:

Mauritius Export Development and Investment Authority (MEDIA)

MEDIA was set up in 1983 and became the Mauritius Industrial Development Authority (MIDA) in 2000. MEDIA and later MIDA had the following objectives²:

- to promote the export of goods and services from Mauritius
- to develop and operate industrial sites and estates
- to plan, implement and review programmes of action for the development of export in export-oriented manufacturing, and
- to advise the Minister on all matters relating to export promotion

Its main tasks were, therefore, to assist local enterprises by amongst others:

- providing advice to entrepreneurs about potential market they could tap
- organising and participating in fairs to show Mauritian products
- helping small and medium enterprises in their development
- carrying out market surveys to identify new markets and new products which could be produced in the country
- developing industrial estates for enterprises to operate at concessionary prices

Though its action was not meant to be geared only to the textile and clothing sector, MEDIA/MIDA was one of the main support agencies for the sector which represented the main part of the EPZ.

Export Processing Zone Development Authority (EPZDA)

EPZDA was set up in 1992 to ensure a smooth transition from a labour-abundant to a skills-intensive economy.³ The actions of the EPZDA were mostly meant to help the textile and clothing sector.

2 <http://ncb.intnet.mu/mida/mnmedia.htm> accessed on 17.9.2005

3 <http://epzdanet.intnet.mu/main.htm> accessed on 17.9.2005

The main objective of the EPZDA were as follows:

- (1.) to promote the diversification of new product range
- (2.) to sustain the growth of the core textile products
- (3.) to move up market to attain higher value added of our exports
- (4.) to promote and foster the promotion of textile clusters
- (5.) to promote technology transfer and act as a technology watch
- (6.) to provide support services in the field of regional cooperation
- (7.) to reinforce knowledge transfer through research and dissemination of information
- (8.) To impart skills development
- (9.) To promote ICT applications in industry
- (10.) To enhance enterprise efficiency through Business Process Re-engineering

One of the main achievements of the EPZDA was the setting up of a Clothing Technology Centre where training was delivered to employees of the clothing sector to enhance their capacity to use new technologies to be used in their factories.

MIDA and EPZDA have now been merged in a single institution called Enterprise Mauritius which has the difficult task to foster the revival of the export sector of Mauritius. The new enterprise is still at infancy stage and it is gathering from the past experience of the two organisations to develop viable and sustainable strategies for exports to increase.

Policies as from 2000

Textile Emergency Support Team

With the announcement of the dismantling of Multi-Fibre Agreement as from 1 January 2005, the government responded with the establishment of a High Powered Committee led by the Ministry of Industry. The committee decided that it was high time to review the sector and to put more emphasis on productivity and competitiveness of the enterprises, which were still surfing on the wave of the preferential access to EU and US markets.

A Textile Emergency Support Team (TEST) was set up in July 2003. TEST is a joint private/public sector initiative to assist enterprises in their restructuring to improve their international competitiveness. TEST was willing to help any enterprise, which would show interest to become more competitive. TEST undertook its task in two stages:

1. A diagnosis of individual enterprises to determine their strength and weaknesses in terms of productivity and competitiveness.
2. As a result of the diagnosis, to accompany the enterprises financially in restructuring their production process to be more competitive with the help of consultants.

The diagnoses were carried out by the National Productivity and Competitiveness Council (NPCC), again a joint public/private initiative set up in May 2000. Out of 260 textile and clothing enterprises, only 43 took advantage of the free diagnosis provided by the NPCC. None of these 43 enterprises actually went to Stage 2.

Fiscal Measures

In its 2003-2004 budget, Government granted special fiscal incentives to foster the creation of spinning mills. A 10-year tax holiday and a special tax credit of 60% of equity investments were granted to any investor who would set up a spinning mill. This led to the creation of two spinning mills and two more projects are on the way. This measure aims to enable Mauritian producers to meet the AGOA rules of origin criteria.

In its budget of 2005-2006, Government has extended the fiscal incentives granted to spinning mills to weaving and dyeing activities as well.⁴

4. Reactions of Trade Unions Towards the Crisis

The role of the trade unions has always been central to the development of Mauritius. From a historical point of view, trade union actions and labour movements have triggered important political, social and economic changes.

The fight led by trade unionists and labour representatives helped Mauritius gain its independence in 1968. Moreover, actions led by trade unionists after independence have directly or indirectly assisted the social and economic development. For instance, action led by trade unionists and political parties led to education being declared free at primary and secondary level for all Mauritians.

Trade unions have existed for a long time, particularly in the textile and clothing sector, which employs about 65,000 workers. 18 different trade unions are currently supporting the workers of the industry. However, the role of trade unions has evolved over the years and changed to meet the challenges faced by workers in the sector. Their role now is different to that played in the 1980s as outlined below:

4 Hon. Pravind Jugnauth, Minister of Finance and Economic Development, Budget Speech 2005-2006, April 2005, pp 29-30

1980s to 2000 – Fight for better working conditions of local workers

With the advent of the EPZ and the textile and clothing sector in Mauritius, trade unions' role was to pressure employers for better working conditions for employees. Factories were mushrooming in the country, and more and more young workers (especially women) were being employed. Factory workers worked on piece-rate basis and were encouraged to do overtime. In the 1980s, workers from the textile and clothing sector were receiving low salaries of not more than US\$ 35 per month (including overtime payment).

Trade unions were then called upon to raise workers' grievances as they were underpaid and had to endure long working hours.

In the mid 90s a new phenomenon, the employment of foreign workers, led trade unions to express their fear for the future of local workers. The foreign workers from China and India mostly worked longer hours and were considered more productive than the locals. Trade unionists could not deny the fact that Mauritian workers were less productive than foreigners. They nonetheless fought to secure the jobs for local workers despite the claims of employers that the local labour was too expensive.

Since 2000:*Fight for better working conditions of foreign workers*

Trade unions now try to assist the same foreign workers which they had vehemently fought a few years before. Many foreign workers, especially the Chinese, claimed that they were badly treated in Mauritius. They pointed out that they were living in inhumane conditions in their dormitories. Some also claimed that they were underpaid and that their recruiting agents were robbing them.

There have been cases of strikes and even riots, which resulted in police intervention. In such instances, Mauritian trade unionists intervened as moderators and attempted to solve the conflicts.

Fight for compensation for workers as result of factories closing down

The crisis of the textile and clothing sector in Mauritius since 2002 has had direct repercussions for the workers concerned as about 15,000 lost their jobs.

The job losses led to riots in some cases. Trade unions have played an active role in trying to secure decent monetary compensation for those who lost their jobs. They also acted in collaboration with the Ministry of Labour to find agreements between employers and employees to smoothen the impact of retrenchments.

The task of trade unions to negotiate for other jobs is very difficult. Most of the persons who have lost their jobs have more than 10 years experience in the

textile and clothing sector. Many of these employees are older than 40 years of age and it is thus fairly difficult to re-skill them to work in other sectors, such as tourism and the emerging IT sector.

5. The Future of the Industry

During a workshop in August 2005 on the challenges facing the textile and apparel industry, Mauritius' Minister of Industry, Small and Medium Enterprises, Commerce and Cooperatives, Rajesh Jeetah stated that:

*"(...) the EPZ sector, as one of the major pillars of the economy, has been going through a difficult period during these last three years. It registered negative growth rates of 6%, 6% and 6.8% respectively in 2002, 2003 and 2004. This year too, the EPZ is expected to register a negative growth of 8%. The situation is therefore not rosy at all."*⁵

The Mauritian textile and clothing sector is certainly facing a crisis, which is deepened everyday with news of further closing down of factories.

Moreover, the Third Country Fabric derogation, which was granted to Mauritius in October 2004 under AGOA, will phase out on September 30, 2005 and will most probably not be renewed. This derogation allowed Mauritius to source its raw material from countries outside the African Region therefore allowing some leeway for producers who have long established relations with suppliers in India and the Far East. The phasing out of the derogation means that Mauritius should imperatively source its fabric from the region to access the US market. Producers have always been reluctant to tap these sources of fabrics claiming that they lack supply capacity and were often of lesser quality than from their traditional suppliers.

The textile and clothing sector is therefore at crossroads and various opinions were expressed by stakeholders:

- Government wants to restructure the sector to make it more productive, efficient and competitive. In that respect, government is putting a lot of emphasis on training at all levels of the industry. The idea of clustering of small and medium factories has already been expressed and the NPCC has embarked in a campaign to promote the idea of clustering and benchmarking.

5 <http://www.gov.mu/portal/site/industry-site/menuitem.83c13291f2973a4db3347524e2b521ca/> accessed on 16.9.2005

- On the other hand, local producers feel that they have been left without assistance and that the measures taken by government come very late. Big companies such as Compagnie Mauricienne de Textile (CMT) are still able to adapt fairly well to the changing economic environment. However, Mr. François Woo, Managing Director of CMT stated that the challenge of the textile and clothing enterprises is to be always faster than competitors like China and that the remoteness of Mauritius from its markets is a definite disadvantage. He, therefore, made an appeal to all stakeholders and specially freight forwarders to lower their prices and to be pro-active to help the textile and clothing sector survive in Mauritius.
- Other local producers argued that Mauritians tend to be too selfish. They should collaborate and work together to be able to meet the new challenges instead of thinking about their own vested interests. There were appeals from small and medium enterprises to get help and to be able to share the experience of bigger companies. There has also been one clustering initiative, which was not successful.
- Trade unions and workers from the sector are desperate for the remaining factories not to close down though they know that there is little they can do to prevent further closures.

In general, the Mauritian Government has been criticised for its lack of vision and for waiting too much before restructuring the textile and clothing sector. Many economic observers consider that Government should have started to think strategically about this sector since 2000 when the sector was still fairing well and when it had reached a peak in its development.

Government failed to see the threats to the sector and when these became obvious, it could only take short-term measures, which have not proved helpful to prevent factory closures and job losses.

The current debate about the sector tends to focus heavily on the rising cost of productions and particularly on the rising cost of labour. Yet, the reality is that it will be almost impossible to reduce the salaries of workers to the level they were back in the 1980s when the sector was booming. The challenge lies elsewhere:

The textile and clothing industry has to become more efficient, productive and quality-oriented despite the rising costs of production. All efforts of the stakeholders of the sector should be focused towards this goal. Some producers already stated that the only solution is to move up-market or to find a niche market. There were also calls from suppliers for high quality products while other competitors are producing lower quality but in large quantity.

The success of the textile and clothing industry lies therefore in the capacity of all stakeholders to rapidly adapt to the changing economic environment and on their will to meet the new challenges ahead of them together.

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