

A Pearl in the Indian Ocean

Mauritius is more than an exotic tourist destination. When it comes to economic success stories, you can hardly do better than Mauritius.

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Suppose someone were to describe to you a small country that provided free education through university for all of its citizens, transportation for school children, free universal health care—where people of all religions live in peace and harmony. Chances are you will begin to suspect that such a country is either phenomenally rich or merely a utopia.

In reality, Mauritius, a tropical island nation of 1.3 million people with heavenly beaches and clear aquamarine water off the east coast of Africa, is neither particularly rich nor is it a figment of the imagination. Nonetheless, it has spent the last few decades successfully building a diverse economy, a democratic political system, and a strong social safety net. Many countries, not least Bangladesh, could learn from its experiences.

For in 2013, Mauritius was (again) ranked number one on the Ibrahim Index of governance among African countries—South Africa ranked a distant 5th. And by no coincidence, it remains one of the top economic performers in the region: Measured in terms of purchasing power, income per person exceeds $15,000-- more than that of Turkey or Brazil.

How did Mauritius with no exploitable natural resources manage to grab the brass ring, while so many others in the region have failed?

Indeed, so dismal were its prospects as it approached independence from Britain, which came in 1968, Economist and Nobel Prize winner James Meade prophesied in the early 1960s that Mauritius's development prospects were poor—that Mauritius was a strong candidate for failure, with its heavy economic dependence on one crop (sugar), vulnerability to terms of trade shocks, rapid population growth, and potential for ethnic tensions. History—or, rather, Mauritius—proved Meade's dire prognostication famously wrong. Mauritius recognized that without natural resources, its people were its only asset. Since then the country has progressed from the sugar-based monoculture of 50 years ago to a diversified economy that includes tourism, finance, textiles, and, now, advanced technology.

Mauritius's economic success came at a steady pace, and in ways that spread the wealth. Between 1970 and 2010, the GDP grew at an average annual rate of 5.4 percent, compared with the African average of about 1 percent. Mauritius's commitment to open trade and the rule of law has correlated well with growth.

Now, a few small African countries like Equatorial Guinea that are rich in oil have grown faster and have higher average incomes. But Equatorial Guinea is a kleptocratic nightmare in which only the guys with fancy uniforms and mirrored sunglasses enjoy high living standards. Mauritius, by contrast, ranks second in Africa (after the Seychelles) on the Human Development Index.

Underlying the economic and human development of Mauritius are two major accomplishments. First, it rapidly developed a manufacturing sector specializing in textiles and clothing. Second, Mauritius has successfully navigated the vagaries of the global economy, on which it is so dependent. It managed to contain the damage from the oil price shocks of the 1970s, and it took in stride the successive losses of preferred access to rich-country markets for sugar and apparel.

The adjustments didn't require novel policies. Mauritius focused on export growth, maintained a