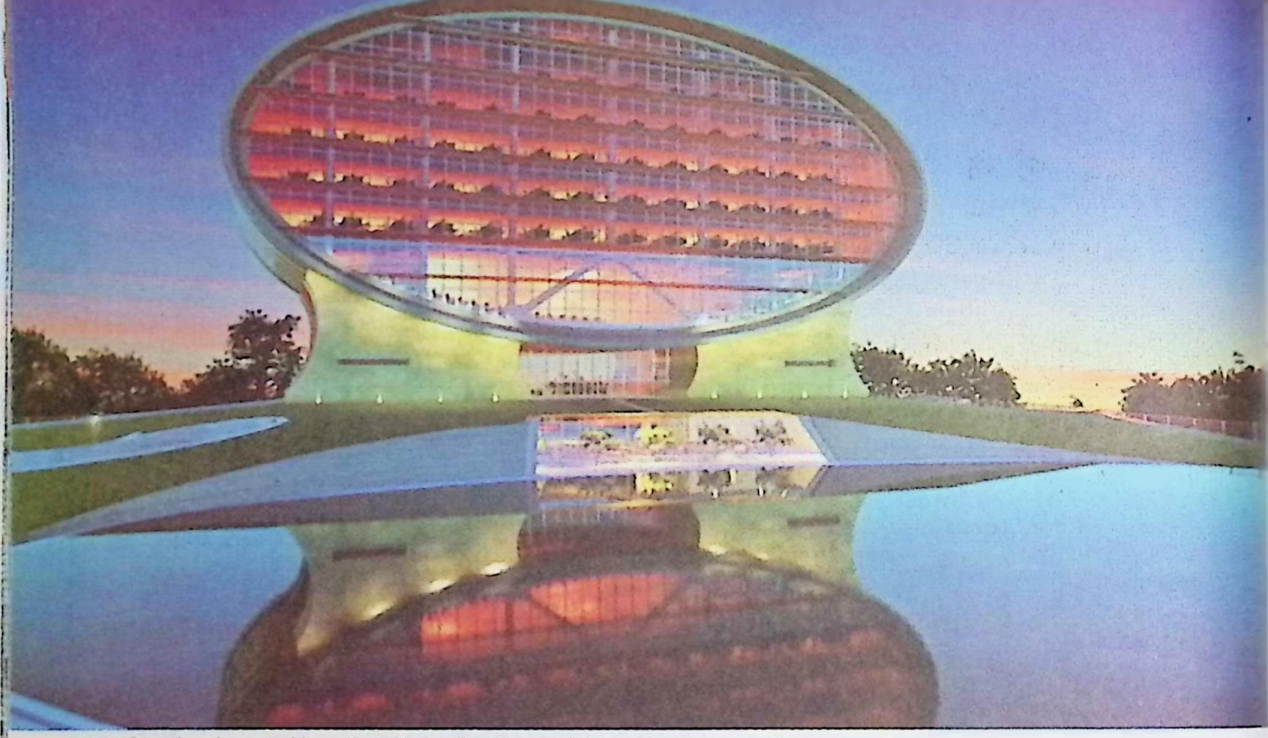


Mauritius has invested heavily in its institutions and infrastructure.

rise of the textile and apparel sector and to a financial centre, respectively. Mauritius has also been a beneficiary of a high inflow of FDI into India. Due to special tax treatment given to investments that come through Mauritius to India, there was a surge in recent years in companies registering themselves in Mauritius. Mauritius was a quasi-tax haven for foreign funds invested in India, more than 39 percent of all inflows of FDI into India which was worth about $162 billion for the time period 2000 to 2012 flowed through Mauritius via private equity, hedge funds and mutual funds. The Chinese community, also, has attracted investment by Hong Kong entrepreneurs who sought overseas locations for their textile operations in an attempt to circumvent the textile quotas imposed on Hong Kong.



Education is free through university level for its citizens.

Mauritius is unique in many ways and offers three lessons. First, trade is the key to growth. Openness forces economic interests to compete in global markets and deters what economists call "rent-seeking" -- that is, creating pockets of economic privilege and hanging on to them. Second, the malign economic consequences of deep ethnic divisions can be moderated by a political structure that is truly inclusive and prevents winner-take-all outcomes. Third, even in relatively undeveloped countries, democracies can manage painful economic reforms because a sense of inclusiveness makes it easier to impose collective sacrifice.

Still, you are tempted to search for the X-factor that gave Mauritius an economic edge. Could it be the cultural values of the majority Indians? Probably not. For one thing, while Mauritius was industrializing, India itself was crawling along at snail's pace.

Are Mauritius's achievements due to good policies—especially openness to trade and foreign investment—sound domestic institutions, or other factors? Experts say it has had a lot to do with the way how well the country's ethnic diversity has been managed. "Perhaps, instilling confidence in the Mauritians in their rights, their votes, the power of their opinions was the key to Mauritius's economic success," opines Subhash Lallchand, a history teacher at a local school.