Rundheersing Bheenick: Mauritius – the financial crossroads of the world

Text of the OMFIF (The Official Monetary and Financial Institutions Forum) Lecture by Mr Rundheersing Bheenick, Governor of the Bank of Mauritius, London, 30 May 2013.

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Thank you OMFIF for the invitation to address such an impressive audience as the one I see this morning at the equally-impressive Armourers' Hall. This elegant and sophisticated hall is steeped in history. I understand that it has served as the home of the Armourers' Company for over six and half centuries since 1346. This company has played a special role in the defence of the City and supported many charities focusing, amongst others on education. One could hardly have wished for a better venue than this magnificent hall.

OMFIF suggested as the theme for my address this morning "*Mauritius: The Financial Crossroads of the World".* At first, I thought that the theme was proposed perhaps half in jest. The qualifier would certainly be more appropriate for the City of London where we are meeting – but Mauritius as a financial crossroad, and that too of the world, who would have thought such a thing? Close examination of the OMFIF cheek did not reveal any sign of tongue. They were quite serious about it, and there was no alternative but to go ahead and get organised to talk to you on this subject.

As I was trying to gather my thoughts about what exactly I should be talking about this morning, I could not help reflecting what a difference the last fifty years have made in the life of this small island-state, tucked far away in a remote corner of the Indian Ocean. Fifty years ago, few people in the banking and business community had even heard about Mauritius, much less thought of it as a Financial Crossroad. Those who knew the place thought of it as a basket case, without any prospects. I have it on good authority that the first-ever World Bank mission to Mauritius in 1962, just a few years before the country became independent, had delivered a devastating verdict:

"This country exudes an air of hopelessness"

This was the view of Jean Baneth, World Bank Mission Chief, who was then working on India and had been sent to do a quick diagnosis of the Mauritian case. He was not alone in his negative judgment of the country. V.S. Naipaul, acclaimed novelist and commentator, had also delivered an equally scathing verdict after a short visit to Mauritius in 1967. This was well encapsulated in the title of the piece he wrote, and which he obviously liked as he retained it as the title of his subsequent book, which included the Mauritius piece along with several other longer articles of his. What was the title?

"The Overcrowded Barracoon"

Mauritius was not just reducing visiting World Bank experts and noted political and social commentators to despair. The contagion engulfed such famous academics as Richard Titmus, the noted sociologist, and the future Nobel economics prize-winner Sir James Meade. For them, and for many others who followed, Mauritius was sinking under the weight of runaway population growth which its sugar economy could not conceivably bear. The country's economic future looked dim and its citizens were leaving its shores in droves looking for better prospects elsewhere – Australia, Canada, South Africa and the United Kingdom. Another bugbear exercising the minds of knowledgeable observers was that the country was heading for a monumental blow-up. Surely, half a million people of diverse origin, − African, Asian, European, − practising many religions and speaking a Babel of languages, could not survive on this crowded, impoverished island. They were bound to be at each other's throat as soon as the colonial overlord left.

Mauritius had indeed come down in the world. To understand the full impact of this *déchéance,* it would be good to remind ourselves that, much earlier, during the height of the colonial struggle after Vasco da Gama had rounded the Cape of Good Hope in search of the riches of the Indies, Mauritius was at the centre of the colonial scramble for position in this part of the Indian Ocean. A favourable location in the Indian Ocean, added to the prevailing trade winds, turned Mauritius into a staging post of choice for sailing ships on their way to India and the Dutch East Indies. We proudly sport a relic of those glorious days, in our national Coat of Arms:

Stella Clavisque Maris Indici.

The Star and the Key of the Indian Ocean − no less!

By the time of James Meade and the others, sugar, which was the mainstay of the economy had earned the country the reputation of *Sugar Bowl Island*. And sugar was rapidly running out of steam. The economic problem had been reduced to a race between population and productivity. The Star had definitely lost its shine and the Key was not unlocking any door, certainly not one to a brighter future. It certainly looked as if Mauritius was going the way of the dodo, the eponymous bird that had forgotten how to fly on the isolated island of no predators and fell victim to the appetite of struggling Dutch settlers. It is not my intention to tell you the full story of either of these two transformations, from Star and Key to basket-case, and then from basket-case to a rising star on the African continent. I evoke it just to drive home the sheer enormity of the task accomplished in this second transformation, achieved in slightly over one generation, so that it now seems perfectly natural to discuss whether this erstwhile basket-case is now a financial crossroad of the world.

In what follows, I interpret “financial crossroads” to refer to International Financial Centres, or IFC’s. Let me state categorically that I do not view tax havens as IFC’s and I do not believe that traditional, secretive, opaque tax-havens have much of a business case these days. These “sunny places with shady finances”, as they have been called, will have to change rapidly if they are to survive in some form or other. We in Mauritius have always rejected the “tax-haven” label as we are a jurisdiction of substance, which comes with a real, diversified, and thriving economy attached.

I could begin by debunking the notion that Mauritius is, or will soon become, the financial crossroad of the world. Had I come from our investment promotion agency, I would probably be arguing that Mauritius is not only the financial crossroad of the world, but perhaps also the centre of the universe. I shall take a more measured view. In my substantive remarks, I shall discuss briefly the case for offshore jurisdictions, and offshore banking and tax planning facilities. I shall consider the recent Cyprus episode and seek to draw some lessons for IFC’s. I shall spend a little more time on the Mauritian offshore experience and argue that Mauritius is an IFC with a difference. Offshore is not the only game in town as Mauritius comes with a real economy attached. There will be continuing demand for packaging a rising volume of investment flows and for other professional services on the African continent and elsewhere which could drive Mauritius to a more prominent position in the offshore space.

I. The case for small offshore jurisdictions, offshore banking and tax planning facilities.

Small jurisdictions seem to have a comparative advantage as IFC’s. Historically, partly at least because of their size which limited other economic activities, small states have been more open to the world. This has allowed them to exploit emerging niches and embrace global trends more rapidly than bigger countries. They have proved to be more flexible than bigger economies and have adapted more easily to changing circumstances. Both their populations and their GDP are but a tiny fraction of world population and world GDP. Faced with limited options for development, many sought to become Offshore Financial Centres (OFC’s). OFC’s are generally defined as small, low-tax jurisdictions specializing in providing corporate and commercial services to non-resident offshore companies and for the investment of offshore funds. However, abuse in some jurisdictions has too easily and mistakenly fed the perception that OFC's are tax havens. Unsurprisingly, OFC's are the object of constant attack, especially from the OECD and the G20. They seem to have spawned a cottage-industry of specialists regularly taking potshots at OFC's.

We cannot ignore the fact that small country IFC's play an important role as conduits of cross-border capital flows and investments. It is estimated that as much as half the world's capital flows go through offshore centres. An estimated £13–20 trillion is hoarded away in offshore accounts. Small country IFC's, with a little over 1% of world population, hold 26% of the world's wealth, and 31% of the net profits of United States multinationals transit through them.

II. Let me turn to the question whether the Cyprus episode spells the knell for IFC's as we know them.

There is no denying that the reputation of small country IFC's has taken a severe blow in the wake of the Cyprus crisis. Cyprus incurred direct losses of the order of EUR4 billion or 23% of its GDP. The mind boggles at the thought of our economies taking such a big hit because of malfeasance in our offshore banking activity. The austerity cure, imposed by the Troika, and the population's reaction to it has added new jargon to the language of economic discourse. The thought of being "cypressed" strikes fear in the mind of policy-makers in all small countries, not just IFC's. For most IFC's, such a possibility is extremely remote. Some attributed the crisis to the fact that the Cypriot banking sector was disproportionate to the size of the economy. This led to the policy prescription of a quantitative limit on banking assets of 3.5 times of GDP, arbitrarily proposed at the EU level. With the benefit of hindsight, we can assert that such a limit would not have prevented the kind of problems encountered by Cyprus. The truth lies in the fact that Cyprus was excessively exposed to Greece on the assets side and to Russia on the liabilities side.

The lesson that I draw from this is not that IFC's as a class are bound to disappear or, at best, condemned to a slow death. I would rather argue that small country IFC's need to exercise care in the conduct of their business, appropriately assess potential sources of risk and better manage their asset and liability mix. Both of these points are clearly illustrated in the next two slides, which compare Cyprus banking ratios and financial soundness indicators, with three other offshore jurisdictions including Luxemburg and Mauritius. Malta and Luxemburg have 8 times and 17 times of their GDP, respectively, by way of banking assets. But their FSI's in the next slide, show that they had a more robust banking sector, as reflected for example by their non-performing loans – less than 0.5% for Luxemburg while it was nearly 16% for Cyprus. The case of Luxemburg provides ample evidence of the solidity of the banking sector of a country even when its banking assets represent 17 times its GDP. The short story is that the Cyprus episode does have lessons for other jurisdictions but it has no immediate relevance for most of them because they do not run their banking and finance the way Cyprus did. It certainly does not mark the end of the road for solid, transparent, well-regulated IFC's.

III. Which brings me rather neatly to Mauritius and its home-grown model of an IFC.

The previous two slides provide an indication of the size of the Mauritius offshore banking sector and its financial soundness. Our banking sector assets are less than three times our GDP, the lowest in the sample, and evenly divided between domestic and offshore assets. The FSI's show a sound banking sector, well-capitalised and nearer Luxemburg on most measures with, for example, non-performing loans at less than 4%, half the level of Malta, and regulatory capital to risk-weighted assets at 17%, very close to Luxemburg's 19%. We started on our offshore journey in 1988. An earlier attempt, a decade earlier when the economy was about to go into intensive care, proposed by a Caribbean consulting company unashamedly calling itself Tax Haven International, was shot down by the IMF which had been called in to advise on the matter. By the late 1980's, we had emerged from the tutelage of the Bretton Woods institutions and a bevy of stabilisation and structural adjustment programs. The economy was fitter and on the lookout for new engines to power the next stage of growth, to add to sugar, export manufacturing and tourism which were all doing well.

It may not be deemed prudent these days to admit to any Cyprus connection but we did draw on the Cyprus experience when we were finalising plans for our own offshore business sector. It may be still less prudent to admit that it was BCCI staff on the ground that facilitated our contacts with the Cypriot authorities and its offshore banking sector. We drew on this and other models as we set about developing, in a phased manner, our home-grown model. This has proved to be more resilient than some of the models that inspired us – not least because our financial sector benefited from an increasingly-diversified and growing real sector and from a multilingual pool of professionals in accounting, law, management, and finance. Financial Intermediation today provides more than 2% of the total employment in the country and the trend is on the rise.

We developed an extensive network of Double Taxation Avoidance Agreements (DTAA) and Investment Promotion and Protection Agreements (IPPA) with several countries, both developed and emerging. Our strategic location in the Indian Ocean proved to be an added advantage which enabled us to carve a niche in the region. When India started major economic reforms in the wake of the 1991 balance of payments crisis, Mauritius which had signed a DTAA with India years earlier, seized the opportunity to emerge as the largest conduit of foreign inflows to India averaging 43% of total inflows into the Asian giant over the past decade. The most important provision in the DTAA between India and Mauritius has been that the capital gains earned by a company resident in Mauritius on disposal of shares of an Indian company are tax-exempt in India. As a consequence, Mauritius has enjoyed a prominent place in tax treaty planning of private equity players, multinationals, and global fund houses investing into India.

We adopted high standards of rigorously-enforced regulation proposed by the Financial Action Task Force, the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF). We go beyond merely applying those international norms; we are also committed and cooperative partners in compliance legislation. Our efforts paid dividends – OECD placed us on its white list which means that our jurisdiction has substantially implemented the internationally-agreed tax standards. More recently, we have initiated consultations with the US Revenue Authority to become FATCA-compliant. Mauritius has also adopted tax information exchange protocols to allow foreign countries to investigate suspected tax evasion.

As a small, isolated, island, we lost no opportunity to join regional economic groupings. When some of our needs were not met by existing bodies, we set about creating others, and two of these are actually headquartered in Mauritius. Mauritius joined the Common Market for Eastern and Southern Africa (COMESA), having been a founder-member of its precursor, the Preferential Trade Area. We joined the Southern African Development Community (SADC), at the same time that SADC opened its doors to post-apartheid South Africa. We initiated the short process that culminated rapidly in the establishment of the Indian Ocean Commission in 1982 and the bigger Indian Ocean Rim Association for Regional Cooperation in 1995. We are committed to be an active player in regional cooperation. The Bank of Mauritius serves as the Settlement Bank of the Regional Payments and Settlement System of COMESA. Mauritius hosts AFRITAC (South) – the 4th regional technical assistance centre of the IMF in Africa. The COMESA Fund and the Africa Training Institute of the IMF will soon start operations in Mauritius. The day is not far when Mauritius will obtain observer status in the Eastern African Community and ASEAN. Our vision to become a bridge between rising Asia and Africa is something that we have been patiently working on for several decades. A visible outcome is the fact that nearly half of our GBCs have been used as vehicles for investment in Kenya, Mozambique, Zimbabwe and South Africa.

Our banking sector

Little did we know how radically we were going to transform the financial landscape when we adopted in 1988 banking legislation to enable offshore banking. That was just 25 years ago. We then had 13 banks, all involved in domestic banking. By 1998, the numbers had changed to 10 domestic banks and 9 offshore banks. The sector was quite dynamic. By 2002, after some consolidation, there were 10 domestic banks and 12 offshore banks when there were also 221 offshore funds and around 19,350 Global Business Licence (GBL) Companies. The offshore banks employed around 170 persons and their assets amounted to 94% of our GDP. In 2005, we distinguished ourselves from other OFC's by introducing a single banking licence. We adopted Segmental Reporting requiring the disclosure of financial information on two distinct segments of banking activity– Segment B for banking business giving rise to "foreign source income", and Segment A for all other banking business. Today, we have 21 banks operating in our jurisdiction, all involved to varying degrees in cross-border banking activities. Some have extended their footprint beyond our shores, setting up operations in the region. Our banking sector assets represent around 3 times our GDP. There were nearly 25,000 GBL companies and their deposit base at the end of 2012 represented around 39% of total banking deposits. There is a long way to go before we reach the size of other small IFC's.

Our banks perform well and have proved to be very resilient. They have contributed in no small measure to the resilience of the Mauritian economy. The robustness of our banking sector is itself the result of prudential measures adopted in a timely manner over the years. The Global Competitiveness Report 2012–2013 provides a good indication of the health of the sector. It ranks the Mauritian banking sector 15th out of 144 countries in terms of the soundness of banks, and 35th in terms of financial market development. In the ranking of the *African Banker* magazine, seven Mauritian banks figured among the top 100 banks in Africa in 2012. This is no mean achievement if we consider that the Mauritian GDP adds up to a grand total of one-fifth of one percent of African GDP. I have been focusing more on the central bank and its regulatees but the change was broad-based. The other financial and market regulators, namely the Stock Exchange of Mauritius and the Financial Services Commission, have also garnered international accolades.

I am certainly not saying that there have not been some major tremors in our financial sector, because there have been. But these had nothing to do with the ongoing global financial and economic crisis. We had a major financial scandal in 2003, very much home-grown too. This was the infamous MCB/NPF saga which takes its name from the protagonists involved, which happened to be the largest bank and the largest pension fund in the country. Recently we have suffered from a rash of "Ponzi Schemes". Such "accidents" have triggered corrective measures to ensure that there is no recurrence. We have learnt some lessons from the unfortunate experience of others in the wake of the 2008 global financial crisis and we are applying them to our banking system. We have taken several policy initiatives to deal with complex banking structures of domestic systemically important banks which are too-big-to-fail and too-connected-to-fail in our close-knit economy. As many Mauritian banks have grown regional, we are also addressing cross-border banking issues.

Just to give you an idea of the challenge facing the central bank, let me point out five pertinent facts. First, the Bank is 45 years old, and has been an independent institution only for a little over eight years since 2004. Second, the largest domestic bank has been in continuous existence for the better part of two centuries, which makes it one of the oldest surviving commercial banks in the southern hemisphere, and not just on the African continent. Third, the two largest banks in the country, both domestic, account for two thirds of domestic banking assets. Fourth, there is tremendous concentration of asset ownership in the country in the hands of a handful of conglomerates. And fifth, when the central bank tries to address the underlying problems, its Governor is regularly accused of suffering from Marxist hang-ups and acute personality disorders and his imminent departure has been a constant refrain of the hyper-active rumour mill for over six years now.

I just walked you through some of the initiatives, measures and policies adopted by Mauritius in its quest to become an IFC of international repute. Notwithstanding our best efforts sustained over decades to keep our jurisdiction clean, the Mauritian offshore sector has been constantly under attack, both from official quarters and from unofficial self-appointed vigilantes. India has undoubtedly benefited from increased FDI through the so-called "Mauritius Route". This has not prevented the DTAA between the two countries from regular attacks in the Indian press, which often look suspiciously like part of a "dirty-tricks" campaign by a competing jurisdiction when, that is, they are not being fuelled by holier-than-thou Indian politicians on the campaign trail who scapegoat Mauritius as an expiatory target in their "bring black money back from overseas campaign".

Teflon-like, Mauritius stoically shrugs off these attacks as it does not practice a culture of opacity. Mauritius has always been more than willing to share information with the banking and tax authorities of partner-countries. That is why attempts from various quarters to qualify Mauritius as a tax haven have not succeeded, anymore than veiled threats from OECD to put Mauritius on its grey list. Many cling to the view that all IFC's are tarred with the same brush and perpetuate the myth of Mauritius, the tax haven in the Indian Ocean. Mauritius is a global facilitator with unparalleled transparency, and serious credentials, and not the answer to round-tripper's dream.

IV. Mauritius – an IFC with a difference

The challenge confronting Mauritius now is perhaps its toughest since it embarked on the offshore business a quarter century ago. It is one thing to be a competitive back-office hub and an efficient conduit for capital flows to India and Africa, but it is quite another to become a significant value-added platform, effectively enhancing South-South trade and investment. The name of the game now is greater substance and more value addition.

Depressed conditions in the crisis-hit West, coupled with slowdown in India, have forced Mauritius to target other markets to grow its export of goods and services. Fortunately, the next growth frontier that is Sub-Saharan Africa is just next door. Africa has definitely turned the corner. The African Union, marking its 50th anniversary last week, had a lot to celebrate. Its predecessor, the OAU – or the Organisation of African Unity – had attracted the charge that it was trading under false pretences: there was neither organisation nor unity in Africa! Global powers, old and new, are now making a bee-line for the continent, attracted by policy reforms, institutional strengthening and resource discoveries. Some thirteen years ago, in May 2000, back when investment gurus were still fascinated by the BRICs and the good things that would come out of the European Union, *The Economist* magazine carried a devastating front page cover *"Africa, the Hopeless Continent*."

The article which followed talked about how Africa would struggle to resolve famine, HIV AIDS, high debt, bad governance and its many wars. To be fair, some of the criticism levelled at the continent remains true even today, but Africa has now got its act together and is playing catch-up. This is perhaps why *The Economist* recanted two years ago, and blazoned an altogether different message on its front cover in December 2011, this time titled *'Africa Rising'*. The titles have become even more positive ever since, with its March 2013 issue talking about *'Aspiring Africa'*. Let me quote the introductory paragraph from the latter just to give you the flavour and a sense of the changing times.

"CELEBRATIONS are in order on the poorest continent… Life expectancy rose by a tenth in the past decade and foreign direct investment has tripled. Consumer spending will almost double in the next ten years; the number of countries with average incomes above $1,000 per person a year will grow from less than half of Africa's 55 states to three-quarters."

How times have changed! How very sporting of *The Economist* to recognise and celebrate this changing sentiment towards Africa.

Which rather reminds me that *The Economist* had meted out a similarly harsh treatment to Mauritius, but without any subsequent recantation. It was in the late 1980's, if memory serves me right. We had stabilised the economy, consolidated public finances with austerity and wage restraint, strengthened the sugar sector, tourism and export manufacturing, and changed governments through free and fair elections – as has always been the practice since independence, and started offshore activities. We were doing quite well, one would have thought. The World Bank certainly thought so: its country report on Mauritius had the tell-tale title "*Managing Success*." *The Economist,* however, took a more jaundiced view, buying the myth that Mauritius was rolling out the red carpet for money launderers. It carried a short article, with the admonishing title *"A Naughty way to Salvation."* It was well-hidden in an inside page – no cover page on *The Economist* for small-island states unless they have been particularly naughty like Cyprus, or Iceland before it. Maybe it's high time for *The Economist* to make some *amende honorable*...

The African narrative has got a rush of superlatives going. *"Lions on the Move",* trumpeted a McKinsey study on the continent. As their largest trading partner, the EU is mired in recession this year, Mauritians can count their blessings as their country happens to be in one of the fastest growing regions of the planet: East Africa will grow by around 6%. This is impressive enough. Its southern African neighbours, Mozambique and Zambia, are likely to clock more than 7% growth.

What is driving all this growth you may ask? Not only has the region discovered oil and natural gas but it is also blessed with a young population and a rising middle class. Falling trade barriers, stable interest rates, and greater currency stability are encouraging inter-regional trade. Large Kenyan banks like Equity Bank which used to have 100% of its revenues from within Kenya in 2007, now gets 12.5% of its revenues from the rest of the region as expansion plans bear fruit. With banking penetration rates in Africa at close to 20%, large African banks are raising deposits cheaply from the villages, in increasingly innovative ways, and lending it at huge spreads to the corporate sector and upper middle class. Yes, these are good times for the banking industry in Africa. With 40% of the African workforce between the ages of 15–24, and with the continent becoming increasingly urban, Africa's challenge is to use its demographic dividend wisely.

With strong growth comes increased global investor attention. Just to give you a few examples, last year two of the best performing stock markets in the world were African – Nigeria and Kenya. Last September, Zambia's debut USD750 million Eurobond auction was oversubscribed by a staggering 15 times, pushing its yield down to 5.6%! Africa will issue a record USD7 Billion in Eurobonds this year, more than the cumulative sum of the last five years.

With Western nations curtailing donor aid, fast-growing African nations, with manageable debt to GDP ratios, are not finding problems in attracting money in a world where the search for yield is increasingly becoming important. Money has increasingly been flowing into the domestic bond market in the likes of Nigeria, where a well-functioning secondary bond market exists, with the inclusion in the JP Morgan Emerging Markets Bond Index helping to push down yields at the long end of the curve. Unlike in the West where interest rates hover at, or near, the zero-bound, with interest rates in Kenya and Nigeria for example between 8% to 14%, there is much scope for compression in Africa as monetary policy gains traction and inflation falls, which will in turn help unlock still more growth. The Africa growth story is just only beginning. Mauritius, as the friendly, neighbourhood, well-connected IFC, can expect much business to come its way.

What does the future hold for Mauritius?

Before Mauritius can move up the value chain, it needs to recognize its limitations. It is a small country, with limited resources and it needs to do things differently. Mauritius cannot afford to be a common, garden-variety, IFC, undistinguishable from a dozen others. It must seek, at all times, to be increasingly an IFC with a difference. For this to happen, it needs both scope and scale. To add value, it needs foreign investors not only to invest through Mauritius but increasingly with Mauritian investors. And for this to happen, we need to show substance by bringing both knowledge and seed capital on the table. Mauritius can become the private equity vehicle of choice for small- and medium-scale projects in the Eastern and Southern parts of Africa within sectors where it has a comparative advantage.

The country does not have the knowhow or financial clout to finance oil exploration, power plants, aluminium smelters or mining projects. But, it has already demonstrated that it can be the ideal vehicle for such investments as medium-sized clinic in Uganda, a bank in Kenya, a sugar mill project in Tanzania, a stone-crushing plant in Sri Lanka, or textiles in Bangladesh. You do not need huge sums of capital to set up a chicken farm in Madagascar or Mozambique or to offer Mauritian *savoir-faire* to the booming hotel industry of the region. Investors in the big-ticket projects of the continent, who tap the myriad of large US, European and Middle Eastern private equity funds, can still find it convenient to use the Mauritian IFC platform to package, administer and route their investments. But for investors looking for diversification from the same old investment themes, and seeking to capture Africa from the bottom-up, Mauritius can be the ideal platform. Mauritian banks are increasingly interested in forming partnerships with small- and medium-sized banks in the East African Community but their relatively small size and current Capital Adequacy Ratios mean that they need more funding.

Historically, Mauritian private sector captains have preferred the go-it-alone approach. A local bank, which had recently acquired a minority stake in one of the smaller banks in Zimbabwe, has paid a high price to learn the lesson that investing in Africa can be quite risky. There is a strong case to pool together available know-how and seed capital to build the critical mass required for larger projects, diversify risks, and leverage external funding. Mauritius has been toying with the idea of setting up a sovereign wealth fund which could become a source of equity funding for a more aggressive move into Africa. There is scope for increased public-private partnerships, which are still a rare phenomenon on the continent. The African Development Bank has floated the idea of an African Infrastructure Fund, financed partly from central bank reserves. It will be setting up an office in Mauritius this year. There is truly a ferment of investment and finance activity in, and around, Mauritius.

All this leads me to conclude that there are bright days ahead for the Mauritian IFC because it is an IFC with a difference. Its thriving real economy means that offshore activities are only a small chunk of the panoply of activities going on in the country.

Mauritius has made major strides during the two last decades to become a bigger regional financial centre. Compared to other small IFC’s, we still have a long road to travel to become what Singapore is to Asia or Luxemburg to Europe. We have always strived to live up to the “fit and proper” image of a reputable jurisdiction. We have tried hard to be a jurisdiction of substance. We can confidently lay claim to be the best in our class, a target that has constantly been in our sights since the very beginning.

We collaborate fully with all global stakeholders of the financial world – OECD, FATF, IMF and the like. Cyprus holds no lessons for a clean jurisdiction like Mauritius. Current attacks on offshore jurisdictions coming from the G20 do not pose a particular problem as long as there is level playing field across jurisdictions and transparency is upheld through well-coordinated exchange of information. There is no dearth of growth opportunities for the Mauritian IFC from *Aspiring Africa* next door, and the prodigious developments expected in Asia. There is increasing demand for reliable and trusted products and services for efficient tax planning as there is for better packaging and distribution of investments with greater real sector involvement. Mauritius is positioning itself to make the most of these opportunities.

Mauritius: the Financial Crossroads of the world? Probably not. But quite possibly *a* financial crossroad, along with several others, meeting a real need of investors, savers and corporates from all over the world. Not a bad prospect for a country that was exuding such *an air of hopelessness* only half a century ago, wouldn't you agree?