

AFRICA RISK CONSULTING

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Mauritius' historic deal with the United Kingdom (UK) over the Chagos Islands faces challenges. Mauritius presents a counter proposal while the UK decides to wait for the new administration in the United States (US) to sign off on the agreement. The anti-money laundering unit of the Mauritian police issues arrest warrants for the former Bank of Mauritius (central bank) governor Harvesh Kumar Seegolam, who is subsequently arrested, and former finance minister Renganaden Padayachy. The government implements water restrictions as dam levels fall.

Hurdles to the Chagos Islands deal

The long awaited Chagos Islands deal between Mauritius and the **United Kingdom (UK)**, negotiated under the former administration, has faced several challenges since the November 2024 general election that saw prime minister **Navin Ramgoolam's** (2024-present) sworn in. Following his inauguration, Ramgoolam expressed reservations over the original deal, stating that he was unsatisfied with the deal the previous administration brokered, because Mauritius is not receiving enough compensation.¹ Additionally, deputy prime minister **Paul Bérenger** said that the UK is "nitpicking" compensation to Mauritius when the UK has been illegally using the Chagos Islands and **Diego Garcia** since its annexation from Mauritius in 1968.² In response, the Ramgoolam administration sent a counter proposal to the UK government.

The counter proposal included higher prices for the lease agreement of Diego Garcia - Mauritius estimates that the value of a yearly lease agreement could be as high as £800m (\$1 billion) per year.³ Ramgoolam noted that the money would be of substantial help to the Mauritian economy, especially after the difficulties it faces with the inflated cost of living and the rupee's depreciation against the **United States** dollar. However, the UK government is highly unlikely to accept a deal of \$1 billion a year.⁴

Following the Mauritian government's counter proposals, the UK was in a rush to complete the deal before US President **Donald Trump's** (2025-present) inauguration on 20 January. A draft agreement has been concluded but since mid-January, the UK government has changed its tactic and has been stalling the signoff because it firsts want second Trump administration's approval.⁵

After trying to rush the deal, the UK government is insisting that the incoming US administration first needs to approve the deal before it can be signed. The US and UK share a joint naval base on the biggest island, Diego Garcia, hence the US' interest in this deal. A spokesperson for UK prime minister **Sir Keir Starmer** (2024-present) commented on the situation by saying it is reasonable for the second Trump administration to consider the deal before it is signed by the UK and Mauritius.⁶

Although former US president, **Joe Biden** (2020-2024), approved the deal, the new US secretary of state **Marco Rubio** has expressed his concerns about the deal saying it poses a threat to US security interests in the **Indian Ocean**. Rubio's argument is that the UK would hand over the islands to a state which is closely aligned with **China**, and the US fears Mauritius may offer China an opportunity to

¹ The Guardian, 24 Dec 2024

² The Guardian, 24 Dec 2024

³ Bloomberg, 19 Jan 2025

⁴ Bloomberg, 30 Dec 2024

⁵ Bloomberg, 21 Jan 2025

⁶ BBC, 15 Jan 2025

establish a military base on the Chagos Islands. At this point in time, apart from Rubio's comments, the second Trump administration has not released an official position on the deal and it is unclear if they would outright object to the deal.

While the deal is still waiting for approval from the US, this second hurdle could prove to be not only an issue for the Chagos Islands negotiations, but for Mauritius' medium term foreign relations. As Rubio noted, the problem the US has with Mauritius is their close economic relations to China.

In 2021, Mauritius stepped into a free trade agreement with China, the **China-Mauritius Free Trade Agreement (FTA)**, which was the first FTA between China and an African country.⁷ This trade deal is perceived to be a threat for the US, which interprets the FTA as China's attempt to exert political influence over the **Indian Ocean Region**. This perception could be a threat for Mauritius in the medium term, especially in the face of Trump's transactional diplomatic approach.

Former central bank governor arrested

Police arrested former **Bank of Mauritius' (BoM)**(central bank) governor, **Harvesh Kumar Seegolam** on 3 January in connection to a conspiracy to defraud case.⁸ On 15 December 2024, the Mauritian police's anti-money laundering unit issued an order for arrest for Seegolam while he was out of the country. After meeting with his lawyer, Seegolam was granted bail on 4 January and remains on parole on the condition that he complies with the conditions set forth by the court.⁹

The police have not released any details on the case, all that is known is that the arrest warrant is related to a statement **Ramgoolam** issued to parliament, accusing the BoM of printing money to fund the **Mauritius Investment Corporation (MIC)**. The MIC is a division of the BoM and was originally intended to help companies deal with the effects of **Covid-19**.¹⁰

In relation to the same case, an arrest warrant was also released on 7 January to arrest the former finance minister **Renganaden Padayachy** if he attempts to leave the country.¹¹ The only additional details released about Padayachy's arrest warrant is that it is in relation to the undue disbursement of Rs 45m (\$969,000) to the MIC.

When Ramgoolam came into power in November 2024, he accused the previous government of falsifying the country's financial statistics (*see ARC Briefing Mauritius Nov 2024*). Additionally, he said the BoM unduly intervened by selling foreign currency to keep the economic policy from the previous government afloat. During his first few weeks of returning to office, Ramgoolam correctly stated that the previous government artificially devalued the repuee against the US dollar to create artificial fiscal revenue.¹² These arrest warrants are one of the first big moves from Ramgoolam's administration.

Although the arrests indicate Ramgoolam's determination to correct the previous administration's wrongdoing, it is also damaging to Mauritius' reputation, which markets itself as a financially responsible investment destination. The **Mauritius International Financial Centre** and the finance ministry has worked to promote Mauritius as an African investment destination, because of its political and economic stability.¹³ However, the surfacing allegations of corruption against the former central bank governor and Padayachy indicates that the Mauritian financial system is not perfect and carries risks in the form of corruption and undue political intervention.

Government imposes water restrictions

⁷ World Economic Forum, 15 Feb 2021

⁸ Channel Africa, 3 Jan 2025

⁹ BNN Bloomberg, 4 Jan 2024

¹⁰ Al Jazeera, 15 Dec 2024

¹¹ Bloomberg, 7 Jan 2025

¹² Bloomberg, 16 Nov 2024

¹³ Africa.com, 23 Dec 2024

On 20 January, Mauritius imposed restrictions on water usage as the government issued a warning of critically low water levels.¹⁴ The state-owned water authority, the **Central Water Authority (CWA)**, reported that the average reservoir rate reached 43%, which is critically low for the island as 46% of Mauritius' domestic water supply comes from groundwater.¹⁵ Groundwater refers to water beneath the earth's surface and is abstracted through the islands' 181 boreholes. However, the CWA also expressed concern about the remaining 54% of water supply, which is derived from surface water sources such as reservoirs and rivers, noting that the rivers the government relies on for its water supply has dried up.¹⁶

To combat the drought conditions, the government imposed restrictions on water usage with water only being available between four to twelve hours and different areas have varying limits. Water users in the east and south of the island have the strictest restrictions, only being allowed three hours of water access a day.

Mauritius' agriculture industry, especially sugar crops, is heavily reliant on the islands' domestic water supply to grow their crops. Water restrictions and drought pose a risk to this industry but also the economy considering that foodstuffs, which includes processed and raw sugar, made up 21.85% of Mauritius' exports in 2022.

Although Mauritius usually experiences drought conditions in the first half of their summer season (December to March), what has been worrying for this season is the below average rainfall for the first quarter of 2025.¹⁷ The **Mauritius Meteorological Services (MMS)** stated that December 2024 experienced below normal rainfall, and that between 1 and 15 January 2025 there were also very dry conditions.¹⁸ ¹⁹Additionally, the MMS predicts a dry month for the remaining two weeks of January.

Although January 2025 is an unprecedented dry month for Mauritius, the government has had experience with droughts in the past and has had to introduce water restrictions and has the institutional capacity to deal with the situation.

Planner

2025 (**Mauritius**) Municipal elections

Chronology

16 Jan 2025 **Port Louis (Mauritius)** *Statistics Mauritius*. **Statistics Mauritius** releases the Consumer Price Index (CPI) for quarter 4 of 2024 indicating that CPI stood at 103.5 which is 0.1 higher than the preceding quarter of 103.4;

16 Jan 2025 **Port Louis (Mauritius)** *Statistics Mauritius*. **Statistics Mauritius** reports headline inflation for 2024 was 3.6%, significantly lower than 7% in 2023;

14 Jan 2025 **Port Louis (Mauritius)** *Ministry of Foreign Affairs*. The **Food and Agriculture Organisation (FAO)** representative for **Madagascar, Comoros, Mauritius, and Seychelles, M. Charles Boliko** meets with foreign affairs minister **Dhananjay Ramful** for a courtesy call;

13 Jan 2025 **Port Louis (Mauritius)** *Gov.uk*. **United Kingdom** and Mauritius release a statement on the negotiations regarding the **Chagos Islands**, reporting good progress and ongoing commitment to concluding a treaty;

¹⁴ Bloomberg, 19 Jan 2025

¹⁵ Ministry of Energy and Public Utilities, 2023

¹⁶ Bloomberg, 19 Jan 2025

¹⁷ WION, 21 Jan 2025

¹⁸ Mauritius Meteorological Services, 10 Jan 2025

¹⁹ Mauritius Meteorological Services, 20 Jan 2025

10 Jan 2025 **Port Louis (Mauritius) Bank of Mauritius. Bank of Mauritius** (central bank) releases the gross tourism earnings for November 2024 which is valued at Rs9.4 billion (\$199m), compared to Rs 8.7 billion (\$183m) in November 2023;

8 Jan 2025 **Port Louis (Mauritius) Ministry of Foreign of Affairs.** Foreign affairs minister **Dhananjay Ramful** meets the **European Union** ambassador, **Osakr Benedikt**, for a courtesy call;

6 Jan 2025 **Port Louis (Mauritius) Bank of Mauritius.** The **Bank of Mauritius** (central bank) intervenes on the domestic foreign exchange market, selling \$10m at a rate for Rs46.75/USD;

6 Jan 2025 **Port Louis (Mauritius) Eastleigh Voice.** Prime minister **Navin Ramgoolam** receives **Kenya's African Union Commission** chairperson candidate, **Raila Odinga**, after Mauritius withdrew its bid for the position in favour of Odinga's candidacy;

23 Dec 2024 **Port Louis (Mauritius) Statistics Mauritius.** The unemployment rate slightly decreases in the third quarter of 2024 to 5.9%, compared to 6.2% in the second quarter of 2024 and 6.3% in the third quarter of 2023,

20 Dec 2024 **Port Louis (Mauritius) Statistics Mauritius.** **Statistics Mauritius** reports Investment or Gross Fixed Capital Formation in the third quarter of 2024 was Rs 42 billion (\$904m), a marginal increase from Rs41 billion (\$873m) in the second quarter of 2024, Rs41 billion (\$873m), and Rs35 billion (\$742m) in the third quarter of 2023;

20 Dec 2024 **Port Louis (Mauritius) Ministry of Foreign of Affairs.** Mauritius and the **United Kingdom** release a joint statement saying both governments are committed to finalising the **Chagos Islands** treaty;

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