

"Don't cry over spilled milk"

By Touria PRAYAG

■ **Talk in the business community these days is about the newly-signed Double Taxation Avoidance Agreement with India. The general feeling is that we have signed away all our rights under the treaty. Is that an opinion you share?**

I would approach this subject entirely differently. Rather than responding as to what I think of it, I think it's a done deal, a sign off, it's finished and now you have a transition period which gives Mauritius and businesses in Mauritius a period of two years. That period is the time when Mauritius needs to sit back and plan the transition. It needs to look at what will happen in the first instance and how the treaty in its present form can be used for insuring the businesses can grow in the same fashion and also keep a watch on what India does in terms of treaties with other countries which are in direct competition with Mauritius. And if you go back in history, Mauritius has always been stating that it would like to be considered as Singapore and move in the same fashion. That needs to be evaluated as well while watching the treaties with the Netherlands, Sweden, Spain and one more. But we need to move on!

■ **It's easy to say let's move on. Before moving on, you have to take stock of what has happened and whether it is good or bad for the country.**

You are obviously right in the sense that the first step is to take stock. Then you will have a sensible or a meaningful strategy about how to move on. I do not wish to comment on whether signing the treaty is good, bad or ugly. At the end of the day, it's a process of evolution.

■ **This is not evolution. This is a shock treatment.**

In light of the revision to the Double Taxation Avoidance Agreement (DTAA) with India, which has created panic in the island's business sector, Weekly speaks to Indian national, Sanjiv Bhasin, CEO of AfrAsia Bank about what the agreement means for Mauritius and how we can look to the future.



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I don't know if it's a shock or not. I would say it is not a shock to the extent that Mauritius saw it coming.

■ **You will agree, however, that although we saw it coming, we did not expect changes to this extent. We could see that maybe India would share the taxation**

rights with Mauritius or something similar. We didn't actually expect India to pull the rug from under our feet and walk away.

I am not in a position to say what you expected or you did not expect. But the fact is that over the last five to seven years, amendments to this treaty and the fact that the form and shape of this

treaty will change were on the discussion table.

■ **Changes take various forms and we could have considered other options. The devil is in the detail, isn't it?**

The options depend upon what the two countries thought and what the two countries wanted at the end of the day. The best thing you could have achieved was to continue with the treaty the way it was. The second, third or fourth best option is immaterial at the end of the day. It is done! Now sit down and see how to make the best out of it.

■ **How can you make the best out of a disaster?**

Number one. I personally always maintain Mauritius is Africa. So that is the market which is waiting to happen. Investments have started going there.

■ **Africa represents only 4% of our offshore market. You can't substitute the chunk of meat we had with India with the little bone in Africa. Do you agree?**

Yes and no. It is 4% of the business compared to the size of business with India. But the fact is that there are lots of large investments going into Africa. So the market is there. The question is how to capture it. As far as India is concerned, one third of the investments were routed through Mauritius. But if you look at that one third which Mauritius has captured, a larger proportion of that happens to be equity. But there is a larger proportion of the business which is, shall I say, structured in the various forms of debt instruments. That's a huge market. And Mauritius has never had a big chunk of that market. That's another market which is there. The offshore sector is the most developed sector in Mauritius. People have the talent, the expertise and they know what the tax and obliga-

tions are and therefore use that knowledge to reposition yourselves per se.

■ **Our talent and expertise are in particular types of business. Rama Sithanen says asking us to move to Africa is like asking a football player to compete in a rugby match.**

My counter argument today is that the world is changing so fast that you'd better learn how to play all the sports. You have got to be able to change your ability to be flexible, to learn from x, y and z market and transfer your talents to some other market. It's going to be a strength.

■ **Nobody is saying we are not going to learn but it is going to take us years...**

I disagree. You do not have years. To be successful, you have to remodel yourself and start hitting the road quickly. Time is not going to wait for you. The opportunity is at your doorstep. You have to reposition and refashion yourself.

■ **The opportunity that you say is at our doorstep is also there for every other country to compete and some countries have more expertise in the African market than we do.**

No. The opportunity is at your doorstep and you will have to agree with me and you cannot disagree with me: India loves Mauritius.

■ **Well, that's a very nice way of showing your love for us, isn't it?**

India loves Mauritius, India loves Mauritians. That's an advantage you have which no other country which has a treaty of this nature or similar nature enjoys or will enjoy.

■ **We know this is not about love. I mean let's not dramatise our relationships. Turning the tap off all of a sudden, leaving a whole sector stranded for years is really**

not about romance, is it?

There are so many taps. You just can't select one tap and say that's gone off.

■ **What are the other taps?**

Why not look at the other economic relationship between India and Mauritius?

■ **Do you mean the imports from India which are not matched by any exports?**

(*Joking*) Look at the love and affection that Indians have for Mauritian people, isn't that a big thing?

■ **Is that how our youth will be employed?**

India is stepping out to invest in Africa. Why will it not use Mauritius? And whatever businesses have been routed through Mauritius to India, why will they not remain? They will remain be-

■ **Won't the sector be hurt in the process?**

The sector will be hurt in the process, yes, if it does not do anything about it. There is no doubt about that. But that is true for any business. Which business in the world can just stand still? It has to change. People have to change, businesses have to change. The market is changing. Tax treaties per se over the next two or three decades will go through a significant change. Whether they will be there or not, we don't know.

■ **How will this affect banks, in general?**

It's difficult to estimate the effect. It's a fact that it will affect them, yes, because the influx may be impacted in terms of size but this could be substituted by other influx coming in and different things happening. The banking sector here is stable and

if you look at the big, international banks, why would they close down?

■ **AfrAsia Bank will obviously not be affected, will it?**

AfrAsia Bank has been lucky that probably, as the name suggests, we are in Africa and Asia. Our concentration has been in Africa as well. That part of the business is well-established. We are well positioned to grow that part of the business. In our total business, the India business is not large enough for it to have any major impact. Now, we see a significant opportunity to concentrate on debt. I think that we have to position ourselves to target that market. That is a more profitable market for a bank. Transaction services produce transaction fees but debts provide ability to understand risk.

"The best thing you could have achieved was to continue with the treaty the way it was."



cause of the connectivity, the service level which is being offered, the satisfaction and confidence that the people have, the stability of the country as a nation. Everything is so favourable. Why not use that strength?

■ **So according to you, nothing has been lost, nothing will be lost, we will carry on business as usual. It is just a question of shifting our business to Africa. Is this what you are telling me?**

No. What I am saying is you start from the fact that this is done and reposition yourself. Mauritius has always remodelled itself, always shown its ability to be flexible and ahead of the market. This time too, it will be so.

alive. A lot of international banks exist here. Their ability to fund India's debt requirement is very much available. Let's concentrate on that. They can remodel themselves by offering transaction services and providing debt into India. There, they can change. What I'm saying is that the nature of business for the banks will shift but the opportunities are large at the end of the day.

■ **Some experts in the sector fear that some banks may have to close down. You don't share that opinion, do you?**

Not at all. Why would any bank have to close? I can't picture that but I must say that I do not know all of the banks here. But

■ **So for AfrAsia Bank it's business as usual, is it?**

Yes and no. Yes, because of the way our strategy is. No, because this business is expanding and readily available. We could have grown in that extent as well. So, yes, to that extent it will be a major loss of possible implemented revenue. It would certainly make it tougher to get into business of course. One opportunity is lost. But then that can be substituted. Mauritius can become a calling centre for debt for the Indian market. That is a big thing for us.

■ **Coming back to business in India and our love for each other, don't you think that it is unfair that Singapore, as**



things stand, has an advantage over Mauritius, in relation to taxation with India?

No, I don't know where the advantage is at this point. I can't see that in the treaty and whatever happened here will be reflected in a similar fashion in Singapore.

■ But we don't know when, do we?

We don't know when but let us hope it happens sooner than later.

■ It's not a question of hope. It's a question of reality.

What is not known, why do you assume that it'll not be in favour of the country? If you look at the statistics, even before signing the new treaty, Mauritius was facing some competition from Singapore wasn't it?

■ Yes, but we are still the largest provider of foreign direct investment into India.

But the share of increment business was being directed to Singapore in large volumes, in a larger quantity than the one coming through Mauritius. But if the treaty with Singapore remains as it is, is it not reasonable to presume that maybe Singapore was a threat, even with the existing treaty?

■ Singapore is always a threat to any country, but it will become a much bigger threat now that it has more favourable agreements with India than we do. For as long as that lasts.

OK, so we do not know how long that will last, first of all. Secondly, Singapore is a great success because it has always identified the inter-land being Malaysia and Indonesia and developed significantly. And then they identified

India as a foreign economy investment. Singapore's own investment and its foreign fund investment in India is humongous. And obviously, they are not going to use Mauritius' jurisdiction for this foreign investment. So, look at it from this point of view, Mauritius too has an advantage.

■ What advantage?

You have two years first of all.

■ How many does Singapore have?

At least, at this point in time, Mauritius has the advantage and the privilege to use the treaty until the 31 March of next year. Let's concentrate on that! Let's try and see what is the maximum business volume you can generate in that period of time because that benefit is available. Secondly, let's run and capture the outward investment to India because the connectivity is there, the comfort level is there, people are known, systems are known, and then, thirdly, let's see what skills and changes are required to use the existing workforce to get accustomed to dealing with the debt side. These are three significant advantages. So forget what happened with Singapore, forget what happened with the Netherlands.

■ OK, so we forget Singapore. We forget that the treaty has been signed, we forget that we have lost advantages and then, we concentrate on business. What has happened is not going to change anything. Is this what you are telling me?

I'm not saying that. I'm saying something has happened, don't cry over spilled milk.

■ So the milk has been spilled, hasn't it?

I don't know. I'm not in a position to say that. I'm just saying that at the end of the day, forget that and move forward quickly. Otherwise, you are endangering or jeopardising the possibility of huge growth which is knocking at your doorstep. Grab the opportunity! ■