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Chinese Economic and Trade Co-operation Zones in Africa: The Case of Mauritius

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ABSTRACT

While the promotion of Chinese economic and trade co-operation zones (ETCZs) has been hailed as an instrument for attracting Chinese investment into all sectors across Africa, the bulk of ETCZs to date have been targeted at the continent's resource–rich countries and the largest markets. The JinFei ETCZ on the small, resource–poor island of Mauritius is a notable exception. This paper investigates the role that the Mauritius government played in convincing China to locate an ETCZ on the island, despite a host of obstacles, on terms which meet the country's development aims.

ABOUT THE AUTHOR

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ABBREVIATIONS AND ACRONYMS

AGOA	African Growth and Opportunity Act
BOI	Board of Investment
CADF	China–Africa Development Fund
NFCA	Non-Ferrous China Africa (Subsidiary of CNMC)
CNMC	China Non-Ferrous Metals Corporation
EPZ	export processing zone
ETCZ	economic and trade co-operation zone
FDI	foreign direct investment
FOCAC	Forum on China–Africa Co-operation
GDP	gross domestic product
JFET	JinFei Economic and Trade Co-operation Zone
MOFCOM	Ministry of Commerce of the People's Republic of China
MUR	Mauritian rupee
OFDI	outward foreign direct investment
SOE	state-owned enterprise
SEZ	special economic zone
TISCO	Taiyuan Iron & Steel Company

INTRODUCTION

The promotion of Chinese economic and trade co-operation zones (ETCZs) at the Beijing Summit in 2006 signalled a shift away from a trade and investment focus, dominated by China's drive for resource security, to a more diversified form of engagement with Africa. For many observers, ETCZs were seen as an instrument for attracting longer term, 'quality' Chinese investment to all sectors across Africa. However, the bulk of ETCZs to date have been targeted at the continent's resource–rich countries and the largest markets: namely Zambia, Nigeria and Egypt. The establishment of the JinFei ETCZ on the small, resource–poor island of Mauritius is a notable exception. This paper seeks to explain this apparent anomaly, by investigating the role played by the Mauritius government in convincing China to establish an ETCZ on the island, under terms that meet the country's key development aims.

ORIGINS AND LOGIC BEHIND CHINESE ETCZS IN AFRICA

The idea of exporting Chinese special economic zones (SEZs) to Africa can be traced back to the independent initiative of a small number of Chinese enterprises that were among the first to invest in the continent. Such is the case of the China Non-Ferrous Metals Corporation (CNMC), which has operated in copper extraction and processing in Zambia since the late 1990s. In 2003, the group managed to persuade the local authorities to set up a SEZ for Chinese investment in Chambishi, Zambia, where its major operations were based. Around the same time, other Chinese enterprises were putting forward similar projects in Nigeria. As the companies were Chinese state-owned enterprises (SOEs), these projects had to obtain the approval of China's State Council, which saw these ventures as an additional instrument for implementing the internationalisation of its enterprises (under the 'go global' policy).[1] In 2006, at the third Forum on China–Africa Co-operation (FOCAC) meeting held in Beijing, the setting up of Chinese SEZs in Africa became official policy, when Hu Jintao formally announced that one of the targets of FOCAC's 2006–2009 Action Plan was the establishment of three to five ETCZs.

According to a high-ranking FOCAC cadre,[2] two major aims lie behind this policy:

1. To help promote Africa's development, by providing countries with the means to establish a manufacturing/industrial base through fostering technology and know-how transfer and job creation. This approach is informed by the seminal experience of China's own SEZs that started in the late 1970s.
2. To encourage Chinese companies to invest in Africa by providing an investment framework that significantly minimises risks (through the provision of adequate hard and soft infrastructure) and a geographical concentration that is perceived as an effective way of reducing operational costs, social conflict risks and safety concerns.

According to a researcher in the Ministry of Commerce (MOFCOM),[3] the setting up of an economic zone may be triggered from the Chinese side (Chinese company or local Chinese embassy), or at the request of any African government. In general, it follows the following process: the Chinese authorities and the host government jointly set the general

framework agreement covering the land allocation (lease conditions) and investment incentives (e.g. tax exemptions, duty free import/export and infrastructure provision). The Chinese government, through the MOFCOM, also plays a vital role in selecting the Chinese enterprise or consortium that will act as master developer of the project, and provides funds, which are disbursed by China's provincial governments or policy banks such as the Export–Import Bank of China, China Development Bank, or through the China–Africa Development Fund (CADF). From this point on, Beijing only plays a follow up role through its local embassy, as the ETCZs implementation is market driven and becomes the full responsibility of the developer and its management.

GENERAL OVERVIEW OF CHINESE ETCZ IN AFRICA

At present six MOFCOM-approved Chinese ETCZs are being set up in sub-Saharan Africa: two in Zambia, two in Nigeria, one each in Ethiopia and Mauritius and two more in Northern Africa (Egypt and Algeria). Other industrial zones in Africa fuelled by Chinese capital are private initiatives, without the official seal of the Chinese government, and can be found in Botswana, Sierra Leone, South Africa[4] and Angola.

Table 1: Chinese ETCZs in sub-Saharan Africa

Country	Starting year	Expected investment	Developers	Sectors
Zambia (Chambishi)	2003	$410 million	Non-Ferrous China Africa (NFCA), subsidiary of CNMC	Copper mining
Zambia (Lusaka)	2003	–	NFCA	Garments, food, appliances, tobacco and electronics
Nigeria–Lekki	2003	$369 million	China Civil Engineering Construction Group; Jiangning Development Corporation; Nanjing Beyond; China Railway	Transport equipment, textile and light industries, home appliances, telecoms
Nigeria–Ogun	2004	$500 million	Guangdong Xinguang; South China Development Group	Construction materials, wood processing, medicine, PCs and lighting
Ethiopia	2006	$101 million	Qiyuan Group; Jianglian International Trading Co; Yangyang Asset Management	Electric machinery, steel and metallurgy, construction material
Mauritius	2006	$750 million	Taiyuan Iron & Steel Co; Shanxi Coking Coal Group; Tianli Group	Hospitality, real estate, services, manufacture and logistics

Source: Adapted from Table 1 in Brautigam D, Farole T & T Xiaoyang, *China's Investment in African Special Economic Zones: Prospects, Challenges and Opportunities*, Poverty Reduction and Economic Management Network. Washington, DC: World Bank, March 2010, p. 2. Data for Mauritius derived from the author's own research

With the exception of Chambishi in Zambia, all the ETCZs are still at a very early stage of development, with the basic infrastructure being put in place. In Table 1, the investment volume reflects expected, not actual, figures, and the targeted sectors are also merely indicative at this stage. The potential value of these zones depends on their multiplier effect, through spillover and linkages to the local economy, job creation, capacity building and technological transfer. It is, however, premature to assess the value of these zones as a development catalyst for the host country, which is one of China's proclaimed aims. This study proposes instead to make a contribution to a better understanding of the motivations and government agency of in both China and the host country and how they interacted in the establishment of the ETCZ.

Although the number of Chinese ETCZs in Africa is still small[5], the existing cases allow some comparative observations to be made. Some ETCZs are set up as joint ventures with local investors (e.g. in Zambia and Nigeria)[6], while others are projects that are fully owned by Chinese investors (e.g. in Ethiopia and Mauritius)[7]. From the Chinese side, projects tend to be dominated by companies originating from the same province, in most cases provincial SOEs. This signals the importance of solidarity links and some degree of orchestration by central authorities in China. Another common feature is that investment in ETCZs in Africa seems to replicate the prevailing trade pattern between China and Africa, privileging resource-rich countries and large markets.

Indeed, three main drivers seem to underpin China's SEZ strategy in Africa:[8]

1. The search for markets: exploring the untapped potential of African markets, where purchasing power is expected to rise in coming years due to sustained economic growth and rising per capita income. Evidence in support of this can be seen in the Chinese export flows to Africa, which have expanded tenfold from $5 billion in 2000 to $50 billion in 2008. This market-seeking investment goes beyond Africa, as China also envisages processing some of China's production in the region, in order to benefit from preferential access to developed markets (US and EU).
2. The search for natural resources: not only exploring but also processing raw materials (thus addressing local concerns) and exporting to the region and to China. The creation of SEZs for this specific purpose allows Chinese enterprises to face Western competition more efficiently in a sector where they start at a disadvantage, being latecomers and in general possessing inferior technology.
3. The development of Chinese logistics in Africa: supplying infrastructure across Africa that will allow China to connect its industrial production across the continent, while at the same time providing a framework that minimises risks, thus encouraging Chinese investors to venture in Africa.

Lured by the promise of massive Chinese investment, competition has been fierce among African countries to secure these zones since the ETCZ policy was formally announced in 2006. Looking at the group of countries that have hosted the first batch of Chinese ETCZs in Africa, it becomes evident that market size and natural resources endowment played an important role in the selection process. As Table 2 on page 8 shows, Nigeria, Ethiopia and Egypt have the three largest African populations (Algeria is the 6th), while Nigeria and Algeria are the first and third largest oil producers in Africa, and Zambia is the largest copper producer in the continent.

Table 2: Population and resources of Chinese ETCZ host countries in Africa

Host country	Population	Natural resources
Egypt	80.5 million	Crude oil
Algeria	34.6 million	Crude oil
Zambia	13.5 million	Minerals (Copper)
Nigeria	152.2 million	Crude oil
Ethiopia	88 million	–
Mauritius	1.3 million	–

Source: Population figures according to the Central Intelligence Agency, 'World Factbook: Population Ranking', July 2010, https://www.cia.gov/library/publications/the-world-factbook/rankorder/2119rank.html

Yet one country seems to defy this logic: Mauritius. How did a small island in the Indian Ocean, with no natural resources and a very small population, not only become one of the first countries to host a Chinese ETCZ, but also boast the largest portion of such investments ($750 million, nearly 50% more than the second largest expected investment, as Table 1 shows)? Especially since all of the African countries chosen to host ETCZs, and many of the others that were competing for the privilege, possess far more alluring advantages. Furthermore, with the end of the a Multi Fibre Agreement in 2005 and the increasing labour shortage, Mauritius lost its competitive advantage in the textile industry, the backbone of its manufacturing sector that had attracted massive investments throughout the 1980s and 1990s.

This study proposes to uncover the reasons that led to the establishment of an ETCZ in such an unlikely destination for Chinese outward foreign direct investment (OFDI), which by and large seeks resources, markets and efficiencies.

MAURITIAN CASE STUDY

Mauritius economic profile

In 2008, Mauritius had an estimated multi-ethnic population of 1.3 million, of whom about 3% are of Chinese descent (36 000).[9] Although the official language is English, French is widely spoken, and colloquial verbal communication is in Creole. Both French and British colonial legacies have left a strong imprint on the island's economic, legal, political and social structure.

At the time of independence in 1969, sugar exports were the backbone of the Mauritian economy. However, the economy has since diversified away from sugar, thanks to export processing zones (EPZ) incentives and preferential market access (Lomé convention between the EU and the African-Caribbean-Pacific countries) that led to a thriving textile industry. Governmental policies implemented since the late 1990s also led to a rapid expansion in the services sector, namely tourism and financial services. In 2008, agriculture represented 4% of gross domestic product (GDP) (down from 13% in

1990), manufacturing 20% (down from 24%) and services 64% (up from 48%).[10] Unable to compete with new players like India and China, the textile industry suffered a major setback when the Multi Fibre Agreement ended in 2005. Nevertheless, just before the onset of global financial crisis in 2008, export figures seemed to be signalling a bounce back of the clothing sector. Tourism, on the other hand, has registered a robust growth since 2000, increasingly contributing to employment and foreign exchange earnings.

The current Mauritian strategy is to reorient the traditional sectors towards the higher end of the market. For example, the sugar cane industry is encouraged to move into by-products such as ethanol, spirits and electricity and speciality sugars, and the textile sector to a more vertically integrated industry. New growth avenues are promoted, such as financial services, through offshore banking activities, information technology services and new industries (e.g. seafood).[11] In order to achieve this, from 2005 the government has been implementing a series of economic reforms that focus, in particular, on making the investment environment more attractive to foreign capital, by enhancing and standardising the regulatory framework.

As a result, Mauritius currently has the most stable, robust and transparent economy in Africa. The country ranks number one on the continent in the United Nations Development Programme's Human Development Index (72nd in the 2010 global ranking)[12], in the World Bank's Ease of Doing Business Index (coming 20 out of a total of 183 in 2011)[13] and in Mo Ibrahim Index 2010[14] that assesses governance quality in Africa.

How the Tianli ETCZ came into existence in Mauritius

Despite this favourable investment environment and the historical and cultural links stemming from its long-established Chinese minority, China's investment in Mauritius has been relatively small and very irregular over the years.[15] In the 1980s and 1990s, a number of textile companies from Hong Kong relocated to Mauritius, lured by the preferential access to US and EU markets and other trade preferences, as well as the fiscal and EPZ incentives that the government had put in place to revitalise the sector. However, these companies fled the country when the third-country fabric derogation[16] under the African Growth and Opportunity Act (AGOA) was not renewed in 2003 and apparel quotas came to an end in 2005. By 2008, only two Chinese textile companies remained in Mauritius: Hong Kong–Shanghai Co. Ltd and Tianli Spinning Co. Ltd, a company from Shanxi province that had been present on the island since 2001.

In October 2006, Tianli proposed the development of an integrated industrial zone in Mauritius, after which the Mauritian government ignited the process of establishing the Chinese SEZ in Mauritius at the FOCAC III meeting in Beijing in December 2006.[17] Envisaging the island as a business platform between Asia and Africa, the Mauritian prime minister managed to persuade Wen Jiabao and Hu Jintao during that meeting to consider Mauritius as a possible candidate. However, subsequent negotiations proved very tough, as Mauritian economic diplomacy faced fierce competition from other potential candidates with vast natural resources, much larger domestic markets and more generous offers of investment concessions.

Against all odds, the Mauritian government vigorously pushed the project. Despite lacking natural resources and a large market, Mauritius pursued this objective by emphasising:[18]

- its consolidated soft infrastructure that is absent in most African countries: social and political stability, economic freedom and rapid move to free trade and a friendly business environment. Among the other aspects highlighted were the rule of law, transparency, accountability, independent judicial power and a very appealing investment legal framework;
- its privileged position as a gateway to the Southern African Development Community and the Common Market for Eastern and Southern Africa (a market of 350 million people) of which it is a member-state, as well as its preferential access to markets in the US (AGOA, over 6 400 products duty free) and the EU (Economic Partnership Agreement);
- its strategic geographic location, not only as a business/services platform between Asia and Africa, but also a critical route for Chinese merchant ships in the Indian Ocean;
- its historical links with China and long-standing support for the one China policy since 1972.

The driving forces behind the Mauritian government's ambitions were the promise of large Chinese investment, the opportunity to diversify economic partnerships away from Europe and, most importantly, the potential of the project to be a critical stepping stone for Mauritius becoming a business platform between Asia and Africa.

The first stage in this process was to locate the project. After identifying a few possible land plots, the final choice was 211 hectares in Terre Riche, on the outskirts of Port Louis, which was justified by its proximity to the port, since this zone had initially been projected to be an industrial zone for exports to Africa.[19] The land plot is prime land, strategically located near the port and beaches, and between Port Louis (capital) and Grand Baie, the main tourist hub; it is an ideal location for the hospitality, housing and services sectors.

The negotiations between the Board of Investment (BOI) and Tianli (with MOFCOM support) led to the signing of a framework agreement between Tianli and the Mauritian government in March 2007 for the establishment of an ETCZ, which became known as Tianli project. Although this agreement contains a confidentiality clause as requested by the Chinese, most details became public. According to the agreement and interviews conducted in the field:

- $500 million in investments were pledged – the largest single foreign direct investment (FDI) project in Mauritius.
- Land was leased for 99 years ($3 ha/year, to increase by 50% after 20 years and by 50% every 10 years thereafter). This can be said to have been the highest concession made compared to other foreign investors, but, notably, the land was not given for free, as originally requested by the Chinese.
- Subject to 15% corporate tax. The Chinese requested a zero tax concession, but no concessions were made, and the Mauritian authorities maintained the same tax treatment as for all other foreign investors.[20]
- Provision was made for Mauritian passports for a limited number of Chinese investors (one passport for every $500,000 of investment), which was another important concession.
- Free port status was conferred, which meant developers were exempt from customs duty and value-added tax when importing raw and construction materials.[21]

- The ETCZ was to be exclusively for Chinese investors, a request by the Mauritian government, which was justified by the perception at the time that the arrangement would ensure the full commitment and responsibility of the Chinese. It would also avoid the diversion of other FDI flows that Mauritius would receive anyway.[22]

The agreement also established that the Mauritian government was responsible for providing the offsite infrastructure:[23] roads, water, electricity and telecommunications, while Tianli would be in charge of developing the onsite infrastructure over the subsequent five years, which had a much higher estimated cost (MUR[24] 20 billion). The zone was expected to create 40 000 direct, indirect and multiplier jobs. Tianli later revised the original plans to establish a free port zone for light manufacturing and trading, to create an industrial and service zone so as to align the project with the government's aim of becoming a service bridge between Asia and Africa.

From Tianli to JinFei ETCZ

By 2007–2008, the project came to a halt due to a number of reasons. Firstly, the allocated land plot was agricultural land, which was being leased to private farmers (107 in total). Some of the farmers refused the compensation offered by the government, which meant that the relocation process took much longer than predicted.[25] Further contributing to the project's delay were environmental concerns and operational constraints such as the disagreement between Mauritian and Chinese architects and Tianli awaiting clearance from Chinese authorities. Finally, with the onset of the financial crisis in 2008, a number of concerns arose regarding the feasibility of the project. These included the ability to attract investors in such an unfavourable environment, and Tianli's reduced financial capacity to develop the project on its own.

The project was finally unblocked following President Hu Jintao's visit to Mauritius in February 2009. During the visit, the Mauritian prime minister expressed his concerns to Hu Jintao about the uncertain future of the ETCZ. Upon his return to China, Hu Jintao gave instructions to the Shanxi Provincial Government to try and solve the problem.[26] It was in this context that two major companies (SOEs) from Shanxi Province joined Tianli in early 2009, as master developers of the ETCZ project in Mauritius:

- Taiyuan Iron & Steel Company (TISCO), currently the world's largest producer of stainless steel, whose turnover is double the GDP of Mauritius;
- Shanxi Coking Coal Group, a major coal producer in China, whose turnover is 150% larger than the GDP of Mauritius.

Under the current shareholder structure of the ETCZ, TISCO holds 50%, Shanxi Coking 30.2%, while Tianli is now a minority partner with 19.8%.[27] A fourth member – CADF – is soon to join the project as an equity partner. TISCO, Shanxi Coking and Tianli are registered in China as the JinFei Investment Company, hence the ETCZ name change from Tianli to JinFei. These three companies and CADF registered in June 2009 in Mauritius under the name of JinFei Economic and Trade Co-operation Zone (JFET) with financial capital of $80 million.

In line with these changes, a new framework agreement was signed between the Mauritian government and JFET and, again, despite the confidentiality clause, some adjustments are known to have been made to the original agreement signed with Tianli in 2007:

- Pledged investment was increased to $750 million;
- The construction period was extended from five to eight years, with the project being implemented in two phases (to be completed in 2012 and 2015);
- Other foreign companies are now allowed to invest in the JinFei ETCZ;
- The land lease remains in place for 99 years, but rental will now increase by 50% every 15 years;
- The targeted sectors are now: real estate (offices, residences, shopping malls, residential estates, warehousing and logistics, private clinics); hospitality centres (hotels, exhibitions centres, convention centres, leisure parks, restaurants); knowledge hubs (universities, research and development centres, business labs, techno parks); and logistical and manufacturing sites (high tech industries, marine processing, light industry, construction material and logistic distribution centres – mostly for exports to Africa). The zone is expected to generate $212 million yearly in export revenues.

The change in targeted sectors was designed to adjust to the new reality, which is now more services/innovation oriented and reflects the post-crisis environment, the interests of the new master developers and an attempt by Mauritius to step up the value chain and become a business platform.

The JinFei ETCZ was officially launched in September 2009 in a ceremony led by Mauritian Prime Minister Navin Ramgoolam and the Vice Governor of Shanxi Province Li Xiaopeng. As of late 2010, the basic infrastructure was near completion. The next phase will be most critical, as both parties (JFET and BOI) anticipate significant challenges in attracting Chinese investors to fill the zone. For JFET, the problem seems to lie in the lack of knowledge and fears of Chinese investors regarding the African market in general and Mauritius in particular,[28] while Mauritius seems to have some concerns about JFET's marketing abilities to attract Chinese investors to the zone.[29] Nonetheless, 40 Chinese companies are allegedly already interested in investing the zone. Other fears regarding the future success of the zone relate to the reshuffling of the Mauritius government that took place in 2010. In June 2010, key promoters of this project – the former minister of finance, Dr Rama Sithanen, and the director of BOI, Raju Jadoo – were replaced by members of the opposition whose interest might be less intense in this specific project that was initiated by a rival faction.

CONCLUSION

Evidence suggests that this project came into existence largely through the vision and persistence of the Mauritian government. Indeed, from the beginning, the government had a clear notion of its objectives, limitations and strengths, out of which a consistent strategy aimed at persuading the Chinese was derived and pursued. The host government's 'agency' was vital to the securing of an ETCZ in Mauritius, which is particularly evident

given the island's clearly disadvantaged starting position compared to other competitors that offered much more attractive conditions to China, such as natural resources, large markets and generous investment incentives. Against all odds, Mauritius was very efficient in making the most out of its unique soft infrastructure and without giving away too many concessions. The major drive behind the Mauritian government's ambition was more than just the promise of economic benefits (attracting investment, the spillover to the domestic economy and diversifying economic partnerships); it was also about the government's aim to give tangible expression to its ambitions to turn the island into a business platform between Asia and Africa.

From the Chinese side, Hu Jintao's intervention to rescue the project in February 2009, and the close follow up by Shanxi provincial government, seems to demonstrate a serious commitment at the highest level in China, as well as a certain degree of co-ordination among the political authorities and their commercial agents to ensure the ETCZ's success. In this case, 'agency' appears to be particularly critical at the provincial level, given that TISCO and Shanxi Coal are by nature more oriented towards resource exploration and processing and, therefore, would most probably not have entered this ETCZ project in Mauritius of their own initiative.

Unlike the other seven ETCZs in Africa, the importance of this project for China is about more than economic gains for its companies; it seems to rest in being able to show that Chinese ETCZs in Africa are not only about resources or direct market access. Furthermore, this project in Mauritius may represent an important means by which China gains a foothold and a strategic partner in the Indian Ocean, a region whose geopolitical importance has risen significantly over the last decade, with the economic emergence of China and India.

In this context, one conclusion is that, unlike other ETCZs in Africa, the choice of Mauritius resulted above all from the convergence of geopolitical and political motivations of both sides. This underscores the fact that China not only takes into account exclusively economic (immediate profit) factors, but is also open to unforeseen opportunities, which gives plenty of room to accommodate a more proactive agency on the part of its African partners.

ENDNOTES

1 Personal interview, Ministry of Foreign Affairs, FOCAC Secretariat, Beijing, 3 June 2010.

2 Personal interview, Ministry of Foreign Affairs, FOCAC Secretariat, Beijing, 3 June 2010.

3 Personal interview, Ministry of Commerce, Department of Trade and Economic Relations, Beijing, 3 June 2010.

4 Brautigam D, Farole T & T Xiaoyang, *China's Investment in African Special Economic Zones: Prospects, Challenges and Opportunities*, Poverty Reduction and Economic Management Network. Washington, DC: World Bank, March 2010, p. 6.

5 According to interview on 3 June 2010, in Beijing, with an official at MOFCOM's Department of Trade and Economic Relations, Beijing is planning the establishment of 50 SEZs around the world, targeting mostly developing countries. Up to the present, China has established 19 SEZs, according to Brautigam D *et al, op. cit*., of which eight are now located in Africa.

6 Li P, T*he Myth and Reality of Chinese Investors: A Case Study of Chinese Investment in Zambia's Copper Industry*, Occasional Paper, 62. Johannesburg: South African Institute of International

Affairs (SAIIA), May 2010; Mthembu-Salter G, *Chinese Investment in African Free Trade Zones: Lessons from Nigeria's Experience*, Policy Briefing, 10. Johannesburg: SAIIA, November 2009.

7 Brautigam D, Farole T & T Xiaoyang, *op. cit*.

8 Ancharaz VD & BM Nowbutsing, 'Impact of China–Africa investment relations: An in-depth case study of Mauritius', report submitted to AERC, May 2010, pp. 15–16.

9 66% of Indian origin, 27% Creole, 4% European. Mauritius is one of the few African countries with a long-established ethnic Chinese minority in its demographic structure. In the 17th century, the Dutch brought in the first Chinese from Singapore and Penang to work as forced labour in the sugar plantations. The French, and then the British, further enlarged this community by bringing more Chinese 'coolies' in the 18th and 19th century from Southern China and South-East Asia. Immigration of free Chinese dates back to the 18th century, mostly constituted of merchants from Fujian who partnered with the French in trading with China. The Chinese community expanded throughout the 19th century and, by the end of that century, the Hakka Chinese became the dominant group. The apex of Chinese immigrants' influx was reached in the mid-20th century, propelled by the civil war and the Japanese invasion. More recently, there has been a new wave of Chinese migrants looking for business opportunities and originating mostly from Hong Kong, Taiwan and again Southern mainland provinces. A Chinese consulate in Port Louis was initially set up in 1945 to cater for the local community. Official diplomatic ties with the PRC were formally established in 1972. The Mauritian–Chinese constitute in general a well-regarded and economically very successful community.

10 Ancharaz VD & V Tandrayen-Ragoobur, 'Impact of China–Africa trade relations: An in-depth case study of Mauritius', report submitted to AERC, February 2010, p. 8.

11 *Ibid*, p. 7.

12 United Nations Development Programme, 'Human Development Index indicators 2010', ranking available online at http://hdr.undp.org/en/statistics/.

13 International Finance Corporation & the World Bank, 'Ease of Doing Business Index 2010', http://www.doingbusiness.org/rankings.

14 Mo Ibrahim Foundation, '2010 edition of Ibrahim Index of Africa Governance', http://www.moibrahimfoundation.org/en/section/the-ibrahim-index.

15 For a study on the impact of Chinese investment in Mauritius, see Ancharaz VD & BM Nowbutsing, *op. cit*., pp. 32–35.

16 Allows local industries of lesser developed countries to use fabric or yarn irrespective of country of origin for the production of textile and apparel articles for exports free of duties and quotas into the US. An amendment to AGOA, approved by the US Congress, included Mauritius as a lesser developed country in October 2008, making it again eligible for the third country fabrics provision until 2012.

17 Various personal interviews held in Mauritius, 14–21 October 2010.

18 Personal interview, Quatre Bornes, former finance minister, Mauritius, 15 October 2010; personal interview, Ebéne, former BOI director, Mauritius, 19 October 2010. Bornes and Ebéne were involved in the negotiation process.

19 Personal interview, BOI, Port Louis, Mauritius, 20 October 2010.

20 This would compromise not only the new FDI regulations aiming at homogenising the business environment, but also relationships with traditional investors who had been there for much longer than the Chinese.

21 Same rule for all free port zones in Mauritius, so not specific to the Chinese ETCZ.

22 Information according to finance minister's responses to questions, as contained in the

transcription of the Mauritian parliamentarian debate on the Tianli project, 10 June 2008.

23 Estimated at Mauritian rupee (MUR) 750,000, government would only invest MUR 75,000, Tianli would contribute MUR 100,000 and the balance would come from the local water, electricity and telecom companies on a commercial basis.

24 MUR: Mauritian rupee.

25 Personal interview, Food and Agriculture Research Council, Reduit, Mauritius, 20 October 2010.

26 Personal interview, Riche Terre, JFET, Mauritius, 19 October 2010.

27 Information according to finance minister's responses to questions, as contained in the transcription of the Mauritian parliamentarian debate on the Tianli project, 20 October 2009.

28 Personal interview, Riche Terre, *op. cit*.

29 Personal interview, Ebéne, *op. cit*.

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