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CHINESE SPECIAL ECONOMIC ZONE IN MAURITIUS: PROBLEMS AND PROSPECTS

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ABSTRACT

At FOCAC 2006 Summit, China announced the exportation of its domestically successful Special Economic Zone (SEZ) model to Africa, in the spirit of 'cooperation and mutual development'. This article evaluates the impact this endeavor on Africa's advancement. The article argues that while China's aid-trade strategy already secures resource and market access, SEZs diverge towards the acquisition of land and presence. They promise China with an organized affirmation of its long-term presence in African countries. On the other hand, it promises Africa with development, technology, foreign exchange, employment and domestic linkages. However, recent upheavals across these seven SEZs in Africa question the ability of China to deliver. The Mauritian experience particularly highlights the faltering contributive development capacity of Chinese SEZs in Africa, as areas of investments clash with national objectives and instigate social, political, economic and environmental disharmony. Despite this improbability of high domestic capital accumulation through Chinese SEZs, what make them so appealing to Africa? This paper proposes two conceptual frameworks from which Chinese SEZs in Africa can be understood: (1) Spatial Diffusion Approach versus Spatial Infusion Approach; and (2) SEZs as Africa's BATNA (Best Alternative to a Negotiated Agreement) to development programs.

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CHINESE SPECIAL ECONOMIC ZONE IN MAURITIUS: PROBLEMS AND PROSPECTS

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1. Introduction

At the 2006 Forum on China-Africa Cooperation (FOCAC), China announced the exportation of its domestically successful Special Economic Zone (SEZ) model to Africa, in the spirit of cooperation and mutual development. This article argues that while China's aid and trade strategy already secures resource and market access to Africa, SEZs diverge towards the acquisition of land and presence. They promise China with an organized affirmation of its long-term presence among Africans. On the other hand, it also promises Africa with development, technology, foreign exchange, employment and domestic linkages. However, recent upheavals across Chinese SEZs in Africa question the ability of China to deliver development within this new spatial format. The Mauritian experience particularly highlights the faltering contributive development capacity of Chinese SEZs in Africa as areas of investments clash with national objectives and instigates social, political, economic and environmental disharmony. Despite this improbability of high domestic capital accumulation through Chinese SEZs, what makes them so appealing to Africa? This article discusses the experience of Mauritius and proposes two conceptual frameworks from which Chinese SEZs in Africa can be understood.

The designation of a specific space to contain commercial and manufacturing activities at preferential conditions is not a new practice. Such liberalizing principles were initially implemented under initiatives such as Custom Bonded Warehouses and Freeport areas. Nevertheless, the practice attained the shape of a tangible zone formation only with the introduction of Export Processing Zones (EPZs). A general characterization of EPZs is that they are fenced areas accommodating industries mostly owned by foreign investors involved in the production of goods for exportation. They benefit from tax and import-export duties exemptions. The host government usually subsidizes their utilities con-

sumption. Infrastructure is also provided by the host state while local labor is employed in the EPZs.¹ A short timeline denotes the popularity EPZs have attained over the years.

- 1951: Puerto Rico established the first EPZs under the famously called Operation Bootstrap headed by Teodoro Moscoso.
- 1959: Shannon EPZ was established in Ireland, next to the airport.
- 1990s: Thirty-six EPZs were constructed in Asia — mostly in Malaysia, Philippines, India and Taiwan.²
- 2007: North Africa and Sub Saharan Africa, together, housed more than 155 EPZs.³

However, in the 1970s, China moved on from the EPZ trend and introduced Special Economic Zones (SEZs). In 1979, Deng Xiaoping devised the Joint Venture Law to encourage the inflow of foreign direct investment (FDI). The purpose of this policy was to acquire capital in order to fund the Four Modernization Program.⁴ China offered investors the options of either doing business independently or in partnership with Chinese nationals in various patterns of cooperation.⁵ As these were new experiences in the market economy for post-revolutionary China, SEZs were conceived as spaces to contain these experiments. The SEZs started by focusing on light export manufacturing, industrial subcontracting and slowly expanded to technology-based industries, specialized products cluster manufacturing, research and development (R&D), real estate, agriculture, and eventually transformed into comprehensive industrial cities with residential and leisure facilities. This transition of functionality is described in Cartier's analysis of developments in the Shenzhen SEZ:

In Shenzhen, China's leading Special Economic Zone, the planning and construction of a new city center complex are designed to symbolize the city's transformation from a manufacturing zone to a 'world city'...⁶

Initially set up as isolated enclaves in the Guangdong and Fujian provinces in the late 1970s, SEZs later multiplied across the country and they

are considered to have made a strong contribution to the unprecedented economic growth and development of China. Since this period, several countries in Asia and Eastern Europe have sought to apply the SEZ model at home in the hope of achieving similar results.

While SEZs are similar to EPZs relative to their (1) structure; (2) preferential provisions; and (3) employment trends, they differ considerably on other premises. As shown in Figure 1, they diverge in terms of (1) their respective content; (2) initiators; (3) implied reforms; (4) forms of investment; and (5) instruments.

Figure 1: Differences between Export Economic Zones and Special Economic Zones

Areas of Differences	Export Economic Zones	Special Economic Zones
Content	Light Manufacturing (Textiles, Simple electronics).	Real estate, light manufacturing, electronics, tourism, pharmaceuticals, technology, R&D, residential, leisure, and supporting services such as airports, financing (stock market).
Initiators	Government: the host government provides Infrastructure.	Government and Private Investors: Both share responsibilities of initial infrastructures.
Implied Reforms	All alterations required to prevailing national policies and practices are already integrated in the incentive package when the EPZ scheme is designed.	Modifications are constantly made to the set of provided incentives in order to make the SEZ more profitable. For example, taxation levels change when SEZ restructuring is required ⁷

Figure 1 (Continued): Differences between Export Economic Zones and Special Economic Zones

Areas of Differences	Export Economic Zones	Special Economic Zones
Forms of Investment	Largely private foreign investors invested in EPZs.	Foreign investors, local State Owned Enterprises (SOEs) and local investors are involved. Nishitateno identifies five forms of investments: 8 1. Processing of Imported Materials (Chinese machines + Foreign materials). 2. Compensatory Trade (Foreign equipment given to China on credit + China pays back through products). 3. Cooperative Enterprises with shared profits (Chinese site & infrastructure + Foreign capital, machines & materials). 4. Joint Ventures (bearing loss & profit according to their respective investments). 5. Entirely foreign run enterprises.
Key Instrument	Export: It was the income generated through the export of the products and the employment created that are the main benefits. EPZs produce negligible backward linkages.	FDI: SEZs rely on the capital brought in through FDI to generate benefits; through backward linkages, further investments from the foreign investors, infrastructural development, imparting of technology, expansion of R&D.

Compared to EPZs, SEZs show more flexibility, variety and pragmatism in their administration and activities. Kwan-Yiu Wong picks upon this malleability and describes the SEZ as a model that 'stands on its own as a separate member' and does 'not belong to any of the categories within the family of free zones now existing in the world.'⁹ If this distinction between EPZs and SEZs might have been unclear a decade or two ago, the demarcation stands more obvious today as SEZs depart from their traditional government established form to become public-private partnership projects exported overseas.

2. Chinese Special Economic Zones in Africa

At the 2006 China-Africa Summit, Hu Jintao declared: "To forge a new type of China- Africa strategic partnership and strengthen our cooperation in more areas and at a higher level, the Chinese Government will... establish three to five trade and economic cooperation zones in Africa in the next three years."¹⁰ China targeted two sites in Zambia, two in Nigeria, one in Ethiopia, one in Egypt and one in Mauritius to host these SEZs. While in keeping with speculations that China aims to secure resources in Africa through its multiple aid and investment packages, Zambia, Nigeria, Ethiopia and Egypt do have high value natural resources such as oil, gas and minerals. Mauritius is the only host country without any natural resource that could be of obvious interest to China. Since its selection to hold a Chinese SEZ defies such expectations, Mauritius stands as the most suitable case to study the activities of China in Africa without falling into the clichéd assumptions that China seeks resource security in the continent. Instead, the SEZ in Mauritius signals that there are other aspects from which Chinese actions could be studied since profit making appears not to be Beijing's sole objective.

Academics writing about China's relationship with African countries mostly identify Chinese SEZs in Africa as being mechanisms to systematically guarantee the supply of natural resources (Horta, 2010), secure goodwill (Horta, 2010),¹¹ allow restructuring at home and gain market access (Brautigam et al., 2010).¹² World Bank publications emphasize that one of the motives of these zones is to overcome the

trade barriers Europe and America set against Chinese exports.¹³ Another explanation offered is the profit motive behind these zones:

...despite the substantial government incentives, the Chinese zones in Africa are profit driven initiatives, led by private sector consortia (although many of the lead firms are national or provincial state owned enterprises). The Chinese government designed the program to ensure that developers have a profit motive because they view this as critical to ensure sustainability.¹⁴

Thus, it is assumed that Chinese SEZs in Africa are either a neorealist exercise of balance of power or are founded on neoliberal grounds of competitive trade and profit making. Although both theories provide broad understandings of contemporary Chinese activities in the developing world and help in comprehending policies regulating the activities of these zones, they fail to explain why Chinese SEZs in Africa have been established in the first place. Except for the internal motivations upon which these zones are founded, what motivated China to undertake this new transnational spatial shift approach to profit making or power balancing? As Brautigam argues, this move allows China to restructure at home. However, what she provides is the solution, without initially identifying the cause leading to the adoption of such a solution. Moreover, the unusually complex set of actors involved in the construction of Chinese SEZs in Africa,¹⁵ the arbitrary customization of each SEZ and the controversies and social disharmony these zones constantly generate challenge the structuralist nature of this endeavor. It is increasingly apparent that these Chinese SEZs in Africa are the 'trickle-down' projections of systemic global appropriation activities. They follow from and are the results of a series of escalating subordination-domination relations. The topic should therefore be considered from a paradigm which believes that political and economic activities, entities and occurrences, represent a predetermined hierarchical structure inherent to capitalism.

3. Why Mauritius?

In October 2006, Tianli Spinning (Mauritius) Co. Ltd, (established on the island in 2003 by the Chinese mother company, Shanxi

Tianli Enterprises Group), proposed the construction of an industrial zone in Mauritius. Mauritian authorities pursued the proposal at the November 2006 China-Africa Summit. Following discussions at the Summit, Mauritian Prime Minister N.Ramgoolam secured Mauritius as one of the destinations of China's intended SEZs in Africa. The SEZ is located on 211 hectares at Riche Terre, approximately four kilometers away from the capital and port. The total cost of the project is US\$750 million and its main investors are Taiyuan Iron and Steel Company Ltd (TISCO), Shanxi Coking Coal, Tianli Group and the China-Africa Development Fund. Initially called the Tianli project, the SEZ was renamed as the Mauritius JinFei Trade and Economic Cooperation Zone (locally referred to only as JinFei). Other than the obvious facts, little is known of the details of the JinFei project. In reply to the pressures from the opposition party, media and public criticism regarding the lack of transparency surrounding this project, the then Mauritian Minister of Finance and Economic Development (MOFED), Pravin Jugnauth, at the First Session of the Fifth National Assembly Parliamentary Debates on June 15, 2010 announced the following:

I wish to inform the House that I am not in a position to table the Framework Agreement as there is a confidentiality clause which provides that the parties to the Agreement should ensure strict confidentiality on the Agreement.¹⁶

Recently, it is from questions posed at the Private Notice Questions sessions at the Parliament that several technical dynamics of the project have come to light. Thus, it became known that the land lease for the zone was extended from sixty to ninety-nine years only after 'discussions with the company.'¹⁷ Such an aura of opaqueness and unaccountability has unleashed concerns about this new Chinese endeavor from within the Mauritian society.

If SEZs in Africa function purely by the logic of profit making, then, in keeping with the zero sum nature of profits, it is to be understood that an optimization of profits pursued by China through SEZs in Africa simultaneously means that the African host countries concede something in the bargain. This assumption, coupled with the unlikely choice of Mauritius as a site for an SEZ, reiterates skepticism about the

pursuits and development promises of these zones. Why Mauritius? Jin-Fei SEZ has been described as a stepping-stone to Africa. Mauritian authorities accredit China's choice of Mauritius to: (1) its strategic geographical positioning; and (2) its membership of Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA).¹⁸ However, these two explanations do not hold when asked the following: why did China not go straight to mainland Africa when it already nurtures friendly bilateral relationships with most of the SADC and COMESA states? Moreover, while the dismantling of the Multi Fiber Agreement (MFA)¹⁹ has removed the protective textile export quotas that Mauritius, Madagascar and several other African nations benefited from, China instead benefits from this measure since there are fewer restrictions on its exports to Europe and North America.²⁰ When Mauritius is measured against neoliberal benchmarks, it is clear that the island does not match the criteria of eligibility in providing resources and a market, and it does not meet China's objectives.

Chinese investors and authorities continuously stress that Chinese SEZs in Africa are mutually beneficial cooperative efforts. They position themselves as catalysts of African development who, in return, only seek to expand Chinese goodwill and ascertain access privileges; access to sites, resources and markets. Such developments are part of China's 2001 Go Global strategy whose aim is to ease the domestic pressure falling on its home resources in the pursuit to move its products up the value chain in order to create a sustainable economy in this competitive era of global trade.²¹ In so doing, China ostensibly combines African development with its own growth and sustainability. While criticisms of Chinese SEZs ventures in Africa are still limited, as most SEZs are still under construction, the defence China presents for its foreign aid initiative — which has been labeled as a method of resource appropriation — is relevant to the zones too, because as noted above, even the SEZs are deemed resource exploitative. The following statement by the Vice Commerce Minister Fu Ziying in refuting speculations that China is in Africa to secure resources can also be transposed to answer conjectures about resource exploitation through SEZs.

In terms of crude oil, African oil exports to China are totally in the form of international trade, and account for only 30 percent. Where are the other 70 percent from? Why don't you care about that? ... Mali doesn't have significant natural resources, but Chinese people are helping them build bridges and roads. Can we say that's for resources? ²²

While countries of the Organization for Economic Cooperation and Development (OECD) have failed to live up to their commitments to Official Development Assistance (ODA) ²³ and their investments have evaded the most essential requirements of African countries, that is infrastructure, transport, electricity, water, training and education, China claims that it makes these areas its foremost priority.

Seeking to enhance its economic and political security, China only impinges upon part of the investment opportunities and goodwill-generating developmental assistantship which were earlier mostly undertaken by OECD states.²⁴ The only fundamental difference is that, not only do Chinese investments respond quicker and more efficiently to the needs of African communities, it furthermore grants greater host country customization to those investments by tailoring them to alleviate the deficiencies plaguing daily life in Africa. In this process, China spreads its goodwill among the local African communities and ensures acceptance.

However, this local integration is rarely translated into local business cooperation, as China favors government-to-government transactions as in the case of its SEZs where negotiations are conducted between the Chinese SOEs, Chinese Ministry of Commerce (MOFCOM) and the host African government. One can observe from this scenario that while China performs the role of a user-friendly investment source with an astuteness that Western states have lacked, African countries, on the other hand, do not appear to have risen from the habit of uncritically courting FDI. In the race to attract FDI to their land, African elites are typically willing to forgo all protectionist clauses which would otherwise ensure that the local economy receives an equitable share of the profits from such ventures. It is largely upon the recommendations of UNCTAD and OECD countries through initiatives such as the Policy Framework for Investment (PFI, 2002), OECD-NEPAD Africa Investment

Initiative (2006) and the Investment Climate Facility (ICF, 2008) that African countries have done away with earlier prevalent protectionist conditions to FDI, such as those listed below:

China has clearly benefited from the dismantling of the above protectionist regulations. Of the five SEZs host states, Zambia, Ethiopia and Mauritius have been active participants of these reforms and have signed to projects related to taxation, customs, property rights and contract enforcement. Egypt and Nigeria also have undertaken certain reforms to ensure improved transparency and to reduce bureaucratic formalities required to establish enterprises. Although a lowering of such barriers attracts more FDI, these immediate gains are nevertheless acquired at the expense of ignored longer-term costs. Some may argue that African nations have to adopt such liberalizing policies in order to integrate their economies into the global economy and experience growth. However, it remains that given the multiplicity of alternative and competing investment sources they have today (OECD, China and India), it is possible for African countries to negotiate a certain degree of domestic protectionism when welcoming FDI. For instance, they can demand secured quotas for local employment or ascertain areas of backward linkages especially of technology and R&D. The failure to do so signals the continued preference by peripheral elites for short-term immediate gains at the expense of long-term profits. To some extent, Mauritius has kept its ground by enforcing the flat 15 percent tax rate (applicable to all corporate enterprises established in Mauritius) while other host SEZ countries offered tax rebates. Nevertheless, the government has left some loopholes. It has allowed a series of backward linkages in areas which could be damaging to the domestic economy, and a number of its FDI incentives clash with its development aims. The Mauritian government, furthermore, allows 100 percent foreign ownership of investment enterprises and tax-free unlimited profits, dividends and capital gains repatriation. Intentionally or not, the gains from the establishment of Chinese SEZs in Africa largely favor the Chinese actors. Using the example of Mauritius, the inequitable share of costs and profits of Chinese SEZs in Africa will be analyzed.

Figure 2: Protectionist Measures Previously Prevalent in Africa

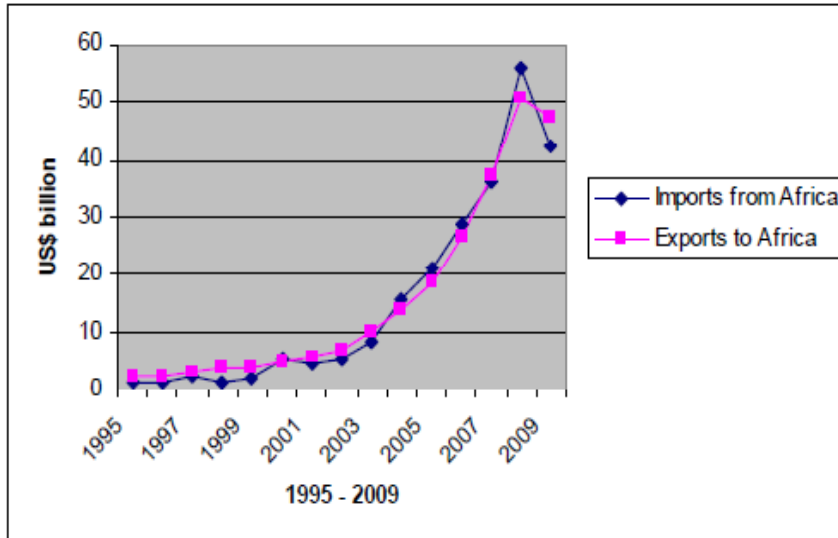
Entry and Establishment	Ownership and Control	Operational Measures
Bans on foreign investment in certain sectors.	Compulsory joint ventures with domestic investors.	Performance requirements.
Quantitative restrictions on foreign ownership.	Limits on the number of foreign board members.	Local content restrictions.
Screening and approval.	Government appointed board members.	Restrictions on imports of labor, capital and raw materials.
Restrictions on the legal form of foreign investments.	Government approval required for certain decisions.	Operational permits or licences.
Minimum capital requirements.	Restrictions on foreign shareholders' rights.	Ceilings on royalties.
Conditions on subsequent investment.	Mandatory transfer of some ownership to locals within specific time frame.	Restrictions on repatriation of capital and profits.
Conditions on location		
Admissions taxes		

Source: adopted from UNCTAD 1996

3. 1. Trade Imbalance

The first criticism directed towards Chinese SEZs in Africa is that of an imbalanced trade relationship: African exports to China are lower in comparison to Chinese imports entering Africa. Critics might quickly attack such claims, as a look at data collected does not reflect a major trench.

Figure 3: China Trade with Africa US\$ billion



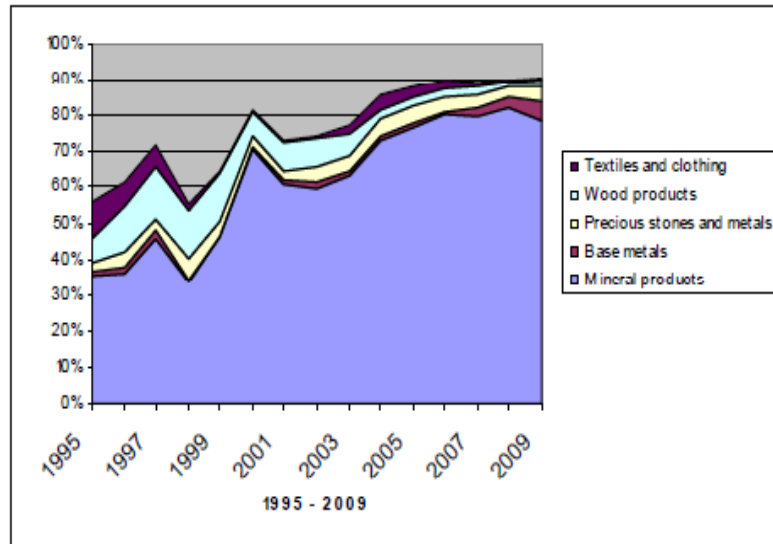
Source: Tralac²⁵

However, it is the difference in value between the exchanges that are more indicative. African outgoing resources are mostly commodities such as oil, minerals, food items, metals and wood, which could play a significant part in furthering African internal development had they been domestically or regionally invested and/or processed. In contrast, Chinese exports to Africa consist mostly of mass quantities of low quality and cheap textiles, footwear, electronics, machineries and plastics. Not only do these Chinese imports into Africa propagate a consumer culture, but also it arguably inhibits Africa’s industrialization.

A similar calculation of the value of trade-offs that take place between China and the SEZ host countries in Africa reveals that there will be similar obvious trade imbalances. The result received from an application of the World Bank’s formula of weighing the success or failure of an enclave project by considering the balance left after having subtracted the value of incentives granted, from the foreign exchange in-

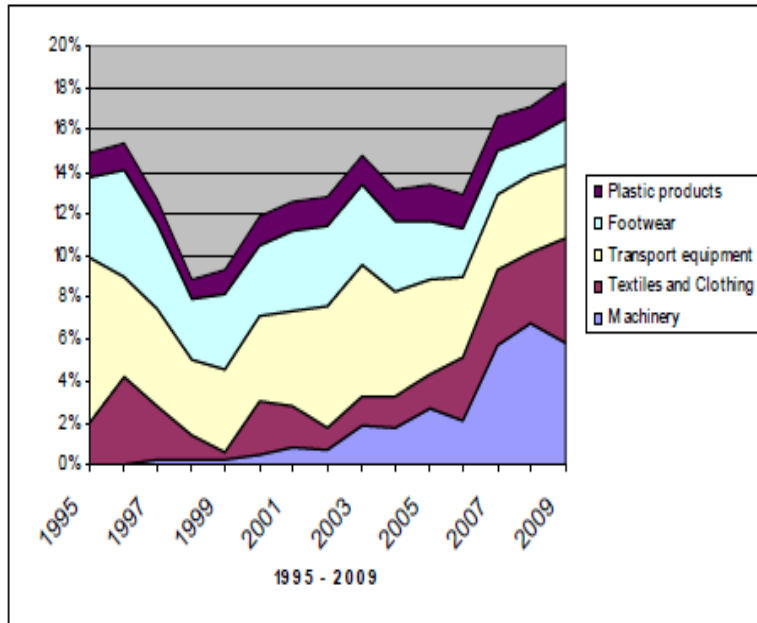
come and social capital received, is indicative.²⁶ Peter Warr elaborates upon the components of this formula in his work, "Export Processing Zones: The Economics of Enclave Manufacturing," which is based on studies of EPZs in Indonesia, the Republic of Korea, Malaysia and the Philippines. He identifies the variables of a benefit-cost analysis of EPZs (profits and losses, foreign exchange earnings, employment, technology transfer, domestic sales, purchase of domestic raw materials and capital goods, use of electricity, domestic borrowing, taxes, and development and recurrent costs) and discusses the welfare significance of each to the host country.²⁷ An application of this approach to EPZs concludes that, in the end, quite often the nation's domestic foreign capital accumulation is not considerable when compared to the profits gathered by the foreign investors involved in the venture.

Figure 4: Percentage Share of Top Chinese Import Products from Africa



Source: Tralac

Figure 5: Percentage Share of Top Chinese Export Products to Africa



Source: Tralac

$$\text{Zone Performance} = \left[\begin{array}{l} \text{[Foreign exchange income}^{28} + \\ \text{Taxes + Social Capital (Employment,} \\ \text{labor training, technology transfer)}^{29} \text{]} \\ - \\ \text{[Incentive Package (Infrastructure,} \\ \text{Land, Utilities subsidies,}^{30} \text{ tax} \\ \text{concessions and recurrent costs)]} \end{array} \right]$$

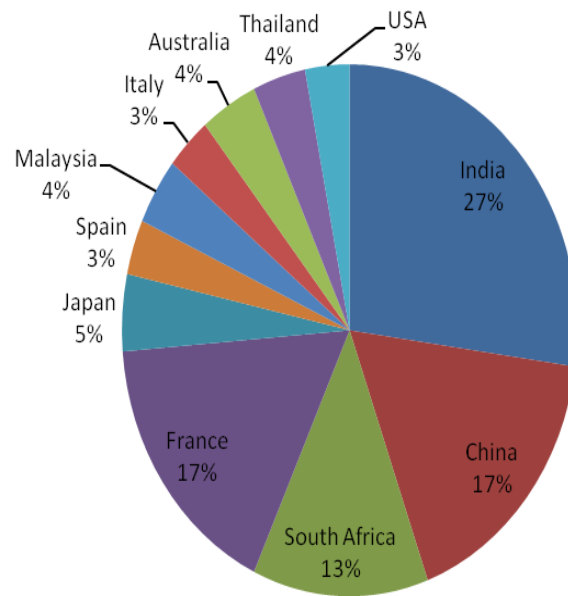
In the words of Warr:

The benefits from EPZs are limited. They are definitely not "engines of development." For countries in the early stages of development, zones can be an efficient and productive means of absorbing surplus labor. Even then, they will never be more

than a modest part of the solution to the vast employment problems of these countries. EPZS also expose domestic businesses to examples of internationally competitive enterprises; this demonstration effect is undoubtedly valuable, especially in the early stages of industrialization as is the on-the-job training of local managers. Even so, such benefits should not be exaggerated.³¹

In the case of Mauritius, it is interesting to note that China is absent from among its major export partners. Statistics reveal that exports to China are less than 0.25 percent of the total Mauritian exports. However, in 2009, Mauritian imports from China amounted to USD\$539.9 million. The products were mainly manufacturing, machinery, food and animal products, chemicals, crude materials, beverages and vegetable and animal fats. Comparatively, Mauritian exports to China for the same year amounted to only USD\$ 1.9 million. Only a year earlier, in 2008, Mauritian exports to China was USD\$5.8 million. Thus, within one year, the value of Mauritian exports to China declined by 52 percent. According to figures compiled by V.Ancharaz, in 2005, China alone accounted for 30 percent of Mauritian trade deficit. The figures below show that this trend will persist.

In the light of the existing trade imbalance Mauritius suffers vis-à-vis China, the island arguably stands to experience further losses over the JinFei project because (a) The state bears the cost of utilities (electricity, water, telecommunications and sewerage) and off-site infrastructure; (b) There will be limited backward linkages to benefit the Mauritian economy. Already, Chinese promoters have refused to buy construction materials from Mauritian producers and have instead set up their own plant for stone crushing, block making, tile manufacturing, clinker grinding and concrete batching within the zone. The leading Mauritian producer of construction materials, United Basalt Products (UPB), has expressed indignation on this maneuver³² and in May 2011 reported a slump of 68 percent in its third quarter profits; and (c) The agreement states that domestic investors will not be allowed in the zone initially.

Figure 6: Mauritian Imports 2009

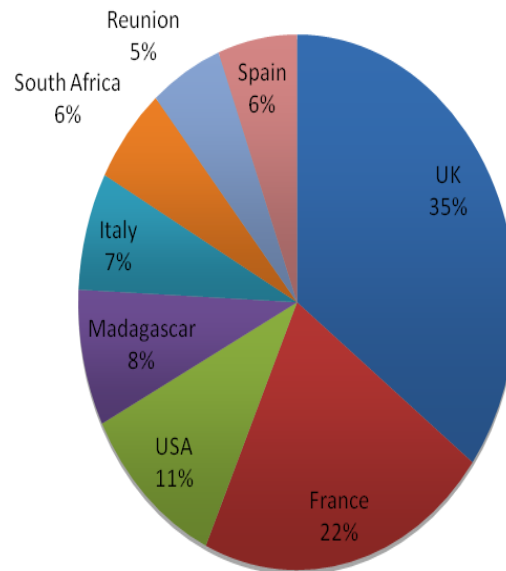
Source: Ministry of Finance and Economic Development, Mauritius Central Statistics Office, Digest of External Trade Statistics, 2009

3. 2. Development Prospects

Showcased as mutually beneficial trade and economic cooperation projects, the SEZs are expected to contribute to the development and growth of its host countries. In the case of Mauritius, as in the case of most African countries, development and growth relate to the creation of employment, dissemination of technology and know-how, R&D expansion, improving gender equality and increased domestic accumulation of foreign exchange, among others. However, JinFei is unlikely to improve these aspects of the Mauritian life. The reasons are as follows: (1) Investors investing in the zone are mostly private enterprises. Naturally, their aim is a maximization of profits. As Gu notes, the aim of

most Chinese private ventures in Africa is in order to escape the 'pressure cooker of domestic competition and surplus production' and in favor of 'large markets and relatively less intense market competition from local firms.'³³ In pursuit of profit maximization and lowering local competition, development needs are likely to be ignored; and (2) Areas of investment in JinFei overlap with the high income generating industries of the domestic trade area.

Figure 7: Mauritian Exports 2009



Source: Ministry of Finance and Economic Development, Mauritius Central Statistics Office, Digest of External Trade Statistics, 2009

Figure 8: Domestic Areas Generating High GDP and Overlapping JinFei Investment Areas

Main Industries contributing to GDP growth in Mauritius (2010)	Areas of Investment in JinFei
Manufacturing (Garment, Processed Fish, Beverages, watches, clocks, toys, optical goods, jewelry, travel goods, handbags, textile yarns, fabrics and made up articles, pearls, semi/precious stones, wood manufactures)	Garment Manufacture Tourism Souvenir Manufacturing ³⁴ Food Processing
Real Estate and Business	International Conference Center Staff dormitories
Hotels and Restaurants	Hotels
Wholesale and Retail Trade: Repair of Motor Vehicles, motorcycles and personal and household goods	Electric House Appliances Light Engineering Wholesale and Retail Shopping Centers
Financial Intermediation	Financial Services
Other Services	
Transport and Communications	ICT
Construction	
Health and Social Work	State-of-art medical Centre Pharmaceuticals
Education	Boarding School
Public Administration	
Electricity, Gas and Water Supply	

Source: Compiled from CSO Quarterly National Accounts 4th Quarter 2010³⁵ and Parliamentary Questions Sessions

As is obvious from the above, the manufactures of the zone will overlap with the lucrative industries of the domestic trade area. Not only will it increase market competition, but the overlap of manufacturing activities will also cause a shift in the labor force rather than the creation of a new labor force. This is because the jobs available in such industries can only be fulfilled by semi-skilled workers – usually women. Given the current high level of literacy and employment expectations, it

is improbable that the new Mauritian employable generation of women (or even men) will show interest in working in the manufacturing sector.³⁶ Therefore, JinFei will make no remarkable contribution to employment creation and will only end up reinforcing the existing gender disparity.

(3) JinFei is also likely to encourage importing foreign labor. Figures from the Ministry of Labor, Industrial Relations and Employment reveal that in 2009, the number of foreign workers increased from 21,000 to 24,000.³⁷ As the SADC Trade Review 2007 on Mauritius notes in an analysis of the impact of the phasing out of the MFA on Mauritian employment, "the number of firms in the textile and clothing sector fell by 7 percent while the number of jobs fell by 17 percent. The irony is that the unemployed are now reluctant to work in this sector, which has led to firms relying on imported labor. For instance, by December 2004, the level of employment in the sector was recorded at 67,249 workers with slightly more than 20 percent of whom were expatriates."³⁸ The employable Mauritian generation is more interested in other job sectors such as call centers and the service industry.³⁹

(4) The JinFei project will possibly affect domestic accumulation of trade income since its products will compete for markets with local entrepreneurs. Already, local companies are struggling against cheaper Chinese products that have flooded the market. They will now face an added pressure to match the predictably lower production costs and selling price of Chinese enterprises. JinFei investors will likely secure a larger share of profits and repatriate their profits to their headquarters in the home country at no cost (according to the provisions of Board of Investment (BOI)), instead of investing in Mauritius. A confinement of profits within the Chinese realm is possible, and given the culture of cluster manufacturing in Chinese production methods⁴⁰ it is likely that Chinese investors from the JinFei zone will (a) cooperate among themselves to produce parts of a product; (b) will import parts of the product from China; and (c) will seek linkages with Chinese companies established outside the zone in order to increase their competitiveness. The resulting low cost of production will grant them competitive prices in

the market and reduce some of the export income that local enterprises brought to the Mauritian economy.

(5) There are limited prospects for backward linkages in the case of JinFei as local investors have been contractually barred from investment in the zone for the initial years.⁴¹ It is not unlikely that the JinFei investors will limit their cooperation with the domestic trade area only by trading with those Chinese companies that are established outside the zone. For instance, it is almost certain that the yarn for garment production for factories within the JinFei zone will come from the Tianli enterprises which pioneered the construction of the JinFei zone. Already, there have been instances where promoters of the JinFei zone have expressed a lack of willingness to cooperate with local Mauritian producers. Mauritian construction companies and construction materials' suppliers have been sidelined, and the Oriental Group (Mauritius) Co. Ltd, branch of Yantai Oriental Stainless Steel Industry Co. Ltd, was instead established in October 2009 and handed the construction contracts of the zone. Even the raw materials to produce tiles and cement at the zone's stone crushing plant will be imported from China and then processed at the JinFei plant. Oriental Group admits that only indirect jobs will go to Mauritians.⁴²

3. 3. Labor Issues

Riots between Chinese managers and Zambian workers at the Chambishi SEZ over the past years only emphasize concerns about labor conditions and employment issues related to SEZ projects. While the Zambians were particularly unhappy about the treatment they received (their working conditions and wages), there are other types of labor conflicts that Chinese SEZs bring to the host African countries. In Mauritius, the issue of main concern is the number of jobs JinFei will provide to the local community. Since its inception, figures of prospective employment creation announced by the involved parties have been incongruent. In 2008 Mauritian authorities estimated the creation of 7,500 jobs and, in 2010, the number rose to 35,000⁴³ — only to be then countered by a figure of 5,000 jobs provided by the Chief Executive Officer of the project.⁴⁴ While at various times the Chinese government

and the zone promoters have denied their intention to bring Chinese labor to Mauritius, the inclusion of a staff dormitory in the plan of the SEZ indicates that the zone will, in fact, be welcoming Chinese labor.⁴⁵ Along with being an opportunity of employment lost by Mauritians, the import of Chinese workers may, moreover, induce ethical clashes between the Mauritian and Chinese governments given that the zone is supposed to submit to general Mauritian labor laws. This is because, while China's employment conditions tend to be unregulated and minimal, Mauritius has a long and strong history of trade unions. Even the government supports generous workers' treatment. A paper by the International Confederation of Free Trade Unions on EPZs discusses how Mauritian authorities had to intervene to restore the rights of Chinese immigrant workers in Mauritius: "Chinese women workers recently went on strike to protest that, having paid a 1,000-dollar recruitment fee, their wages were then paid in dollars directly to the recruitment agency, leaving them barely 200 to 300 rupees. The Mauritian authorities are now insisting that the Chinese workers receive their full wages and that the recruitment agencies are officially registered by the Chinese authorities."⁴⁶ The establishment of a minimum wage mechanism, still under process, and the reintroduction of the tripartite mechanism (2010) might increase chances for conflict between the zone employers and Mauritian authorities.

4. Land Acquisition Under Chinese SEZ in Africa

The outlined problems of trade imbalance, a lack of constructive contribution to development and employment are instances of the passive impact the Chinese SEZ may have on Mauritius; prohibiting growth which could have been possible. While these impacts are indirect in that they do not involve reducing the profitability and efficacy of an already existing scheme of benefit, there is one aspect of these zone constructions which exercises active exploitation of the host country: the process of land acquisition. Through land acquisition, China acts directly in an appropriation of gains. Discussing SEZs in India, Gopalakrishnan noted that the SEZ is purely a political concept whose true purpose is the 'creation of space rather than any particular activity.'⁴⁷

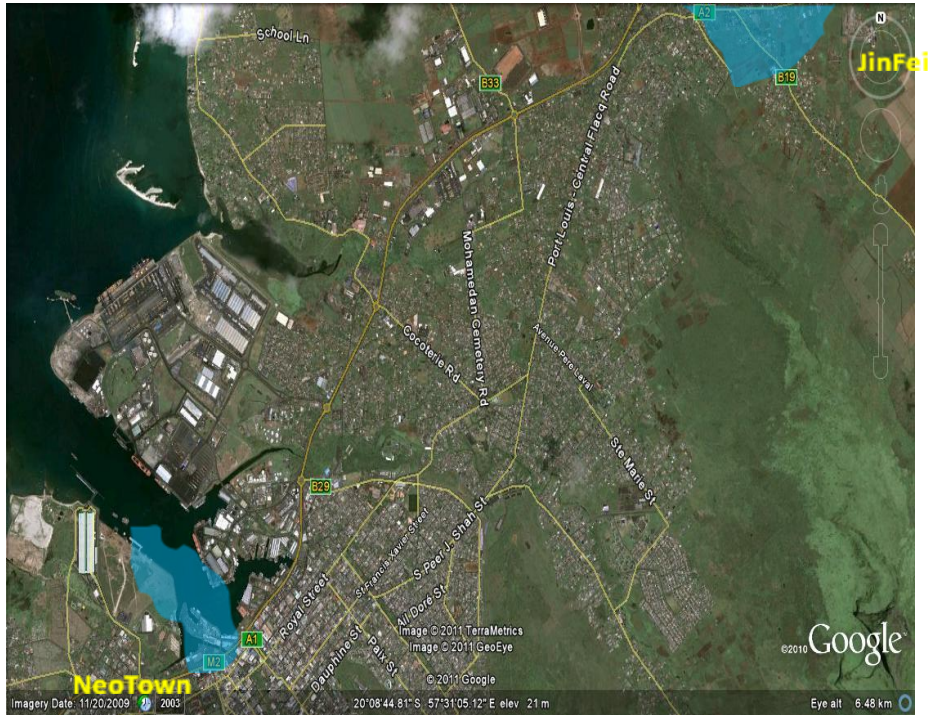
Chinese SEZs in Africa seem to be perpetuating a similar logic. Usually, the most popular type of land grab in Africa has been for cultivation and resource management purposes and has unleashed political and social unrest. For example, the Daewoo Logistic deal for corn plantation on 3.2m acres in Madagascar led to the expulsion of President Marc Ravalomanana in 2009. However, Chinese SEZs provide China with a stronger, more secure and more stable foothold in Africa. The establishment of infrastructure, including residential areas, will allow China to affirm its presence in the continent in a comprehensive fashion, that is, economically, culturally, socially as well as politically. To date, land grabs in Africa have been restricted mostly to mineral exploitation or to ensure food security for the citizens of the investing states. However, recently the local media of the concerned host African countries have questioned the legitimacy of land occupation by foreigners when, alternatively, these lands could have been utilized more directly to benefit the local communities.

Eric Mangar, head of Mouvement pour l'Autosuffisance Alimentaire, Mauritius (translated as Movement for Self-sustaining Food Security), expressed similar worries in relation to JinFei. He argued that:

The farmers of Riche-Terre produced and supplied at least 20 tons of vegetables to the Port Louis market weekly. They contributed to the country's food security in a very significant way before they were displaced because of the Tianli/JinFei project in 2006. The JinFei project, if completed, will cover the most fertile soil of the island with concrete in order to respond to the economic imperatives of the leaders of the country.⁴⁸

The land lease for the construction of JinFei was increased from sixty years to ninety-nine years without any explanation. Furthermore, 120 farmers who were leasing the 48 hectares (120 arpents: 1 arpent per farmer) for cultivation at the Riche-Terre area were ousted within one month of notice. Approximately 103 of the 120 farmers were offered a compensation of approximately USD\$ 1,831 (MUR 50,000) each and were to be relocated to another part of the island. This resulted in hunger strikes after which the government established a commission of inquiry.

Another feature of the JinFei land acquisition process which exacerbates discontent is the provision to grant one Mauritian passport for every US\$500,000 of investment to JinFei Chinese investors. Such a facility automatically allows the Chinese investors, turned citizens, to benefit from all privileges available to Mauritians. Incidentally, this entitlement corresponds to the terms of purchase of residential property in the government's Integrated Resort Scheme (IRS), a property development project established in collaboration with the Board of Investment (BOI). The project seeks to attract real estate developers to build luxury villas that are then sold to foreigners. The IRS also states a minimum investment of USD\$500,000. The coinciding investment requisites of both projects only highlight the land encroachment aspect of the JinFei SEZ. Just as the Mauritian EPZ practice was not territorially contained, it is possible that Mauritian authorities are using similar financial eligibility criteria as an instrument to encourage JinFei investment to disperse into other sectors of the domestic trade area. The matching benchmarks of the SEZ project and that of the IRS can facilitate eventual JinFei investment spillovers in the real estate business. Though this strategy will boost foreign investment income, it also implies a strain on land availability to Mauritians, a hike in property prices and local inaccessibility to high value land. Already, Mauritius is undergoing a mismanagement of land usage whereby hotels are monopolizing the coastal regions. Moreover, the strain on fertile land has pushed Mauritius to venture outside and seek land lease in Mozambique to pursue food security. As the Chinese government forays into Africa with its SEZs, they appear to have inspired others to follow suit. This new method of spatial occupation and establishment of long-term presence in Mauritius has now encouraged India to replicate the model. Its first project is the NeoTown, which will rest on 'prime strategic land' at Les Salines, Mauritius – diametrically opposite the JinFei zone. It has been clearly stated in government papers that NeoTown is an attempt to replicate the JinFei SEZ

Figure 9: Location of JinFei and NeoTown

The proposed lease agreement provided for the possibility of variation to the present lease agreement thus bringing in a degree of flexibility for necessary adjustments and amendments as and when required. Les Salines Development Limited has also requested that a Framework Agreement similar to the one entered into in respect of the Tianli Project be drawn so that Les Salines Development Project becomes easily bankable and financially viable... all off site infrastructural works shall be borne by government up to the border of the site. The company shall submit directly its request to the utility providers (CEB and CWA)⁴⁹ which already have the mechanism for the required services to be provided.⁵⁰

While Mauritius uses JinFei as an advertisement to acquire more investment from foreign investors, it ignores the possibilities of using similar bargaining tactics as negotiation leverage and insisting upon cer-

tain terms and conditions of the establishment and functioning of such zones.

5. Developmental Prospects of JinFei

The various inconsistencies triggered by the new SEZs in Africa raise one question: will they successfully bring development and growth? Although, as noted at the outset, EPZs and SEZs are essentially different, the Mauritian EPZ experience is useful in acting as a benchmark to evaluate the prospects of developmental success of Chinese SEZs. Mauritius is considered to be one of the world's most successful EPZ sites. Launched in the 1970s, by the 1990s the EPZs employed one third of the total labor force in the country. The implementation of the EPZ in Mauritius differed from the rest of the world's EPZ policies in that it extended the practice and preferences to the entire island and was not restricted to fenced zones. Moreover, as Subramanian and Roy point out, 'about 50 percent of the total equity of firms in the EPZ are owned by Mauritian nationals.'⁵¹ In spite of all these provisions, the phasing out of the MFA and the implementation of EPAs under the Cotonou Agreement instead, brought the flourishing EPZ sector to an end. Investors shifted to Madagascar.

This conclusion of the Mauritian EPZ story only brings into perspective the limited prospects of success JinFei SEZ has in the country. The EPZs were successful mostly because they extended their activities beyond a restricted space, ownership and control, thus encouraging backward linkages. The policies of JinFei appear to have taken the opposite route. Secondly, at the time, there was a large population of women who were willing to work in textiles. Today, Mauritius faces graduate unemployment. Thirdly, at that time, the EPZ sector acquired preferential access to the European markets through the quota Mauritius enjoyed under the MFA. With the implementation of EPAs instead, whereby Africa is divided into competing commercial groupings, it is unlikely that JinFei textile manufacturers will be able to sell their products more easily to the EU or to the other African states. Moreover, while Least Developed Country (LDC) status has now been extended to Mauritius under the African Growth and Opportunity Act (AGOA) after

hard lobbying, Mauritian textile producers are only likely to enjoy the competitiveness imports of raw materials grants them under the Third Country Fabric derogation until 2015 after which JinFei textile manufacturers will have to submit to the Rules of Origin⁵² for their products to be eligible for export to the US market under preferential conditions. Jin-Fei, therefore, carries a potential for direct loss because there are few chances that Mauritius will be able to maximize the benefits from this lease. Instead, it is likely that the country will lose some of its markets and its monopoly of supply of exclusive services and goods to Chinese producers.

6. The Appeal of Chinese SEZs to Africa

Despite all these inconsistencies in the Chinese SEZs in Africa; the loss of political capital it triggers;⁵³ the social disharmony it generates;⁵⁴ and the inequitable relationship it nurtures, what is it about Chinese SEZs that make them so appealing to African elites? There are several explanations:

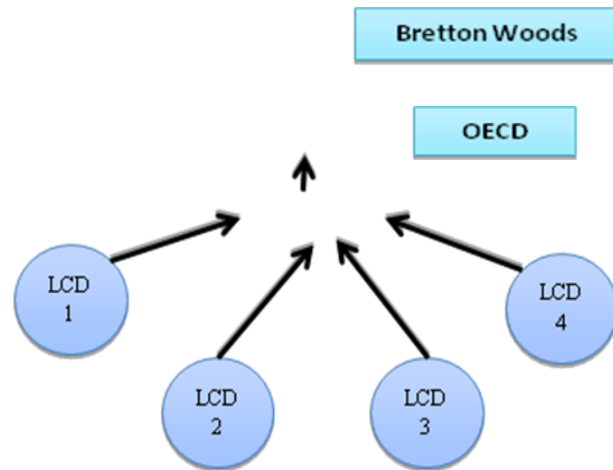
1. Geographical contextualization of politics and trade has existed for centuries in the progressive form of kingdoms, nations, multilateralism, free trade areas (FTAs), bilateralism, and regionalism. The shape, size and content of these spatial forms changed according to the concerns of the entities of authority ruling at the time. The current economically competitive international climate undermines the importance of multilateralism and gives way to new cooperation structures. This is termed as regime shifting. The Doha deadlock is an example where multilateralism has failed and countries have gone ahead and established other conglomerations to pursue similar agendas. These SEZs can be understood as part of this same chain of evolutionary political and economic spatial representations.

2. Some authors declare that Africans' preference for Chinese aid and investment is due to the fact that there are no strings attached. The provision of ODA to African nations by member countries of the OECD come with prerequisites imposed as conditional to disbursement of aid. With the formulation of the Policy Framework for Investment, even in-

vestments from OECD countries have become subject to similar conditions. Therefore, the equation existing between OECD countries and African states is a clear top down approach. Contrary to its Western counterparts and in keeping with its principle of non-interference, China does not impose conditionalities such as austerity, market liberalization, structural adjustment and democratization before granting aid. However, Chinese SEZs are even better than Chinese aid: while Chinese aid is received by African countries upon request,⁵⁵ the establishment of Chinese SEZs is carried out in the spirit of mutual cooperation whereby the African country also partakes in the project. This approach makes the Chinese SEZ format more appealing as it perpetuates the illusion of a partnership rather than a charity or favor. The advent of Chinese SEZs in Africa also establishes a new mechanism for the regulation of foreign investment: SEZs allow the countries welcoming the investment to set their own terms and conditions and hence become Africa's Best Alternative to a Negotiated Agreement (BATNA)⁵⁶ in relation to other conditional development mechanisms.

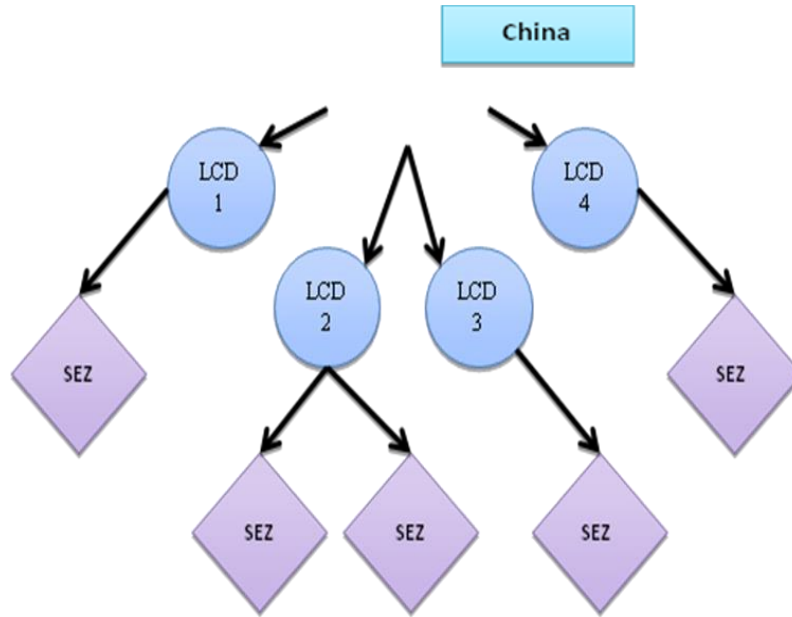
In order to demonstrate the difference in the response OECD aid and investment and Chinese SEZs receive from their African counterparts, I will name the method of the former as the Spatial Infusion Approach (of OECD), and the later as the Spatial Diffusion Approach (of China). This differentiation between the Western and Chinese approaches to investment and aid to African countries finds resonance in constructivist and psychological studies on cultural variations in negotiation-making whereby the West adopts a more direct style while Eastern negotiators are more diverted in their methods. As revealed through a study by Morris and Peng (1994), Americans focus on central figures while Chinese consider the context. Similar elements can be identified in the following distinct ways in which OECD countries and China enable investment in Africa.⁵⁷

(a) Spatial Infusion Approach: The OECD countries set the agenda for the world and call for other nations to join them in granting international legitimacy to the agenda. It is a classic top down approach whereby Western nations demand that other countries join them, and in cases where nations do not respond positively, they are often faced with punitive measures such as sanctions.

Figure 10: Spatial Infusion Approach

(b) Spatial Diffusion Approach: China approaches other nations and offers to build them SEZs on their land. There is greater host-country customization and state ownership of this development activity (an objective towards which the IMF aspires so as to revitalize its failing development programs). China spreads the 'we need you' belief and poses as a partner through this approach – compared to the hierarchical process applied by the West. Here, China diffuses a spatial concentration of power to other parts of the world.

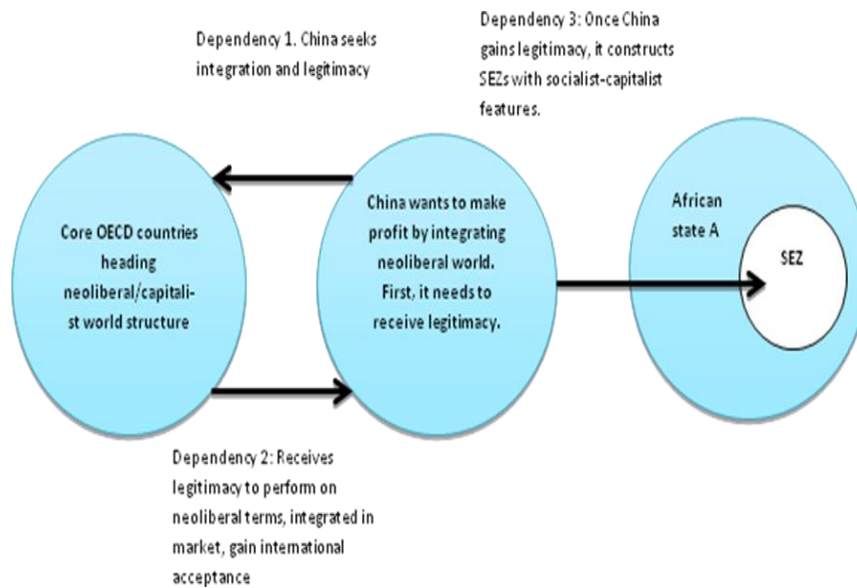
Even if Chinese SEZs keep the same basics of space creation, it adds a higher degree of pragmatism to its characteristics, and applies a stronger dose of conspicuous diplomacy in its construction. While multilateralism, FTAs and ODAs are straight top-down approaches to cooperative development, the Chinese overseas SEZ model injects humility in the same approach and gives it an appeal of the more considerate bottom-up approach. This approach of China can be contrasted with the hierarchical Spatial Infusion Approach which is noticeable in the demeanor of the typical Western management of investment relations with African states.

Figure 11: Spatial Diffusion Approach

As this pragmatic Chinese spatial strategy gains popularity across the African continent, scholars are driven to identify the grand logic directing such a drastic, complex yet flexible endeavor. What is the push factor that, despite all the imperfections of the plan, still grants appeal, legitimacy and coherence to Chinese SEZs in Africa? Given the diverse nature of the actors involved in the venture, that is state, private sector and civil communities (hence the differing nature of their motivations), only the Dependency tradition provides the theoretical framework within which to comprehend the functionality of Chinese SEZs in Africa.⁵⁸ Not only does Dependency Theory allow a contemplation of actors of diverse natures but it brings into perspective the capitalist context within which the variations of power coexist, complement each

other (whether negatively or constructively) and project their relations into new formations. In this light, China assumes a dual position; one of peripherality to the Western states leading the Washington Consensus world order and of appropriation towards African states, simultaneously.⁵⁹ The identified problems of trade imbalance, lack of developmental contribution, labor crises and land acquisitions associated with Chinese SEZs in Africa are consequences of this trickle-down effect of capitalism-induced dependency equations. It is in this environment that peripheral elites of the host African countries have equally failed in their duties to draw policies that would protect such a misappropriation of resources.

Figure 12: Chinese SEZ in Africa in a Dependency Equation



7. Evaluation

Although global trade with China is on the rise, the structural attempt towards commercial cooperation in the form of SEZs in Africa is questionable, especially regarding the long term benefits of such pro-

jects. Still at the inception stage, SEZs spawn concern about the probabilities of impingement which might snowball from the provision of policies more conducive to business ease and enhanced competitiveness than granted to the domestic trade area in the host African countries. In the case of JinFei, for the time being, the odds against the project overshadow the optimism over its promised eventual mutually beneficial cooperation. While the incentives given by Mauritius to JinFei SEZ do not depart greatly from the usual domestically-applied business and trade facilitation policies, and logically, therefore, should not make of JinFei a threat — the granting of land and utilities over the long term and the lack of protection measures to ensure a minimum of profitable returns to Mauritius from the venture perpetuates domestic hostility towards the project which might undermine any prospective benefits that the zone could have brought to the island. Key to maximizing the success of Chinese SEZ in Africa is to have the host African country, along with ascertaining transparency and local integration, also to inscribe protectionist conditions when negotiating the SEZ project framework. These measures will function as a safety net for the domestic investment in case the project is unsuccessful or produces no backward linkages. Unfortunately, Mauritius has not done so. For instance, the agreement signed in 2007 stipulates that starting in June 2007, if the construction of the zone is not completed in five years (i.e. 2012), the land would be reclaimed. However, it was not until 2009 when Hu Jintao personally intervened that the construction started. As the initial deadline nears, there is still not a single completed building on the site. For its part, the Mauritian government has already lived up to its commitment and built the roads and installed the utilities connections. Nevertheless, the Mauritian government has not taken action against the Chinese promoters for the delay. This leniency on part of Mauritius only illustrates the need for the recipient African countries to closely monitor the activities of the Chinese promoters. In the past, African states have formed issue-based coalitions to lobby and successfully secure preferences and domestic safeguard measures when negotiating with the West. However, now, when all the countries of the continent compete with each other to welcome Chinese investment and consequently nurture an African nationalistic individualism, the African SEZ host countries ignore the possibili-

ties of cooperating among themselves for hard negotiations with the Chinese authorities. They overlook opportunities to agree on a common basic framework of protectionism applicable to the seven Chinese SEZs in Africa in order to secure a concrete commitment of profitable returns from the Chinese developers. Some examples through which African host governments could have ascertained a realization of the promises of mutually beneficial cooperation and development in form of policies are insistence of a quota for local employment, use of local construction materials, and links to local universities in R&D. The host countries should also use the fact that they are in demand among China's competitors to secure better terms for the SEZ functioning. For future Chinese SEZ in Africa projects, negotiators discussing the terms of establishment should use the examples of Madagascar and Zambia and argue that domestic ratification of such practices under the conditions demanded by the Chinese authorities is difficult in light of the already emerging controversies around Chinese SEZs and land lease issues in Africa. There are numerous policy propositions that can be adopted to make Chinese SEZs in Africa more viable and reliable projects with real mutually beneficial effects. However, the onus lies with the host governments in ascertaining that while benefiting from immediate FDI, these zones, over a longer term, do not further perpetuate a projected dependency economic relation.

ENDNOTES

1. World Trade Organization (WTO) does not provide an exact criterion to characterize the EPZ. The schema of preferential treatments to be provided under EPZs is determined by the provisions made in the 1995 Agreement on Subsidies and Countervailing Measures (ASCM). Developing countries hosting EPZs and who have a GNP over US\$1000 per year have been affected by the ASCM as they have to eliminate some preferences granted to EPZs by December 2015. Nevertheless, regulating bodies and concerned actors agree on certain general features of an EPZ: flexible labor laws, tax exemptions, reduced red tape, above average communication services and infrastructure, subsidized utilities and rental rates, duty free imports of raw and intermediate materials.

See D. Madani (1999) "A Review of the Role and Impact of Export Processing Zones," *Policy Working Research Paper*, Number 2238, World Bank, November 1999.

2. Industry Development Division, Industry and Energy Department and Trade Policy Division, Country Economics Department, 'Export Processing Zones', World Bank Policy and Research Series, No.20, The World Bank, 1992, p.29, retrieved May 8, 2011, <http://books.google.co.uk/books?id=xJBoyutM4KMC&pg=PA26&lpq=PA26&dq=NUMBER+OF+EPZ+IN+asia+in+1980&source=bl&ots=P1mI9UOHZD&sig=3x23TbK8lk5z84n5_mvhtCqVd_Y&hl=en&ei=Ga_2TaDrB5jZ4wbU8okC&sa=X&oi=book_result&ct=result&resnum=1&ved=0CBsQ6AEwAA#v=onepage&q&f=false>.

3. J. S. Boyenge (2007) "International Labor Office Database on Export Processing Zones," International Labor Office Working Paper, No. 251, International Labor Office, April 2007, retrieved on May 8, 2011, <<http://www.ilo.org/public/english/dialogue/sector/themes/epz/epz-db.pdf>>.

4. The Four Modernization Program was launched by Deng Xiaoping in 1978. It involved opening up the country to foreign investment and applied export-led growth methods in order to fuel the development of the four main areas of the Chinese economy: agriculture, defence, industry and technology.

5. See, S. Nishitatenno (1983) "China's Special Economic Zones: Experimental Units for Economic Reform," *The International and Comparative Law Quarterly*, Volume 32, Number 1, January 1983, pp. 175-185.

6. C. Cartier (2002) "Transnational Urbanism in the Reform-era Chinese City: Landscapes from Shenzhen," *Urban Studies*, Number 39, 2002, p. 1513, retrieved May 8, 2011 from Sage Publications Database.

7. China oscillates between unbalanced and balanced investment strategies in order to make the most of restructuring in and spillover effects from SEZs. E.g. In 1990s, Guangdong province which housed three SEZs, received high investments but paid low taxes to allow restructuring. This was at the expense of high taxation and firms' stagnation in Shanghai. This trend was reversed few years later. However, in 1994, all SEZ preferences were eliminated and a balanced investment strategy was established.

See, M.J. Litwack, & Y. Quian (1998) "Balanced or Unbalanced Development: Special Economic Zones as Catalysts for Transition," *Journal of Comparative Economics*, Volume 26, Article Number JE971502, 1998, pp.117-141.

8. Nishitatenno, pp.181-182.

9. K. Wong, China's Special Economic Zone Experiment: An Appraisal, Geo-

grafiska Annaler. Series B, *Human Geography*, Volume 69, Number 1 (1987), p. 27, retrieved 0/05/11, JSTOR.

10. Hu Jintao, President of the People's Republic of China at the opening ceremony of the Beijing Summit of the Forum on China-Africa cooperation, November 4, 2006, retrieved May 6, 2011 at <<http://english.focacsummit.org/2006-11/04/content-4978.htm>>.

11. L. Horta (2010) "China Building Africa's Economic Infrastructure: SEZs and Railroads," *China Brief: A Journal of Analysis and Information*, The Jamestown Foundation, Volume X, Issue 15, July 22, 2010, pp.10-11.

12. D. Brautigam and T. Xiaoyang (2010) "China's Investment in African Special Economic Zones," January 2010, Discussion paper available from T. Farole (The paper is part of a wider project led by the International Trade Department of the World Bank (PRMTR): "Special Economic Zones in Africa: Comparing Performance and Learning from Global Experience").

13. D. Brautigam, T. Farole, and T. Xioyang (2010) "China's Investment in African Special Economic Zones: Prospects, Challenges and Opportunities," Economic Premise: Poverty Reduction and Economic Management Network, The World Bank, Number.5, March 2010.

14. *Ibid.*, p.3.

15. Chinese state through SOEs + African host state+ Chinese private investors+ African host community + Local African private investors.

16. Number 3 of 2010, Fifth National Assembly Parliamentary Debates (HANSARD), First Session, June 15, 2010, retrieved November 13, 2010 at <<http://www.gov.mu/portal/goc/assemblysite/file/hansardsecd310r.pdf>>.

17. Private Notice Question No 1B/83, 2010.

18. See *Le Matinal* (2009) "JinFei arrive au moment opportun' quoting the statement by Navin Ramgoolam at the launch ceremony of the JinFei SEZ, September 16, 2009, retrieved May 9, 2011 at <http://www.lematinal.com/mobile/economie/1303-JinFei-arrive-au_moment-opportun.html>.

Although Mauritius is a member of both SADC and COMESA, the recent trade zone configurations formed under the Economic Partnership Agreement (EPA) whereby African, Caribbean, Pacific Group of States (ACP) countries have been divided into seven regions to determine their eligibility to benefit from reciprocal or preferential trade with the European Union (EU), has made Mauritius a cross-member of SADC, COMESA and the Eastern and Southern EPA (ESA EPA). In line with its EPA affiliation to the ESA, Mauritius has acceded to the COMESA Customs Union. This dual association of Mauritius can prove to be a hindrance to accessing Africa rather than being an opportunity that China can

exploit. Already, figures from the Central Statistics Office (CSO), Mauritius, noted a trade deficit of US\$190,522.52 to Mauritius' trade with SADC in the year 2010 and a simultaneous rise in trade with COMESA.

See Development Policy Research Unit_ University of Cape Town, 'Free Trade Areas under COMESA and SADC: What the literature says about the current situation', DPRU Policy Brief, Number 01/P15, August 2001, DPRU, retrieved May 9, 2011, <http://www.commerce.uct.ac.za/Research-Units/DPRU/Pbriefs/PDF/PDFs/P15.PDF>>.

19. The MFA was a measure implemented in order to allow developed countries to adjust to the imports of textiles from developing countries. Quantitative restrictions were placed on developing countries textile exports after individual analysis of each case. The measure was not negative for all; countries like Mauritius and Bangladesh benefited from the set quota. MFA ended in 2005.

20. C. Ernst, A. Ferrer et al. (2005) "The End of the Multi-Fiber Arrangement and its implication for Trade and Employment," Employment Strategy Papers, Number 16, 2005, retrieved May 21, 2011 at <http://docs.google.com/viewer?aq=v&q=cache:mxejkARYBdIJ:citeseerx.ist.psu.edu/viewdoc/download%3Fdoi%3D10.1.1.135.650%26rep%3Drep1%26type%3Dpdf+china+benefits+from+end+of+multi+fibres+agreement&hl=en&gl=uk&pid=bl&srcid=ADGEESjMKZhdiKBrfnv7rcJR2f9ossFiKX6jQcVYih3f5MbTisFw9DzPzCDp1BLO7arDn63TFROsUyCyzpAxIaTy7ztSHKraYYx3OyDaR07eDQDREdjSKDglxNSubv78tL_LzpOYW&sig=AHIEtbT9K2I0Sfjm3tkRndTCmMSOq2qQEw>.

21. People's Daily, September 12, 2001, retrieved on May 10, 2011 at <<http://english.peopledaily.com.cn/200109/12/eng20010912-80006.html>>.

22. Xinhuanet.com English News, April 27, 2011, retrieved on May 10, 2011 at <<http://news.xinhuanet.com/english2010/video/2011-04/27/c-13848317.htm>>.

23. Xinhuanet.com English News, May 7, 2011, retrieved on May 10, 2011 at <<http://news.xinhuanet.com/english2010/world/2011-05/07/c-13862818.htm>>.

24. In 2006, Chinese investment into Africa amounted only to 1.4 percent of a global total FDI inflow of US\$36 billion. Although it is growing, Chinese FDI input into Africa is comparatively low.

See, H. Besada et al. (2008) "China's Growing Economic Presence in Africa," Policy Brief, The Center for International Governance Innovation, Number 6, October 2008, retrieved on May 11, 2011 at <<http://www.relooney.info/SI-Oil-Politics/RGE-China-9.pdf>>.

25. Tralac, Africa_China Trading Relationship, retrieved on May 12, 2011 at <<http://www.tralac.org/cause-data/images/1694/tralac-Africa-China2010.pdf>>.

26. Peter Warr devises this benefit-cost analysis formula of EPZ whereby along with EPZ's economic contribution, the zone's contribution to the social welfare of the country is accounted for in the form of the social capital element, that is, the employment it creates, the training and skills it dissipates etc.

See P. Warr (1989) "Export Processing Zones: The Economics of Enclave Manufacturing," *The World Bank Research Observer*, Volume 4, Number 1, January 1989, pp. 65-88, retrieved May 12, 2011, JSTOR.

27. As he discusses the value of each component, Warr dismisses some of them as being not of significant impact to the host economy's welfare and omits them from the calculation. The following variables are omitted:

(a) Profit and losses: Since these are internal to the foreign companies of the EPZ and the profits earned by domestic EPZ companies are often negligible. The host country receives revenue from the profit from export only (i) if there is a tax on profit transfers (ii) if the company decides to keep the money in the host country (iii) if profits are passed to local shareholders.

(b) Domestic sales: Goods rejected by foreign markets that are sold domestically are taxed as imports, and hence produce no welfare effects.

(c) Purchase of domestic raw materials and capital goods: In order to provide incentives for purchases from domestic suppliers, the host government offers a rebate equivalent to the import duty firms would have paid if they were importing the materials. The profit is therefore cancelled out.

(d) Domestic borrowing: The benefits of domestic borrowing are insignificant if the local capital market is open to international capital flows.

28. The benefits from foreign exchange earnings depends upon (a) where the company chooses to do its banking; and (bi) whether the capital goods purchased from these foreign exchange earnings ultimately remain in the host country. The only confirmed benefit from the foreign exchange earnings is its conversion costs to domestic currency to pay wages and purchase goods from the local economy.

29. Labor training and employment are treated as benefits as untrained labor and the unemployed would have been a cost to the national government had the EPZ/SEZ not been there.

30. The electricity tariff rate which EPZ firms are charged is usually less than the long-term power supply cost that the host government actually provides them.

31. Warr, p. 85.

32. Interview of J.M Giraud, Director General of United Basalt Products, L'Express, February 10, 2010, retrieved on May 14, 2011, <[http://www. lex-](http://www.lex-)

press. mu/news/226_interview_jean_michel-giraud-il-est-aberrant-que-les-chinois-construisent-la-zone-de-jin-fei-avec-leurs-materiaux.html>.

33. J. Gu (2009) "China's Private Enterprises in Africa and the Implications for African Development," *European Journal of Development Research*, Special Issue, Volume 24, Number 1.

34. Souvenir Manufacturing in JinFei will create difficulties for local souvenir manufacturers consisting mostly of women and laid-off workers. Organizations like National Women Entrepreneur Council (NWEC) and Small and Medium Enterprises Development Authority (SMEDA) have specialized schemes encouraging unemployed and laid off workers to opt for such low cost businesses. NWEC currently registers 240 handicraft manufacturers.

35. Central Statistics Office, Mauritius, External Trade 4th Quarter 2010, retrieved on May 13, 2011 at <<http://www.gov.mu/portal/goc/cso/ei889/qna.pdf>>.

36. As at May 2011, 31percent (7,955 people) of the registered unemployed hold a minimum Cambridge O level qualification. The vacancies available for the period were mostly in manufacturing sectors (1266 jobs). Only 20 people opted for jobs in the manufacturing sector.

See, Ministry of Labor, Industrial Relations and Employment (Mauritius), Employment Service Monthly Bulletin, May 2011, retrieved on June 6, 2011, <<https://www.gov.mu/lmisweb/may11.do#vacancy>>.

37. Ministry of Finance and Economic Development, Central Statistics Office (CSO) "Digest of Labor Statistics 2009," CSO, June 2010, p.12, retrieved on May 13, 2011, <<http://www.gov.mu/portal/goc/cso/report/natacc/labour09/labour09.pdf>>.

38. S. Rojit, "Trade Review 2007, SADC Trade Review, 2007, retrieved on May 13, 2011, <http://www.sadctrade.org/files/Mauritius_2007.pdf>.

39. In 2009, Mauritius had a Gross Tertiary Enrolment Rate of 43.4 percent. Hence, there are fewer candidates to fill semi-skilled and non-skilled jobs in manufacturing. Furthermore, from 2007 to 2009, number of workers — male and female both — having joined the textiles manufacturing sector has declined. Sectors recording a growth in employment are retailing, motor vehicles, communications, transport, financial intermediation, real estate and businesses.

See, Education Statistics 2010, Mauritius, retrieved on May 13, 2011, <http://www.gov.mu/portal/goc/cso/ei856/education.pdf>.

See, Ministry of Finance and Economic Development, Central Statistics Office (CSO), "Digest of Labor Statistics 2009," CSO, June 2010, p.12, retrieved on May

13, 2011, <<http://www.gov.mu/portal/goc/cso/report/natacc/labour09/labour09.pdf>>.

40. Ruan and Zhang provide the most comprehensive definition of Chinese style clusters as being 'a production system involving numerous enterprises in a certain location engaged in producing a wide range of stages.' See, J. Ruan, and X. Zhang (2008) *Finance and Cluster-Based Industrial Development in China*, International Food Policy Research Institute, Discussion Paper No. 00768, May, pp.2-3.

With reference to the Zhongguancun High-Tech cluster, Zhou elucidates the impinging aspects of Chinese cluster manufacturing in a description of its functions. According to the author, clusters allows firms to benefit from services and goods that are not available in the local market and they furthermore increase the market chances of the firms within the clusters as they get involved in a network and create more market contacts. See, Y. Zhou (2003) "An Innovative Region in China: Interaction between Multinational Corporations and Local Firms in a High-Tech Cluster in Beijing," *Economic Geography*, Volume 12, Number 79, p.134. Retrieved on May 13, 2011, Wiley Online Library.

41. D. Brautigam (2011) "African Shenzhen: China's Special Economic Zones in Africa," *Journal of Modern African Studies*, Volume 42, Number 1, p.42.

42. Le Mauricien, December 14, 2009.

43. Parliamentary Questions session, June 20, 2010, retrieved on May 13, 2011, <<http://www.gov.mu/portal/goc/assemblysite/file/orans22june10.pdf>>.

44. A. Barbé, 'JinFei sort de terre', Interview of Xie Li, CEO JinFei SEZ, L'Express, July 22, 2010, retrieved on May 13, 2011, <<http://www.lexpress.mu/services/epaper-116740-b-jin-fei-sort-de-terre-b.html>>.

45. This is because given the size of Mauritius, all Mauritians commute daily to their work place and do not take up residence at the workplace, even for training purposes.

46. S. Perman et al (2004) *Behind the Brand Names: Working Conditions and Labor Rights in Export Processing Zones*, International Confederation of Free Trade Unions, December, p. 43.

47. S. Gopalakrishnan (2011) "SEZs in India: an economic policy or a political intervention", in *Special Economic Zones in Asian Market Economies*, C. Carter and A. Harding (editors), Routledge, United States, p.148.

48. E. Mangar, "Avec le projet JinFei, nos décideurs n'ont pas vu assez loin," L'Express, April 3, 2011, retrieved 15/05/11, <http://www.lexpress.mu/news/539_interview-eric-mangar-maa_avec-le-projet-jinfei-nos-decideurs-n-ont-pas-vu-assez-loin.html>. "Les agriculteurs de Riche-Terre produisaient et fournis-

saient au marché en gros de Port Louis au moins 20 tonnes de légumes par semaine et contribuaient d'une façon très significative à la sécurité alimentaire du pays avant d'être déplacés dans le cadre du projet Tianli/JinFei à partir de 2006. Le projet JinFei, s'il se réalise, va couvrir de béton les terres les plus riches de l'île afin de répondre aux perspectives et aux impératifs économiques de nos dirigeants et du pays.'

49. Central Electricity Board and Central Water Authority.

50. Le Weekend Dimanche. Avril 10, 2011, quoting a briefing paper from the Ministry of Housings and Land, retrieved on May 14, 2011, <<http://www.lemauricien.org/weekend/in110410.htm>>.

51. A. Subramanian and D.Roy, (2010) "Who Can Explain the Mauritian Miracle? Meade, Romer, Sach, or Rodrik?" *IMF Working Paper*, Number 1, p.24.

52. AGOA's Rule of Origin dictates that products exported to the US under AGOA should be a "growth, product or manufacture" of one or more AGOA-beneficiary countries, the product must be involve no transshipping and where the product includes materials sourced from non-AGOA states, at least 35 percent of the product's value-added should come from AGOA countries.

53. In the case of Mauritius, the opposition party is using the secrecy of JinFei and the land issue as strategies to undermine the accountability and viability of the current ruling party and its leaders.

54. Farmers went on hunger strike to contest the compensation amount granted in line with their displacement under the JinFei project. This act of pressure snowballed since numerous civic groups have threatened to go on strike in order to have the government agree to their demands (for example, May 4, 2011 employees' syndicates over amendment to labor laws, March 2011 over payment of salary by Infinity BPO's employees). On April 13, 2011, the JinFei and Neotown zone projects took an ethnic angle whereby socio-cultural groups like Mauritius Sanatan Dharma Temple Federation accused the Opposition Party, led by P. Bérenger of Franco-Mauritian ethnicity, of opposing the JinFei project as it is of Asiatic affiliation.

55. See, M. Davies, H. Edinger et al (2008) *How China Delivers Development Assistance to Africa*, Center for Chinese Studies, University of Stellenbosch, February 2008, p.11.

56. BATNA is the alternative best gain which negotiators are aware of when they are negotiating a deal. It is the acknowledged other better option which prevents negotiators accepting any propositions which might be unfavorable or less agreeable to them when they are negotiating with one party or on one platform. The availability of a BATNA makes the position of the negotiating party stronger as they have a better alternative to opt for in case an acceptable agreement is not reached. In this context, Chinese SEZs become Africa's BATNA

in relation to conditional ODA or international aid practices.

57. See E. Weber and M. Morris (2010) "Culture and Judgment and Decision Making: The Constructivist Turn," *Perspectives on Psychological Science*, Number 5, pp.410-419.

58. André Gunder Frank sees capitalism as having created 'a singular network of development' consisting of two developmental levels: 1. Metropolis 2. Satellite. The relationship between the levels is characterized by exploitation and subordination and connects the metropolis to the furthest satellite in a single stretch. The economic surplus generated by the subordinate satellite is claimed by its immediate capitalist superior and thus doing, the surpluses snowball across levels to reach the world metropolis. Therefore, the interaction between the metropolis and satellite carries out development and underdevelopment simultaneously whereby the former develops at the expense of the latter. This categorization is also valid within nations where similar patterns of domination, subordination and surplus appropriation prevail among the different classes.

59 The categorization of Western states as the core and African states as periphery in relation to China is based on Snyder and Kick's blockmodel analysis conducted in 1979 whereby they identified the 'structural positions' of countries and 'the dynamic relations among them'. China's status as peripheral to OECD countries is based on the fact that it relies on investors from the core to exploit its resources and gather profits while sections of its population remain poor due to this appropriation.

See, D. Snyder and E. Kick (1975) "Structural position in the world system and economic growth, 1955-1970: A multiple network analysis of transnational interactions," *The American Journal of Sociology*, Volume 84, Number 5, p.1096.

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