Re-Inscribing Dependency: The Political Economy of Mauritius JinFei Economic and Trade Cooperation Zone Co. Ltd.

Honita Cowaloosur

This thesis is being submitted to the School of International Relations of the University of St Andrews in fulfilment of the requirements for the degree of Doctor of Philosophy.

December 2014
‘This project is the most important single foreign direct investment ever in this country’.

— Dr Navinchandra Ramgoolam, Prime Minister of Mauritius at the launching ceremony of the Mauritius JinFei Economic and Trade Cooperation Zone Co. Ltd on 17 September 2009.
Declarations

1. Candidate's declarations:

I, Hendra Cesaroso, hereby certify that this thesis, which is approximately 85,000 words in length, has been written by me, and that it is the record of work carried out by me, or principally by myself, in collaboration with others as acknowledged, and that it has not been submitted in any previous application for a higher degree.

I was admitted as a research student in September 2010 and as a candidate for the degree of Doctor of Philosophy in March 2011; the higher study for which this is a record was carried out in the University of St Andrews between 2010 and 2014.

Date: 5 February 2015 Signature of candidate

2. Supervisor's declaration:

I hereby certify that the candidate has fulfilled the conditions of the Resolution and Regulations appropriate for the degree of Doctor of Philosophy in the University of St Andrews and that the candidate is qualified to submit this thesis in application for that degree.

G. J. A. C./E
Date: ... Signature of supervisor

3. Permission for publication: (to be signed by both candidate and supervisor)

In submitting this thesis to the University of St Andrews I understand that I am giving permission for it to be made available for use in accordance with the regulations of the University Library for the time being in force, subject to any copyright vested in the work not being affected thereby. I also understand that the title and the abstract will be published, and that a copy of the work may be made and supplied to any bona fide library or research worker, that my thesis will be electronically accessible for personal or research use unless exempt by award of an embargo as requested below, and that the Library has the right to migrate my thesis into new electronic forms as required to ensure continued access to the thesis. I have obtained any third-party copyright permissions that may be required in order to allow such access and migration, or have requested the appropriate embargo below.

The following is an agreed request by candidate and supervisor regarding the publication of this thesis:

PRINTED COPY
a) No embargo on print copy
ELECTRONIC COPY
a) No embargo on electronic copy

Date: 5 February 2015 Signature of candidate Signature of supervisor .........
Ethics Committee Approval

University of St Andrews
University Teaching and Research Ethics Committee

22 February 2012
Honita Cowalosoo
DRA/N9705 David Russell Apts
Buchanan Gardens
St Andrews
KY16 9Y

<table>
<thead>
<tr>
<th>Ethics Reference No:</th>
<th>IR8411</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Title:</td>
<td>Chinese Special Economic Zones in Africa</td>
</tr>
<tr>
<td>Researchers Name(s):</td>
<td>Honita Cowalosoo</td>
</tr>
<tr>
<td>Supervisor(s):</td>
<td>Professor Ian Taylor</td>
</tr>
</tbody>
</table>

Thank you for submitting your application which was considered at the International Relations School Ethics Committee meeting on the 21/01/2012. The following documents were reviewed:

1. Ethical Application Form 15/11/2011
2. Participant Information Sheet 15/11/2011
3. Debriefing Form 15/11/2011

The University Teaching and Research Ethics Committee (UTREC) approves this study from an ethical point of view. Please note that where approval is given by a School Ethics Committee that committee is part of UTREC and is delegated to act for UTREC.

Approval is given for three years. Projects which have not commenced within two years of original approval, must be re-submitted to your School Ethics Committee.

You must inform your School Ethics Committee when the research has been completed. If you are unable to complete your research within the 3 three year validation period, you will be required to write to your School Ethics Committee and to UTREC (where approval was given by UTREC) to request an extension or you will need to re-apply.

Any adverse events or significant change which occurs in connection with this study and/or which may alter its ethical consideration, must be reported immediately to the School Ethics Committee, and an Ethical Amendment Form submitted where appropriate.

Approval is given on the understanding that the ‘Guidelines for Ethical Research Practice’ (http://www.st-andrews.ac.uk/med/UTREC/guidelines%20Feb%2008.pdf) are adhered to.

Yours sincerely

Dr Jeffrey Munro
Convenor of the School Ethics Committee

UTREC Convenor, Mansfield, 3 St Mary’s Place, St Andrews, KY16 9Y
Email: ethics@st-andrews.ac.uk Tel: 03334 462866
The University of St Andrews is a charity registered in Scotland, No SC013522
Acknowledgements

My first and foremost debt is to my supervisor, Ian Taylor for his guidance, support and patience throughout. I thank him for helping me transform my general enthusiasm for the subject into coherent and scholarly arguments. I would like to thank the administrative support staff of the department, especially Mary Kettle. I am grateful to the Russell Trust for supporting my research.

I thank Daniel Bach, Roukaya Kasenally and Sheila Bunwaree for their encouraging and thought-provoking discussions on various aspects of this research. The content of this thesis and my development as a scholar have greatly been influenced by the works of Deborah Brautigam. For this, I thank her. I am grateful to Ali Mansoor, K.N. Bunjun and Pournimah Lukkho for introducing me to the world and ways of governmental administration. I thank Abdoollah Earally and Madhukar Ramlallah for showing confidence in my work and thoughts.

I would like to express my sincere gratitude to Zeng Guo and Cheggang Xu who contributed to my work through their remarkable expertise. I am grateful to all the people whom I have interviewed during the course of this research and I thank each of them for their invaluable insights.

Big thanks to Zhangxi Cheng and Meng Xu who took me under their wings during my research trip to China and without whose friendship and support, my PhD journey would not have been as enjoyable. Special thanks also goes to Ethan Rowland who helped me with his magical computer skills and has always been very supportive, Bhaiya Nirmal who made sure I kept safe during my exploratory research visits, Bhaiya Manish who always has a word to cheer me up, and Mamoo Pritam whose critical reading of my work encouraged me to constantly gather new evidence.

I would like to thank Arti Bhugun, Dishtee Bissessur, Khooshal Meetoo, Kritee Gowrydoss, Madvee Muthu and Michel Wong for their camaraderie and support.

I owe more than a ‘thank you’ to Aditi Augustine, Gohar Karim Khan and their respective families. The years of university studies would have seemed burdensome and longer without their love and comforting presence.

Finally, a heartfelt ‘thank you’ to my family: Dadi and Nani for patiently putting up with my long absences, Mama and Papa for sharing my excitement and passion for my research, for standing by me throughout, and for many more things which this restricted acknowledgement’s page does not allow. And lastly, I would like to thank my sister, Vedita, who is and remains my all-in-one family.
Chapter 1

What are Chinese Special Economic Zones in Africa? ........................................ 2
Chapter Statement ............................................................................................... 3
Parameters of CSEZA performances .................................................................... 3
Conceptual Framework ......................................................................................... 4
China’s Going Global Strategy .............................................................................. 7
Why Study CSEZAs? .............................................................................................. 9
Failures in Past Analyses ...................................................................................... 11
Problem Statement .............................................................................................. 17
Case Study ........................................................................................................... 19
Research Questions .............................................................................................. 20
Structure of Thesis ............................................................................................... 24

Chapter 2

Theoretical Framework for the Study of Chinese Special Economic Zones in Africa .............................................................................................................. 29
Chapter Statement ............................................................................................... 30
Existing Literature .................................................................................................. 30
Contextualising the Debate about Chinese Special Economic Zones in Africa ... 37
The Spatial Infusion and Spatial Diffusion Approaches ......................................... 41
The Levels, the Actors and the Appropriate Theory ............................................. 44
Dismissing the Theoretical Alternatives .............................................................. 50
Development Theories ......................................................................................... 60
Modernisation Theory ......................................................................................... 63
Import Substitution Initiative .............................................................................. 64
Dependency Theory .............................................................................................. 65
Criticisms of Dependency Theory ........................................................................ 70
Contemporary Relevance of Dependency Theory .............................................. 72
Summation ........................................................................................................... 74
Chapter 3
Export Processing Zones, Special Economic Zones and Chinese Special Economic Zones in Africa.......................................................... 76
Chapter Statement........................................................................................................76
Establishing the Connection between Chinese Special Economic Zones in Africa and China’s Special Economic Zones........................................................... 77
The History of Economic Zones.................................................................................. 79
Export Processing Zones and Special Economic Zones: Similar or Disparate?.........81
Distinctiveness of Special Economic Zones................................................................. 85
Methodology to Assess Export Processing Zones......................................................91
Methodology to Assess Special Economic Zones......................................................96
Developing a Chinese Special Economic Zones in Africa Methodology...............99
Summation....................................................................................................................102

Chapter 4
The Seven Chinese Special Economic Zones in Africa ................................. 103
Chapter Statement.......................................................................................................103
Why these seven specific CSEZAs?......................................................................103
Establishment Procedures of Chinese Special Economic Zones in Africa........... 105
Details of the Chinese Special Economic Zones in Africa.....................................107
Preconditions for Successful Chinese Special Economic Zones in Africa.......... 113
Deterministic Components of Chinese Special Economic Zones in Africa......... 115
The Importance of Contextualisation.........................................................................122
Chinese State Presence in Chinese Special Economic Zones in Africa.............. 126
African State Presence in Chinese Special Economic Zones in Africa.............. 127
Redeeming Chinese Special Economic Zones in Africa...................................... 130
Summation..................................................................................................................135

Chapter 5
The Chinese Special Economic Zone in Mauritius............................................ 137
Chapter Statement.......................................................................................................137
Disclaimer ....................................................................................................................137
The Mauritian Economic Context............................................................................138
Why the Mauritian CSEZA?..................................................................................139
Identifying the Units of Analysis............................................................................140
Setting the Benchmark.............................................................................................144
Introducing Variables of Developmental Impact..................................................148
Introducing Variables of Cost Impact......................................................................155
Projects financially sanctioned by the government within the budget of USD 23.8 million..............................................................................................................158
Projects unaccounted for within the USD 23.8 million budget allocated to JFET’s off-site infrastructure.................................................................159
Timeline of JFET.........................................................................................................168
Summation..................................................................................................................185

Chapter 6
Evaluating JFET ........................................................................................................ 187
Chapter Statement.......................................................................................................187
List of Tables

Table 1.1: Differences between EPZ and SEZ ........................................................................ 86
Table 3.1: Details of the Chinese Special Economic Zones in Africa........................................ 108
Table 3.2: Comparative Table of General Zone Investment Regulations and Special Provisions for Chinese Special Economic Zones in Africa ............................................................... 132
Table 4.1: Off-site infrastructure projects accounted for by the Government of Mauritius ...... 158
Table 4.2: Off-site infrastructure projects unaccounted for by the government of Mauritius .... 160
Table 4.3: Total Expenses over Displaced Farmers ................................................................ 165
Table 4.4: Extra Land acquired under JFET .......................................................................... 166
Table 5.1: Inconsistencies and Modifications in Different Aspects of JFET ......................... 196
Table 5.2 Domestic Areas generating high GDP and overlapping JinFei Investment Areas ...... 200
Table 5.3: Mauritian Trade with China (USD M) ..................................................................... 203
Table 2.1: Dependency Features of CSEZAs ....................................................................... 223
Table 6.1 Traditional Dependency Premises and Converging JFET Dependency Premises ...... 237

List of Figures

Figure 2.1: Spatial Infusion Approach ................................................................................ 42
Figure 2.2: Spatial Diffusion Approach ............................................................................... 43
Figure 2.3: Levels and Actors involved in Chinese Special Economic Zones in Africa ........ 45
Figure 1.1: Evolution of Zone Forms and their Instruments ............................................... 85
Figure 1.2 Formula to measure EPZ Success ...................................................................... 92
Figure 1.3: Corden’s Enclave Approach ............................................................................ 93
Figure 3.1: Location of JFET and Neotown in relation to the Port-Louis harbour .......... 119
Figure 3.2: Egypt-TEDA Location in Relation to Suez Canal ............................................ 120
Figure 3.3: Egypt-TEDA Location .................................................................................... 120
Figure 3.4: Location of Mauritian in relation to Agalega and existing military bases in the Indian Ocean ...................................................................................................................... 121
Figure 3.5: JFET Masterplan ............................................................................................... 122
Figure 3.6: Comparison of Fiscal Revenue among major ETZDs from 2009 to 2011.......... 125
Figure 4.1: The Investment Method .................................................................................... 144
Figure 4.2: Location of JFET in relation to the Harbour and Neotown ............................. 147
Figure 4.3: Overlay of Zone Plan on Riche-Terre Land ...................................................... 147
Figure 4.4: Riche-Terre Plot Size ....................................................................................... 148
Figure 4.5: The Connection between The (Mauritius) CT. Power Ltd and JFET ............... 151
Figure 4.6: Resettlement Locations Proposed to the Displaced Planters in relation to JFET ... 155
Figure 4.7: Financially Sanctioned Road Infrastructure Projects and JFET ....................... 159
Figure 4.8: Approximate route for Terre-Rouge – Verdon Link Road in relation to JFET and Tianli Spinning (Mauritius) Co. Ltd ....................................................................................... 162
Figure 4.9: Freeport Area, JFET & potential link road routes, cutting through Pont Bruniquel and Rivulet Terre-Rouge Bird Sanctuary ................................................................................. 163
Figure 4.10: Zone D Boundary from Rue des Aigles to Junction of Rue Japonais to Pointe aux Piments Mont Choisy Coast Road .......................................................................................... 167
Figure 4.11: China Hot Pot Premises in JFET ..................................................................... 181
Figure 5.1: Mauritian Imports 2009 .................................................................................... 204
Figure 5.2: Mauritian Exports 2009 ................................................................................... 204
Figure 2.5: Dependency Context and the Creation of Chinese SEZs in Africa ............... 217
Figure 6.1: Expected Structure of Relation of China-Mauritius-JFET as per traditional Dependency Theory .................................................................................................................. 226
Figure 6.2: Phase One Dependency ..................................................................................... 232
Figure 6.3 Phase Two Dependency .................................................................................... 232
Figure 7.1: Advert from L’Express May 2013 ...................................................................... 254
Abstract

This thesis investigates the capacity of the newly introduced Chinese Special Economic Zones in Africa (CSEZAs) to deliver ‘cooperation’ and ‘mutual development’ to China and Africa. Referring to existing scholarship on other forms of liberal spatial economics, it addresses the conceptual, methodological and theoretical void in which the subject of CSEZAs evolves in academia. As extensive global interactive processes are identified in the schema of the CSEZA, this thesis advocates Andre Gunder Frank’s Dependency Theory as the appropriate prism through which to explicate the new zone format. Empirical data about the seven CSEZAs outline the problematic and development-conducive aspects of the zone model. It is argued here that the failure to customise the SEZ model to the African context is what corrodes the developmental prospects of the CSEZAs. The Mauritius JinFei Economic and Trade Cooperation Zone is taken as an example of a problematic CSEZA. A detailed analysis of the Mauritian case allows a visualisation of the respective role of China and the African state in the CSEZA context. As the exploitative and non-developmental nature of the CSEZA model (in its current form), is established, this thesis concludes that the CSEZA gives a new interpretation to the traditional practice of dependency. This new version, nonetheless, exacerbates the dialectic development-underdevelopment processes integral to the global capitalist economy.
Abbreviations

AFDB: African Development Bank
AGOA: African Growth and Opportunity Act
AREU: Agricultural Research and Extension Unit, Mauritius
BCEG: Beijing Construction Engineering Group Co. Ltd
BOI: Board of Investment, Mauritius
CADFund: China-Africa Development Fund
CDB: China Development Bank
CEB: Central Electricity Board, Mauritius
CJFTZ: China-Jiangling Free Trade Zone, Algeria
CNMC: China Non-Ferrous Metal Cooperation
CPB: Central Procurement Board, Mauritius
CSEZA: Chinese Special Economic Zone in Africa
CSR: Corporate Social Responsibility
CWA: Central Water Authority, Mauritius
DBM: Development Bank of Mauritius
DTA: Double Taxation Avoidance
ECCI: Egypt Chinese Corporation for Investment
Egypt-TEDA SEZ: Egypt Tianjin TEDA North West Suez SEZ
EIA: Environmental Impact Assessment
EIZ: Eastern Industry Zone, Ethiopia
EPZ: Export Processing Zone
ETDZ: Economic and Technological Development Zone
EU: European Union
EXIM Bank of China: Export-Import Bank of China
FDI: Foreign Direct Investment
FOCAC: Forum on China-Africa Cooperation
FSF: Food Security Fund, Mauritius
HIPC: Heavily Indebted Poor Countries
IA: Irrigation Authority, Mauritius
IMF: International Monetary Fund
IRS: Integrated Resort Scheme
ISI: Import Substitution Initiative
JFET: Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd
LDC: Least Developed Country
LFTZ: Lekki Free Trade Zone, Nigeria
LMEEZ: Lusaka Multifacility East Economic Zone, Zambia
LUD: Land Use Division, Ministry of Agro Industry and Food Security, Mauritius
MAIFS: Ministry of Agro Industry and Food Security, Mauritius
MDG: Millennium Development Goal
MFEZ: Multi-Facility Economic Zone
MFN: Most Favoured Nation
MNC: Multinational Corporation
MOFCOM: Ministry of Commerce, China
MOFED: Ministry of Finance and Economic Development, Mauritius (post 2011)
MOFEE: Ministry of Finance and Economic Empowerment, Mauritius (before 2011)
MPA: Mauritius Ports Authority
MT: Mauritius Telecom
NAM: Non-Aligned Movement
NIC: Newly Industrialised Country
ODA: Official Development Assistance
OECD: Organisation for Economic Cooperation and Development
OGFTZ: Ogun Guangdong Free Trade Zone, Nigeria
PFI: Policy Framework for Investments
PMO: Prime Minister’s Office, Mauritius
PNQ: Private Notice Question
PPP: Public-Private Partnership
PRGF: Poverty Reduction and Growth Facility
PRSP: Poverty Reduction Strategy Papers
PSIP: Public Sector Investment Programme, Mauritius
R&D: research and development
RES: Real Estate Scheme
SADC: Southern African Development Community
SAIIA: South African Institute of International Affairs
SAP: Structural Adjustment Programme
SASAC: State-Owned Assets Supervision and Administration Commission, China
SERAC: Social and Economic Rights Action, Nigeria
SEZ: Special Economic Zone
SOE: State-owned Enterprise
SPV: Special Purpose Vehicle
TEDA: Tianjin Economic-Technological Development Area
TISCO: Taiyuan Iron and Steel Group
UNCTAD: United Nations Conference for Trade and Development
UNDP: United Nations Development Programme
USA/US: United States of America
WB: World Bank
WMA: Wastewater Management Authority, Mauritius
WTO: World Trade Organisation
ZCCZ: Zambia–China Economic and Trade Cooperation Zone
Conversion Units and Values

Currency
United States Dollars (USD) 1 = 33.3 (MUR) Mauritian Rupees
= 6.25 (CHY) Chinese Yuan Renminbi

Land Measuring Units
1 hectare = 2.47 arpents
= 10,000 square meters (m$^2$)
1 perch = 25 m$^2$ = 0.0025 hectare
Map of Mauritius

Source: Arlene and Dennis (n.d.)
Chapter 1

Researching Chinese Special Economic Zones in Africa: What, Why, and How?

What are Chinese Special Economic Zones in Africa?
Chinese Special Economic Zones in Africa (CSEZAs) are bounded areas of economic and commercial activities that the Chinese government officially started to build in selected African countries from the year 2006. These zones are bilateral ventures in which both the Chinese government and the respective African partner governments are supposed to cooperate equally in order to deliver mutual development. This mutual development refers to cash profits as well as social and environmental benefits to both parties. As Hu Jintao explained when talking about the objectives of the Forum on China Africa Cooperation (FOCAC) 2006, China seeks its own sustainable development, cultural dissemination and wants to secure international support by extending out projects such as the CSEZAs. Though any official corresponding speech African has not been transmitted to the public by Hu Jintao’s African counterparts on the this subject, the words of the Chinese President imply that his African partners have similar pursuits to China.

Seven years since their official launch, and yet, the CSEZAs have not delivered any of the expected developmental goods. Neither have they initiated the first steps towards sustainable development, nor have they promoted cultural exchanges, or even created a strong base for Chinese-African collaboration, which could be used as leverage in international dealings. Instead, a survey conducted for the purpose of this thesis (the survey will be expanded in chapter 4) reveals that all the CSEZAs are facing difficulties. Most of these difficulties occur at the initial establishment stage of the zones. Because of these initial hindrances, four CSEZAs have not been able to attract more than a couple of investors. The remaining three CSEZAs, which are already functional, are facing difficulties mainly in relation to their expansion, harmonious integration within the host country community, and in their abilities to match the development preferences of their respective host
communities. As the commitment undertaken at FOCAC 2006 place high expectations upon the CSEZAs, the stagnation or fall of these projects become of diplomatic, political and economic pertinence. This thesis addresses the issues of diplomatic, political and economic pertinence surrounding the seven CSEZAs, and to this end, dissects the concept of a CSEZA itself.

**Chapter Statement**

The first chapter of this thesis explains why there is a need to research CSEZAs and how to proceed in doing so. It identifies CSEZAs as a newly concocted foreign policy instrument of China. It picks upon the lacunas and confusions in existing CSEZA literature—on its conceptualization, theorization, implementation, and success—and selects the under-researched problematic aspects of CSEZAs. Accordingly, this chapter then formulates the problem statement which guides the research and analysis in this thesis. ‘Global capitalist structure’, ‘cooperation’, and ‘mutual development’ are identified as the principal conceptual lenses through which the CSEZAs should be investigated. This is followed by a discussion of why the Chinese SEZ in Mauritius has been chosen as the illustrative case of the identified CSEZA problem. This chapter draws a list of specific research questions in order to establish the step-by-step progression of the investigation which will be undertaken in this thesis. Having established the framework and route to CSEZA research, this chapter discusses the methodology applied in this thesis. This section provides an understanding of the research formula, sources and questions which are used across the thesis. The challenges faced during the course of investigation for this thesis are also evoked. This chapter announces the structure of the thesis.

**Parameters of CSEZA performances**

‘Cooperation’ and ‘mutual development’ were the leitmotifs of FOCAC 2006. The two notions were heralded as the objectives as well as spirit of all the ventures proposed at the summit—and therefore, also of the CSEZAs. The emphasis that the Chinese president laid on these two terms and their synonyms throughout his speech drives in the idea that China wishes to highlight the give-and-take relationship expected from this partnership. China will support and assist the
African countries but the effort must be reciprocated. Both parties are expected to derive equal benefits from the projects. One particular phrase from Hu Jintao’s speech puts across the message clearly: ‘We both...are eager to benefit from each other’s practice in development’ (Jintao 2006).

The usage of these two terms in the context of the Chinese-African partnership echoes the diplomatic jargon employed by nations when negotiating an agreement. ‘Cooperation’ and ‘mutual benefit’ are terms which increase the chances of securing the participation of an envisaged partner in a deal. This is because both terms promise of a situation whereby the win-sets of each parties match, and are profitable to both. A zero-sum game is thereby created. However, if we view this situation through Robert Putnam’s lenses, the use of ‘cooperation’ and ‘mutual development’ in this context may also be for in order to secure the ratification of either party’s domestic community—which is fundamental in this case since the Chinese stakeholders would be extensively using the public property of the host African states.

As cooperation and the mutuality of development are put forward as the objectives of the CSEZAs, and are also used as the discourses which legitimise the existence of these zone projects, it is essential that this thesis measures the extent to which ‘cooperation’ and ‘mutual development’ occur in the unfolding of the CSEZAs. The two notions act as the ultimate parameters for an evaluation of the success, as well as, the validity of the CSEZAs.

**Conceptual Framework**

This thesis therefore needs to measure the CSEZAs through three conceptual frameworks: the overarching global capitalist structure under which these zones are evolving; the aura of cooperation in which these zones are meant to evolve; and the development they are meant to deliver to both parties.

1. **The Global Capitalist Structure**

The CSEZA is a global creation in the true sense. It involves two state actors (i.e. China and Africa), Chinese State Owned Enterprises (SOEs), Chinese private companies, other foreign investors and local African communities. Not only is it a
multi-dimensional entity, the CSEZA is a multi-levelled one too: it straddles international, national and local strata. Though as a sum of its parts, the CSEZA can itself claim to be a global emblem, it is nevertheless subject to the umbrella global structure which pushes the CSEZA to span all the hierarchies and dimensions that it does.

The combination of a professedly socialist China practising visibly capitalist pursuits through a spatial entity whose propensity for exploitation exceed its ideological commitment to cooperation automatically evokes the question: why did China go through so much effort to seek cooperation and mutual development? The different answers to this question—be it Brautigam, Farole and Xiaoyang’s (2010) insinuations that these are China’s way of domestic restructuration, or Horta’s (2010) hypothesis that CSEZAs aim for access to African resources—all agree that China did so under the pressures and inducements of the global capitalist world structure.¹ Until now, the structures and arrangements through which countries and companies meet these pressures and inducements have been predictable: by joining the World Trade Organisation (WTO), through foreign direct investment (FDI), and by outsourcing their production activities, among others. China is one country which has most creatively internalised these requirements of the global capitalist system, and tailored a mechanism for capitalist pursuits according to its own preferences. It is not the first time that China opted for a zone-form instrument to converse with the global capitalist structure. It is in a similar format, in the shape of the Special Economic Zone (SEZ), that Xiaoping relented to global capitalist modes in the 1970s and opened China’s door to FDI.

As the principles of free trade which dictate relationships amongst global entities across the world become appreciative of inequality, China takes advantage of this global ratification of inequalities and externalises the pressures for a competitive economic performance that is imposed by the global capitalist order. This externalisation of China’s capitalist pursuits takes the form of CSEZAs. The African host countries on their turn, willingly welcome these CSEZAs in order to ease their own pressures they face under global capitalism.
2. Cooperation

Cooperation is the spirit, medium and objective of FOCAC. This platform of discussion between the Chinese government and its African counterparts was created with the aim of addressing specific problems facing developing countries. The remedial essence to all those problems is combined under four pursuits (Zemin, 2000): (i) ‘Strengthen solidarity and promote South-South cooperation’, (ii) ‘Enhance dialogue and improve North-South relations’, (iii) ‘Take part in international affairs on basis of equality and in an enterprising spirit’, (iv) ‘Look forward into the future and establish a new long-term stable partnership of equality and mutual benefit.’ In the chase for these four pursuits, China committed to the realisation of eight projects in order ‘[t]o forge a new type of China-Africa strategic partnership and strengthen...cooperation’ at FOCAC 2006 (Jintao, 2006). The creation of CSEZAs was one of them. However, cooperation is not the only the objective of the establishment of CSEZAs. This sense of a fair sharing of responsibilities and risks also permeates into the implementation process of the CSEZAs. Hence, while deliberating the developmental credibility of the zone model, it should be kept in mind that China and Africa are meant to equally share the responsibilities, blames, as well as benefits derived from the CSEZAs.

3. Development

We therefore understand that mutual development of the Chinese and African partners is the outcome expected from CSEZAs. However, until now, this objective has evaded the Chinese and African CSEZA partners. Although none of the parties have explicated anywhere what development means to them, the general academic understanding of the term indicates towards features such as: job creation, infrastructural upgrade, poverty alleviation, sustainable growth, more export income, female empowerment, technological improvements, amongst others (Seers, 1969). China, with a GDP of USD 9.2 trillion in 2013, and Africa, whose highest registered GDP in 2013 is USD 350.6 billion, (The World Bank, 2013b) the CSEZA partners are negotiating for two different levels of development through one single zone. While China may wish to focus on generating more foreign exchange income through the exports in CSEZAs, and show little interest in job creation, for
the Chinese as well as for the local Africans, African partners will concentrate primarily on job creation in large numbers. Though the developmental goods sought by both are the same, the scale on which each of them expects that particular developmental outcome differs. Interestingly, as will be revealed later in this thesis, the CSEZA, as per its structure, does have the capacity to reconcile and contain within itself the developmental expectations of both parties and deliver to each their respective requirements. This is why, logically, as per its structure and functions, the CSEZA proposes a potential model of development. However, the developmental value of this model can either be enhanced or comprised depending on the way its deployment mechanism is customised to its host context.

**China’s Going Global Strategy**

At FOCAC 2006, Hu Jintao committed to ‘[e]stablish three to five trade and economic cooperation zones in Africa in the next three years’ (Jintao, 2006).\(^3\) To date, seven pilot CSEZA ventures have been put up across five different African countries: one in Egypt, one in Ethiopia, one in Mauritius, two in Nigeria (in Lekki and Ogun), and two in Zambia (in Chambishi and Lusaka). Though FOCAC 2006 was where the CSEZAs’ status as an exercise of Chinese bilateral diplomacy towards selected African countries was confirmed, this official commitment to export zones to Africa was just a build up of efforts that China had perceptibly been considering from much earlier. The account of 2006 as China’s *Year of Africa* drawn by Taylor (2011) provides an insight into the preluding events whose partial culmination is the creation of the CSEZAs.

China’s African policy paper was published in January 2006. Section IV of the paper stressed China’s economic commitment to Africa:

> China promised improved access to its markets, to increase Chinese investment in Africa, to make available increased financing for investment, to expand agricultural cooperation and to encourage Chinese construction endeavours in Africa as part of Chinese efforts to upgrade the continent’s infrastructure. Equally, the development of Africa’s natural resources will be actively promoted (Taylor, 2011, p. 66).

This was followed by Li Zhaoxing’s (then the Chinese Minister of Foreign Affairs) diplomatic trip around the continent, also in January 2006. Soon afterwards, in April
2006, Jintao too visited three African countries. In November 2006, at the inaugural ceremony of the third FOCAC ministerial, Jintao committed to the realisation of eight projects in order to reinforce China–Africa cooperation. Along with the construction of the CSEZAs, (which ranked seventh on the list of cooperation projects), the remaining items on the list reveals that China had given a thorough thought to the planning of the entire mechanism which was to support the exportation of these zones. Item number three on the list, which alludes to the establishment of ‘a China-Africa development fund which will reach US$5 billion to encourage Chinese companies to invest in Africa and provide support to them’ (Jintao, 2006) is evidence of this postulation. The latter endeavour was clearly in tandem with the CSEZA projects, as both the CSEZAs and the China-Africa Development Fund (CADFund) complement each other’s needs and objectives.

As the CSEZAs unfold, other instances which reflect China’s well-organised foray into select African countries through an instrumentalisation of the CSEZAs come forth: the pervasive part played by Chinese SOEs in the CSEZAs; the way in which the plot of land relinquished by the host African country is managed; the strategies to which the Chinese parties resort in order to make the most out of the African assets at their disposition, and so on. Simultaneously, the picture that emerges of the African host government is that of being comparatively disengaged and at the margins of this cooperation plan. A hands-off role in the monitoring of the zone’s progress; inadequate policy frameworks to regulate the activities of the CSEZAs; and poor negotiation terms are the features that best describe the African commitment to the CSEZAs. While this gap between the demeanours of the two partners results in China securing its share of ‘wins’ from this ‘win-win’ (ibid.) cooperation venture, the other half of the benefits which were to go to the host African country are yet to be delivered.

It is clear from the above that CSEZAs are not the product of the sudden whim of the Chinese administration. Rather, it is a well thought-through method of deploying foreign engagement. It is supported by a well-oiled mechanism made up of existing as well as new governmental authorities, a history of cooperation with Africa, and Chinese experience at zone management. The resultant structural coherence and staunch policy substance of the CSEZAs is an added reason that
elicits its study. Transnational engagement with the aim of mutual development is a political manoeuvre that is not new to international affairs. It has been delivered in various forms. Bilateral trade, economic and political treaties, aid, technical assistance, and foreign direct investment, are the most popular means through which two countries can mutually satisfy some of their respective needs. The CSEZA surpasses these conventional methods and proposes a new way of transnational cooperation for mutual development—one whose central element is established spatial presence. Though there are cases (which may be contested) of countries whose governments have secured land in other countries in order to fuel their food security, the CSEZA is the first attempt at mutual development whereby a foreign government has committed to another government to develop a piece of land in the latter’s jurisdiction and also pledged to share all the costs and benefits that come with the project.

A follow-up of Chinese economic affairs shows that the CSEZA is part of China’s evolutionary ‘going-global’ strategy; a strategy to whose realisation China applied concerted efforts after its integration WTO in 2001. Starting from the SEZs, which China launched domestically at the time of the Open Door policy, to its failed attempt at regional economic cooperation through the Suzhou Industrial Park, China is now testing the probability of success of these zone forms when exported overseas. While the other methods of global integration that China uses are traditional ones applied by all countries across the globe (attracting FDI, use of cultural diplomacy, giving out aid and assistance, investing abroad through its SOEs), through the CSEZAs, China proposes a new model of developmental engagement to the world. Looking at China’s splendid domestic experience with SEZs, CSEZAs promise success. And, if these zones succeed in delivering mutual development to the partners, the CSEZA would be a development model to be replicated by nations seeking to uplift their society and economy with limited inputs.

**Why Study CSEZAs?**

The coherence and strength of the CSEZA model in offering mutual development of stakeholders involved, and the known success of its original form in China—in the
shape of SEZs—make CSEZAs a development model to look out for. However, the promise of this new development model can only be tapped to the maximum if policy-makers are able to understand, and consequently, replicate the procedural and structural particularities of this new concept. As mentioned earlier, CSEZAs derive its basic elements from the SEZ model which China implemented at home. However, along the way, as the Chinese economy evolved over the years, new partners and strategies of development joined China’s ‘going-global’ movement. The CSEZA is a composition of all those gradually evolving elements which today represents the alternativeness of China’s global integration mechanism. In order to understand what the CSEZA is made of; whether it is similar or different from previous zone forms known to us; what are the macro policy framework required for its correct implementation, we need to gather a conceptual understanding of this construct. Then only will academics and policymakers be aware of the components they need to introduce in existing developmental programmes of countries so as to deliver the same goods and service that the CSEZA does. In case the CSEZA is diagnosed as having faults, again, a conceptual understanding of it would allow academics and technicians to identify the troublesome dynamics or deployment procedures that should be revised in order to make the CSEZA be able optimize the developmental output expected from it, hence making it a successful model of development.

The CSEZA comes at a time when the world is economically and commercially integrated. Investments, production processes and market access are activities that cannot exist unless territorial boundaries of countries are transcended. However, these activities are important as they serve the main aim of countries, which is profit maximisation. As the CSEZA format and its stated purpose of ‘mutual development’ (hence, shared profit) also transcend territorial boundaries, this thesis researches the theoretical bearings of this microcosm of general global capitalist behaviour. What does the advent of the CSEZA imply? How does it fit the global state of affairs? What new understanding of international economic relations does the CSEZA impart? This is important, because any newcomer to the global scene needs to be assessed for its capacity to contribute—positively or negatively—to the existing economic scenario. This will allow not only an understanding of its
purpose, but the nature of its impact can also be anticipated, and if required, mitigated.

Publications by international organisations and research bodies describing and appraising the seven CSEZAs make one common observation: the difficulties faced by these zones and the controversies that surround them are starting to define their identity. CSEZAs are being equated to exploitation. Surprisingly, the recommendations that critics offer for an improvement of this situation altogether ignore the responsibility sharing that should follow from the ‘mutuality’ agreed upon between China and Africa. Critics choose to concentrate uniquely on the responsibility of the host African country. This bias at the expense of the receiving African country and the CSEZA implementation process (which occurs under the aegis of the African host country) imperatively needs to be complemented by an assessment of the role of the patron country and of the CSEZA initiation process which takes place in China. This thesis seeks to strike the balance in an assessment of the respective Chinese and African endeavours and responsibility in regard to the CSEZAs.

**Failures in Past Analyses**

Seven years since the official introduction of the CSEZA, this new arrangement of bilateral economic and trade cooperation has hardly garnered any appreciation. On the contrary, the seven pilot ventures have been marred with controversies regarding their lack of success in delivering developmental outcomes; their exploitative streak; and their arbitrary functioning. Since it is a relatively new concept, and that most of the zones have not properly taken-off yet, only a small number of studies have been carried out on CSEZAs. These few publications have been conducted by agencies such as the World Bank (WB) and the South African Institute of International Affairs (SAIIA). While research led by WB focuses on the process that goes behind the setting-up of the CSEZAs and weighs the merits and faults of the seven zones, papers published by SAIIA have mostly been descriptive case-specific studies about the particularities, progress and problems of individual CSEZAs. No academic publication has, as yet, either: (i) attempted a deconstruction of the concept of the CSEZA, or (ii) delved into a combined understanding of the
merits and faults of the CSEZA as a model and assessed its credibility as a venture when it is deployed onto the African soil.

Such a synchronised study would permit both an identification of the theoretical and conceptual idiosyncrasies of CSEZA notion itself and, a practical diagnosis of the actual difficulties identified at ground level when implementing these zones. By so doing, it would allow us to extract a series of technical policy observations from which adequate notional alterations could be made to the model before it is exported to the African context. It would also allow for a customisation of the model to the specific context of each African host country. Thus, it is when armed with both a conceptualised understanding of the thinking behind the CSEZA and a knowledge of the shape that the CSEZA logic produces when given tangible form on a plot of land in an African country that researchers can attain a comprehensive understanding of CSEZAs. Meanwhile, the ignorance prevalent regarding these two dynamics of the CSEZA is costing Chinese developers their goodwill among the host African and international communities, and costing the host African countries their already strained capital, resources and assets, as well as their domestic political capital.

A treatment of CSEZAs studies into “theory only” and “case-study only” researches causes scholars to miss out on nuances that are fundamental to an understanding of CSEZA’s potential. For example, despite acknowledging the link shared by China’s own SEZs with its recently concocted CSEZAs, researchers do not explore the conceptual association between the two entities. Pioneers of CSEZA research, Brautigam and Xiaoyang (in Farole and Akinci, 2011, p. 70) mention the common patronage of SEZs and CSEZAs but do not consider the probability that this commonality might extend to other functions, features and objectives of the two zone forms. This is despite the fact that, on several occasions, the Chinese government has confirmed that it is seeking to replicate its own SEZ experience through the CSEZAs. Therefore, as China duplicates its SEZs in Africa, it is implied that the developmental goals to be delivered by the CSEZAs are the same as what the SEZs deliver at home, in China. But as Guo (2011a) underlines, quick development and employment (which are objectives that African countries seek from the CSEZAs) are not amongst the goals that SEZs prioritised in China.
Therefore, the question that arises is: are the developmental goods that are currently being delivered by this revamped version of the SEZ indeed of the same nature that Africa aspires for itself? If not, how can the CSEZAs be modified to match the needs of its host African counties? The disjuncture between the SEZ and the CSEZA established by academics blurs out such crucial considerations which should have been at the forefront of CSEZA studies.

Studies that do concede that CSEZA’s roots lie in the idea of the SEZ read the SEZ as not being an exclusively Chinese practice. World Bank scholars such as Farole often adopt this position (The World Bank, 2011, p. 27-31). According to them, CSEZA’s association to the SEZ has nothing to do with their common Chinese roots, but with the fact that the SEZ is a form of zone which functions under similar conditions and has characteristics which can be found in the CSEZA. World Bank publications by authors such as Farole dismiss the Chinese proprietorship of the concept of SEZ so much so that they use the term ‘SEZ’ to denote any other spatial format of liberal economics (ibid). As they use Export Processing Zones (EPZs), SEZs, Free Zones, freeports and other terms interchangeably, academics, such as Farole, obscure the specifically Chinese features that the SEZ concept assimilated upon its launch by Deng Xiaoping in 1970. It was devised as China’s own version of zonal economics. The primacy of foreign direct investment (FDI) as the ‘means’ as well as the ‘end’ of the SEZ; the nature of the actors involved; the constant modification in reforms required by the model; its preferred forms of investment; its phase-style development; and the central role of land in the entire scenario, all these features and practices which are exclusive to China’s customised version of liberal zone economics, are rendered inconsequential.

This interchangeability of the terms EPZ, SEZ and CSEZA by WB researchers is replicated in their choice of methodology when assessing the CSEZA. The variables they take into account when measuring the success of these zones largely compose of foreign exchange income through export earnings, creation of employment, technology-transfer, transfer of skills and know-how, FDI, and forward and backward linkages into the local economy (Farole, 2011, p. 62-86; Ancharaz and Nowbutsingz, 2011, p. 12). The focus is on measurable domestic economic indicators located in the host country. However, this methodology does not allow a
comprehensive measurement of the CSEZA’s merits. This is because the presence of international actors such as the Chinese government, the Chinese private sector, and foreign investors from across the world who settle within these CSEZAs—all integral to the existence of the CSEZAs—are kept out of the equation. Intervening global pressures such as the end of trade preferences, which act as extraneous variables impacting directly upon these domestically based foreign zones are also ignored. Moreover, the conventional zone-measurement formula restricted only to an assessment of economic exchanges received by the domestic context is inappropriate for the CSEZAs whose principal objective is mutual development. The mutuality of gains is disregarded as the focus is set on measuring the deliverables in Africa only. The benefits acquired by China are not investigated. This is despite the fact that Africa and China are bound to share all the developmental outcomes—be it of economic, social, political or environmental nature. Therefore, the CSEZA requires a methodology which gives equal attention to non-economic exchanges among strata beyond the host African territory.

As researchers avoid conducting a conglomerate examination of the CSEZAS, in spite of having a collection of individual analyses of the seven CSEZAs at hand, they are predisposed to blame the African host countries for most of the drawbacks faced by the projects. Instead of applying the identified problems across the seven CSEZAs to an investigation of the patterns which may indicate the shortcomings internal to the CSEZA concept, stagnant or failing CSEZAs are prematurely concluded to be the results of the subjective failures of African host countries, who are apparently not able to adequately implement the model of development offered by China (Brautigam and Xiaoyang, 2011 p. 95). Appraisals only communicate what are the modifications required at the host country environment level and specific recommendations are made to improve the support framework that the host African countries put in place to conform to the CSEZA requirements. Where suggestions for improvement are directed to the Chinese party, these recommendations are solely directed to the zone developers and can only be implemented in conjunction with efforts from the host African government (The World Bank, 2011, p. 81-84). The Chinese side is neither given any independent
remedial responsibility for the lacunas in the zone ventures, nor is China’s CSEZA concept and its possibly subversive essence questioned.

This susceptibility for CSEZA studies to concentrate more on what went wrong in the implementation on the African side—instead of simultaneously taking notice of the shortcomings in the Chinese model and considering the need to contextualise the basic attributes of the model to the particular African cases—prompts researchers such as Auty (2011, p. 222), Brautigam, Farole and Xiaoyang (2010, p. 5) to conclude that the host African countries uninhibitedly grant concessions to the Chinese zone developer, even at the expense of their national benefit. As this belief spreads, a strong sense of dislike of the CSEZAs is installed among the local African communities. National African governments are pointed out for striking a poor deal and China is viewed as exploitative. As a result, the political goodwill of the host African governments gets compromised vis-à-vis their own people. This also prevents the host African governments from considering a re-negotiation of the CSEZA deal since detractors would publicise it as yet another concession. Consequently, the prospect of the CSEZA is placed at stake. The threat that these proliferating believes place on the CSEZAs’ future make us question the extent to which researchers’ observations about the concessionary nature of the deal stand true across the five host African countries. By inflating the discourse about concessions, researchers such as Auty, Brautigam and Xiaoyang, may be diverting attention from the more exploitative mechanisms of the CSEZAs.

Another shortcoming in previous works on CSEZAs is the lack of significance granted to the study of the different nature of the actors involved in the CSEZAs. Although the role of the Chinese government is evoked through the references made to the Ministry of Commerce (MOFCOM) and the part played by the Chinese private investors is also brought up, academics do not read more into the nature of these actors. While Brautigam and Xiaoyang, (2011) do provide an in-depth description of the involvement of China’s MOFCOM and its sub-bodies in tendering and financing the CSEZAs, their recognition of the engagement of the Chinese government within the zone venture terminate at that. MOFCOM’s role is taken at face value and its nature as a governmental actor is presumed to have no theoretical bearing. Similarly, the CSEZA developing companies are merely treated
in relation to their role as the zone developers. The fact that they are SOEs or private companies is not given any importance. In the same breath, researchers also side-line the impacted local African communities who do not have a purposeful structural presence in the CSEZA scenarios. Their integral role to the notion of the CSEZA is ignored merely because these local communities are symbolic entities of a certain ‘type’ of problem that is generated from under the concept. The local African communities who have been affected are not reducible to a recurrent structural identity whose intervention can be consistently measured and analysed. Thus, as researchers focus more on the names rather than on the nature of the actors, they distance themselves from a systematic understanding of CSEZAs. This prevents them from clearly determining whether ‘structure’ or ‘agency’ dominates the concept. The lack of clarity on the nature of the concept translates itself into a similar confusion regarding the theory suitable for the study of the CSEZAs. This therefore explains the absence of any theoretical work on CSEZAs.

Academics who write about China’s relations with Africa mostly classify CSEZAs as mechanisms for China to secure natural resources, goodwill (Horta, 2010), allow restructuration at home, and gain market access (Brautigam, Farole and Xiaoyang, 2010). World Bank emphasises that one of the motives of these zones is to overcome the trade barriers that Europe and America have set against Chinese exports (ibid. p. 2). Another explanation stipulated is the profit-motive behind this zone:

[D]espite 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 (ibid. p. 3).

Hence, it is assumed that CSEZAs are either a neorealist exercise of balance of power or are founded on neoliberal grounds of competitive trade. Although both theories provide broad understandings of contemporary Chinese activities in the developing world and shed light on the policies regulating the activities internal to these zones, they fail to explain why CSEZAs are constructed in the way they are in the first place, i.e. as bilateral transnational spaces. What does the adoption of this
new transnational spatial approach to profit making or access to resources imply for the parties involved, and for the rest of the world? The unusually complex set of actors engaged in the construction of CSEZAs; the presence of unstructured elements such as local communities; the front-bencher role assumed by private developers; interactions between actors of different nature and with different pursuits; the ad hoc intervention of an unpredicted elements such as the personal ambitions of the zone developers and their elite African partners, challenge the ability of structural theories to provide a comprehensive understanding of what the implications of CSEZAs are. The only certainty exuded from the CSEZA composition and deployment, which indicates towards a preference for a certain type of theoretical perspective, is the unevenness of the benefits it generates and distributes. The respective output received by the Chinese and African partners is disproportionate to the input they each invest in the CSEZAs. Moreover, instead of a relationship of equals, the two sets of actors, from China and from the host African country, interact as superior and subordinate. It therefore appears that CSEZAs are trickle-down projections of systemic global appropriation activities which is characteristic of the current global capitalist system which endorses hierarchies. The topic should therefore be considered from a paradigm which posits that political and economic activities, entities and occurrences, represent a pre-determined hierarchical structure inherent to capitalism.

**Problem Statement**

Egypt, Ethiopia, Mauritius, Nigeria and Zambia currently face problems regarding their respective CSEZAs. While some have stagnated before even completing the first phase of construction, others are trying to impinge upon the assets of the host African countries, and are being resisted either by the African government or the local populace. World Bank’s recommendations do not appear to have made much of a difference in improving the situation of these zones. This is because, as mentioned earlier, the WB’s suggestions for improvement singularly address the African administrations, when in fact the onus to make any impactful change rests with both Chinese and African partners in conjunction. The World Bank ignores that China and the host African countries disregard the ‘mutual cooperation’ and
‘partnership’ rhetoric and connect through a hierarchy of authority and subordination, where China is the benefactor and Africa is the beneficiary. In that respect, Africa’s ability to shape its own regulatory environment in order to extract the maximum out of the CSEZA can only be effective if the goods that the CSEZA model is to deliver matches the priorities of Africa. If the modality of the CSEZA model itself is not designed to deliver what Africa seeks, a modification of the African policy and business environment to make it more conducive to the CSEZA model is pointless. In order to overcome these difficulties, both China and the host African countries should each agree on a customisation of the model according to the priorities and the existing situation of the host country. Presently, no step has been taken towards such a re-contextualisation. China lies low on this front since the Chinese zone developers are already garnering benefits from the CSEZA deal by implementing lucrative adjacent business strategies. However, the African countries, which are the most in need of successful CSEZAs, are hesitant to push for re-negotiations for various reasons. They are keener to modify their policy environment in the hope of, and as an attempt to, redeem the project. As the host African governments are tardy in extracting benefits from this cooperative agreement, they reinforce their own subordination to China.

Following from the willing submission of the African governments to China’s creative venture of externalised self-development, the subordinate segments internal to the African countries, on their turn, get expropriated of the surplus value they create, by their own superior nationals. This thesis uses the case of Mauritius to illustrate how this process of exploitation and subordination happens in the CSEZAs. Through a study of the impact of the Mauritian Chinese SEZ project and an identification of the strategies and methods deployed by both Chinese and African sides, this work demonstrates how the CSEZA model is denunciative of a new version of dependency relations: one whereby even without a direct hierarchical confrontation among nations and their sub-layers, a diffusion of diplomatically-ratified economic spaces abroad can act as agents of dialectic processes of development and underdevelopment.
Case Study
The choice of the Mauritian CSEZA, the Jin Fei Trade and Economic Cooperation Zone (JFET) as the case study for this thesis is not arbitrary. The Mauritian example has been chosen principally because of its prototypical experience of being a problematic CSEZA. Although Mauritius has the most favourable business environment of the five CSEZA host countries, surprisingly the Mauritian Chinese SEZ has failed to a greater degree than the rest of the zones. The experience of JFET presents us with the worst-case scenario. Since its introduction, the Mauritian Chinese SEZ has been marked by a variety of difficulties, each of a different nature and whose respective responsibility is attributable to a distinct actor or practice. Therefore, as a vast collection of conceivable CSEZA-related problems are present in the Mauritian case study, an assessment of this particular zone acts as a guideline to caution against the difficulties the other six CSEZAs are facing or are likely to face.

The example of Mauritius is moreover engaging because of the island’s previous resounding success with the EPZ. Not only does Mauritius’s previous familiarity with the EPZ practice puts its Chinese SEZ experience into perspective, but it also helps in dispersing beliefs of the conceptual homogeneity of the EPZ and CSEZA. Introduced in 1970 with the aim to create jobs for the rising unemployment in Mauritius, for over the next two decades (i.e. 1970s-1990s), the number of enterprises in the Mauritian EPZ grew from ten to 568, and the number of jobs created plummeted from 644 to 89,906 (Burn, 1996, p. 45). It is in anticipation of similar results that Mauritius initially welcomed the Chinese SEZ. In fact, it was one of the popular discourses under which the JFET project was promoted in Mauritius. Invocations of the EPZ appear in arguments presented in defence of the CSEZA venture by the then Minister of Finance and Economic Empowerment (MOFEE), Rama Sithanen: 7

> [W]e said very clearly that the main objective of the economic and trade zone is to export to Africa and elsewhere...Even for textile and garments, there is no import duty and there are no other taxes. There is nothing new that we are giving to Tianli [the zone] with respect to the exports that they carry out from Mauritius. The same facilities are given to the EPZ today. The EPZ does not pay any import duty and the EPZ is reimbursed its VAT... (Mauritius, Parliament. 2008, 10 June).
Nonetheless, this is where the EPZ’s similarity with the CSEZA ends. As compared to the total shareholding absence of Mauritian parties from JFET, Kothari and Nababsing (1996, p. 133) note that ‘local capital must have been over 50% of total equity investment in certain time’ in the Mauritian EPZ. Moreover, Mauritius had customised the EPZ model to suit its own geography. In Mauritius, the EPZ is a ‘status’ rather than a zone. Companies located anywhere on the island could subscribe to be an EPZ enterprise rather than having to settle within a territorial boundary. This was profitable to Mauritius as it allowed a distribution of employment opportunities across the island, incurred lesser investment in support infrastructure and, more enterprises could join the practice compared to what a zone space would have been able to contain. But even with all these advantages, the Mauritian EPZ could not sustain a profitable growth beyond the year 2000. An African Development Bank/Organisation for Economic Cooperation and Development report (AFDB/OECD) (2003, p. 206) shares that, from an average of six per cent growth recorded upto the year 2000, the EPZ growth rate in Mauritius was reduced to four per cent in 2001. Currently, numerous Mauritian EPZ factories are relocating to Madagascar, with the intention of outsourcing production to a less expensive pool of labour and move closer to raw materials such as cotton. Between 2002 and 2012, 398 export enterprises had closed down and 35,772 jobs were loss (L’Observatoire de L’industrie, 2012). If the EPZ could not generate developmental outcomes for more than two decades in spite of the advantages it had in comparison to the Mauritian Chinese SEZ, chances of the latter delivering substantial development appear slim.

Research Questions
Now that we are aware of the problems which the CSEZAs face and know which actors and actions that need to be studied in order to understand how and why these problems come about, we can formulate the key research questions which would drive this thesis. These questions will guide the investigation and eventually assist in establishing whether CSEZAs bring development or not.

The pivotal question in this study is regarding which theory best explains the nature and logic behind the various interactions in CSEZAs. Which theory explains
the impact that the CSEZA has on its internal as well as external components? The second question is regarding the method to be used in an evaluation of the CSEZAs. Is the CSEZA’s research methodology similar to that of the EPZ and SEZ or does it require the creation of a new methodological formula? As we move to a ground investigation of CSEZAs, there is a need to probe into why some CSEZAs are more successful than others. The next question seeks to explain how the events and actors connected to JFET justify the stagnation of the project. Following this, we investigate whether JFET has really contributed Mauritian development, or has it had the contrary impact. The last question, which enables us to draw generalizations out of the specificities of the case of JFET, pertains to the contribution of the Mauritian case study to the chosen theoretical perspective.

**Methodology**

This thesis treats only one case study in profound detail—that of the Mauritian CSEZA. A single case study approach has been selected only after having conducted a researched overview of all the seven CSEZAs. After a survey of the characteristics, status and problems faced by the seven zones, the Mauritian CSEZA stood out as the most promising, yet least developed zone. The difficulties of diverse nature faced by the JinFei zone is the reason why Mauritius is the ideal case to be studied in depth in order to understand the complexities of the new CSEZA notion in one go. The JinFei zone singularly faces problems akin to those faced by the remaining six zones altogether. Therefore, the single case study focus is justified as it has been selected only after a comparative study of all seven zones. The preliminary comparative review of the seven zones is represented in Table 3.1.

This thesis uses both qualitative and quantitative methods. The quantitative information is sourced from various governmental authorities in Mauritius: Central Statistics Office (CSO), Registrar of Companies, Ministry of Finance and Economic Development (MOFED), National Audit Bureau, among others. While some of these statistics were available on their online databases, a number of them could only be accessed at their office sites. The qualitative information gathered for this thesis too come from diverse sources: official record papers filed at the Registrar of Companies, Registrar General’s office, reports from non-profit organisations,
recorded parliamentary debates, documents which certain parties related to the project initially posted online, secondary literature, and from interviews conducted during fieldwork in China and Mauritius.

Thirty-six interviews were conducted with people knowledgeable about the CSEZAs. These were ambassadors and diplomats of the CSEZAs host African countries based in Beijing; academics who have researched the subject; government officers in China and Mauritius who have been involved in the negotiations of the zones; members of the civil society whom these zone projects have impacted; social activists who follow the development of the zones, among others. The principal reason why I chose this particular selection of interviewees is because altogether, the intervention of each enable to crosscheck the information provided by the other. This is possible with this sample of interviewees as each of the stakeholders hold different positions in this scenario: we have the zone initiators from either of the governments, the promoters, the implementers, the affected communities, and those who have analysed the situation. The interviewees altogether provide a complete picture of the situation.

The interviews were mostly made up of open-ended questions. The choice of open-ended questions is for two reasons: firstly, I had already collected the technical and precise information from official records beforehand and therefore, I already had the answers to the possible close-ended questions (such as, who are the stakeholders of the projects). The few closed questions that I asked were in order to crosscheck the technical information previously collected. Secondly, open-ended questions allowed me to address my research objective in a better way—namely whether CSEZAs bring development or not. By keeping my questions open, I gave the opportunity to my respondents to talk in narrative formats. This allowed me to establish a coherent understanding of the logic behind the CSEZAs: how they evolved, what the objectives of these zones are, and so on.

The data evoked in this work has been gathered over a period of two and a half years (October 2010 to May 2013) through fieldwork in both Mauritius and China. I started collecting my data in Mauritius whereby I consulted the official registration papers of all the companies related to JFET. These papers provided me with all the company registration details, contact details and financial information
of the various parties linked to the CSEZ project. I thereafter contacted the parties present in Mauritius, with requests for interviews.

The Chinese representatives of the project refused to be interviewed—except for one officer who provided off-record information. As for the concerned Mauritian parties, while non-governmental bodies such as the Chinese Chamber of Commerce and the Joint Economic Council were willing to interact with me, government authorities were reticent to grant me an interview. In the wait for an interview of the Mauritian governmental bodies, I intercepted the social activists and the farmers. Eventually, the Board of Investment, Mauritius, (BOI) agreed to talk about JFET. However, I received minimal information from the BOI. The reticence of Mauritians to talk about the project took me to China for over one month—to find the other side of the story.

The interviews I carried out in China were composed mostly of open-ended questions which sought information about the objectives of the CSEZAs and about JFET especially. My questions pertained to the status of JFET, the vision behind the CSEZA demarche, the procedural evolution of a CSEZA project, and so on. However, I was only able to get information from the governmental authorities based in Beijing. My fieldwork in Shanxi, Taiyuan (the patron province of JFET) was not fruitful since the stakeholders refused to grant interviews.

I went back to Mauritius after my fieldwork in China, equipped with new information which would allow me to push for clarifications with the governmental authorities who had earlier denied me information and those who had provided me with information inconsistent with the Chinese version received in China. Since the version of events provided to me by the Chinese stakeholders clashed with the BOI’s version, I requested for an interview again in order to get a more coherent understanding of the project. This time, the BOI was more informative, accepted the correctness of the information collected from China but gave mostly off-record information. Some senior officials from other Mauritian governmental bodies also gave off-record information in which they indicated that the JinFei project has been mismanaged. Between October 2010 to September 2013, I visited Mauritius four times. During each of my visits, I ran follow-up interviews with the various stakeholders. I also visited the JFET site to inspect the latest developments each
I encountered various challenges during my fieldwork. Some of the Mauritian governmental stakeholders were hostile. Others provided me with information which proved to be wrong when crosschecked. During my research journey, I was also interviewed by the local Mauritian press, which has been trying to understand what was going on in JFET. Upon my revelation of the JFET-CT Power connection in the Mauritian press in early 2013, I received threats and legal notices from the CT Power project promoters. The promoters requested the Vice-Chancellor of the University of St Andrews to invalidate my degree. On my last visit to the JFET site in late May 2013, I was threatened by the Director of JFET who objected to my publications about the JFET project and my presence on the site.

**Structure of Thesis**

Chapter 1 addresses the basics of this thesis. It clarifies the specific subject of investigation and its problem. It explains how this thesis is going to investigate the problem and through which methods. It sets the parameters against which the current activities of CSEZAs need to be measured so as to have accurate knowledge of their impact. Chapter 1 furthermore explains why is it essential to study CSEZAs and how past analyses have failed to probe in the crucial aspects of this new zone form. The choice of Mauritius as a case study is also explained.

Chapter 2 explores of the theoretical affiliation of CSEZAs. It starts by discussing existing China-Africa literature which deal with concerns connected to CSEZAs. It then moves on to identify three rationales which support the need to study CSEZAs. These are: the decline of the United States of America (US) versus China’s ascent, the failure of multilateralism in bringing development versus the success of new spatial formations in doing the same, and the failure of Bretton Woods’ homogenous neoliberalism versus China’s customised approach. In fact, these three sets of dualities evoke to a single common reality: the existing competition between two distinct approaches of international engagement—one led by Western actors and the other led by China. This confrontation finds renewed substance with the advent of the CSEZA which proposes an alternative to traditional approaches of international engagement pioneered by the West. The two approaches are named
as the Spatial Infusion Approach of the West and the Spatial Diffusion Approach of China. As we recognise the alternativeness of the Chinese approach under CSEZAs, Chapter 2 dissect the CSEZA to understand its composition and internal dynamics. It also seeks to understand how CSEZAs fit into the existing global system: how do these zones relate to the rest of the world? This chapter reaches an understanding that the alternating relations of domination and subordination making up the CSEZAs call for the application of Andre Gunder Frank’s Dependency perspective as the appropriate theoretical lenses. Realist, liberal and constructivist readings of the CSEZA are deliberated but proven to be unsuitable. The appropriateness of the Dependency Theory is elaborated upon in a thorough portrayal of the fundamentals of the theory and how these fundamentals still hold contemporary relevance due to Dependency Theory’s ability to assimilate modifications while still keeping its basic beliefs intact. The CSEZA is presented as a new symbol of dependency.

Chapter 3 focuses on the methods to study CSEZAs. It establishes that the SEZ is substantially different from the EPZ and deserves an independent identity. But unfortunately, scholars do not extend this individualism of the SEZ by drawing a differed methodology for it. The merits and success of the SEZ is still measured according to the formula applied to the EPZ. It is understood that unlike EPZs whose focus is mostly domestic, the SEZ involves international dynamics since it deals with international trade and competitiveness pressures and a diversity of FDI push-pull factors which are the cause for foreign investors’ engagement with China’s SEZs. While a differed methodology for SEZs is not of priority concern, the inheritance of the same methodology by the CSEZA concept is problematic. In CSEZAs, exchanges occur in the international, national as well as local realm. To this end, a new methodology is suggested for the study of the CSEZA.

Chapter 4 gives an overview of the seven CSEZAs and brings to light the problematic nature of each of these projects. It starts by explaining the establishment process of the CSEZA. This is followed by a detailed description of each of the seven CSEZAs. As these descriptions allow for a comparative analysis of the seven cases, the commonalities between the relatively more successful and less successful CSEZAs are identified. This chapter derives three preconditions for successful CSEZAs. These pre-requirements are: (i) the involvement of Chinese SOEs
as the majority partner in a joint venture with the host African government, (ii) the Chinese SOEs acting as the CSEZA promoter must have previous experience in SEZ management, and (iii) the Chinese SOEs acting as the CSEZA promoter should be specialist of the activity or product which will feature majorly in the CSEZA. This leads to a classification of the presence of SOEs as one of the problematic aspects of CSEZAs. The second problematic dynamic of the CSEZAs is ‘land’ which, can be easily mismanaged to the detriment of the zone ventures. This chapter thereafter argues that since these two problematic components are actually integral components of SEZs in China, it is the failure to contextualise the CSEZAs according to the needs and capacity of the host African country that causes the problem. The blame for this failure to contextualise is attributed to both Chinese and African host governments. This chapter assesses the role of each of them in the CSEZA process. In conclusion, chapter 4 contemplates the possibility of redeeming these problematic CSEZAs.

Chapter 5 presents the Mauritian case study. It gives a background of the Mauritian economy and explains why the Mauritian Chinese SEZ project is the worst-case scenario. It identifies five sets of additional projects, entities and companies whose activities should be studied along with the deployment of JFET. These five sets of projects, entities and companies are thereafter sub-divided into two sections, depending on whether they impact the development or cost aspect of JFET. After an individual introduction of each of these complementary projects, entities and companies, this chapter provides a comprehensive timeline of the unfolding of JFET. The chapter ends by confirming the deadlocked status of the Mauritian Chinese SEZ.

Chapter 6 confers the responsibility of JFET’s failure to seven strategies deployed by the Chinese and the Mauritians. The impact of these strategies—and thus of JFET—on Mauritius is contemplated. This chapter focuses specifically on the impact JFET has on the two national aspects of the African host government which the CSEZA concept was designed to improve: the national development objectives and key assets of the host country. The Mauritian national development objectives gauged in this chapter are: backward linkages, employment creation and creation of foreign exchange income. As a quantification of the excess public funds that went
into the CSEZA project is already provided in chapter 5, the key asset subject to evaluation in this section is land. A survey of both assessment frameworks confirm that CSEZAs are essentially expropriating entities whose impingement is only aided by the mismanagement of unperceptive African policymakers.

Chapter 7 gives a theoretical rendition of the Mauritian Chinese SEZ experience. It deliberates the respective metropolis and satellite status of China and Africa, and contemplates whether CSEZAs truly reflect exercises of Dependency Theory prescribed by Frank. In the quest to confirm or reject this supposition, Chapter 7 investigates the nature of the relationship shared by China and Mauritius. As it receives confirmation that China and Mauritius connect in capacity of metropolis and satellite in most of their exchanges, this chapter moves on to see how JFET plays out the dependency equation anticipated by Frank. We find that though JFET contains all dynamics of dependency prescribed by Frank, it exercises these relations of domination and subordination in a unique way. This is the case of all the CSEZAs. This chapter terms the ways of the CSEZAs as being a new manifestation of dependency. It compares this new manifestation of dependency to the old dependency premises as formulated by Frank. This chapter ends by arguing the case for an updated version of the dependency theory based on the new ways of exercises domination and subornation exemplified through the case of CSEZAs.

Chapter 8 is the concluding chapter of this thesis. It acknowledges the underdevelopmental contributions of JFET to Mauritius. It affirms that the blame of this underdevelopment enabled through JFET is shared between Mauritius and China. While China mainly failed at the customization of its model, Mauritius is responsible for various mismanagement of assets which are related to this project. Despite all these tensions surrounding the JFET project, China and Mauritius maintain a healthy rapport. This thesis therefore underlines that CSEZAs by no means, are deterministic of the entente between China and Africa. Chapter 8 then moves on to enumerate the contributions of this thesis. It presents to academics the methods and indicators through which to assess CSEZAs in the future. It draws the CSEZAs success formulae which would enable China to revise its model for improved application and also allow the African hosts to held renegotiate the terms and conditions of the existing CSEZAs. And finally, it updates Frank’s Dependency
Theory and identifies the new carriers of dependency relations in contemporary capitalist system. The thesis ends with a post scriptum, filling in with accounts of recent occurrences in JFET which only substantiate the conclusions reached in this thesis.
Chapter 2

Theoretical Framework for the Study of Chinese Special Economic Zones in Africa

Chapter Statement
This chapter starts with an overview of existing literature which surrounds CSEZAs and moves on to contextualize the need to research the potential of this new zone form. Why and to whom are the findings of this thesis important? Three globally pertinent political hypotheses legitimise this research: the decline of the United States of America (USA) and the rise of China; the failure of multilateralism as opposed to the success of newer platforms; and the shortcomings of the generally endorsed neoliberalism as compared to the success of China’s customised approach. As these three rationales establish that CSEZAs challenge the global political and economic status quo, this chapter introduces a new set of theories to explain the departure of CSEZAs from the conventional approach of the Bretton Woods powers. It coins the comparative theoretical lenses called the Spatial Infusion and Spatial Diffusion approaches. This chapter then deconstructs the CSEZA structure. It identifies the various actors, levels, and different relationships of power that circulate across this zone project. This complex endeavour therefore triggers the question: which theoretical paradigm best explains the CSEZA and its global impact? After a discussion of the main theories traditionally applied to the study of Chinese relations to Africa, this chapter concludes that they are not suitable to comprehensively explain CSEZAs. Instead, the two most important composite of the CSEZAs, their structural components and the notional frameworks within which they unfurl (‘cooperation’ and ‘mutual benefit’ in a global capitalist system), suggest that CSEZAs are closer to the ideas of development theories. After running through the different branches of development theory, this chapter makes the case for a close applicability of Andre Gunder Frank’s Dependency Theory. Frank’s Dependency Theory is identified as having a majority of the modalities, which is closest to those evoked by the CSEZAs. For those dynamics of the CSEZAs
that Frank’s approach falls short in explaining, the flexibility that his version of Dependency Theory grants to the functional components of the global political and economic system allows for room to manoeuvre. By borrowing Frank’s lenses, this thesis also takes on the opportunity to contribute to updating dependency thoughts. The combination of the CSEZA and Dependency Theory is therefore perfect as the unprecedented innovativeness of CSEZAs contributes to a re-actualisation of the traditional premises of Dependency Theory formulated by Frank in the 1967.

**Existing Literature**

Though CSEZAs is a niche area of study, literature on subjects and actors that this phenomenon is linked to is extensive. A preliminary understanding of CSEZAs can be sourced from literature on the multi-disciplinary China-Africa studies (international relations studies, development studies, economic studies), and the more economically focused, economic zone studies.

Over the past decade, China-Africa studies have garnered a lot of interest. Authors who research Chinese presence in Africa come from various disciplines and are of different convictions. Some of them are Alden (2007), Brautigam (2011), Davies (2008), Farole (2011), Kapilinsky (2006), Taylor (2011). Each has enlightened readers about at least one obscure dimension of the Chinese system: from the ways in which MOFCOM disburses aid and technical assistance; the resource-focus of Chinese engagement; the logic behind selective China-bashing by the Western; to the difference or similarities between Chinese private sector actors and state-owned enterprises when operating in Africa. The three main research objectives into which we can categorise the China-Africa studies cohort are: firstly, those assessing China’s impact on Africa; secondly, those researching African responsiveness to China; and thirdly, those comparing Chinese engagement in Africa to that of Western actors. Some of the debates evoked under these three categories of China-Africa studies, which are useful to this thesis, are overviewed below.
In 2012, Mohan and Lampert contested the usual China-centered approach that academics adopt when scrutinizing Chinese-African relations. They insist that Africa too, assumes leadership in Chinese-African collaboration. According to them, the most substantial African contribution to this relationship comes from African state as well as non-state agency elements. Using the examples of Angolan state elites, local African traders and that of African workers employed in Chinese businesses in Africa, Mohan and Lampert conclude that ‘Sino-African relationships that are more locally driven and mediated than is generally recognized’ (2012, 109). Padraig’s and Taylor’s (2010) work on flexigemony too reiterate the importance of the host context when discussing Chinese engagement in Africa. They emphasize the pragmatism ingrained in the Chinese approach. As they remark, “Chinese actors adapt their strategies geographically to suit the particular histories and geographies of the African states with which they engage” (2010, 2). Therefore, there is a consensus that the particularities of the host African context should be given equal consideration when evaluating Chinese involvement in Africa.

Authors writing from an economic perspective are particularly keen on assessing the impact of Chinese aid, trade and investment on Africa. Sindzingre is of the opinion that China conducts its economic exchanges in a very unconventional form—almost like a barter system whereby trade, aid and investment are all tied together. Consequently, China’s impact on Sub-Saharan African (SSA) countries is highly ambiguous. On one hand, China is a ‘genuine growth factor’ (2011, 19) as it has contributed to sustaining a high price of export commodities; on the other, China is likely to lock SSA countries in a commodity-based export structure. What is certain for Sindzingre though is that these conflicting Chinese pursuits will not permit African countries to initiate their structural transformation anytime soon.

Sindzingre’s analysis brings us to the studies of Kapilinsky. Kapilinsky (2006), in collaboration with Morris (Kapilinsky and Morris 2008; 2009) conducted several studies over the past decade, assessing the impact of cheaper Chinese exported manufactures on African products manufactured for exports. They conclude that manufactures from the ‘Asian drivers’ negatively affect SSA exports. Kapilinsky and Morris’s (2009) work is revelatory of the key dynamics that should be kept in mind before evaluating the impact of Chinese FDI in SSA. Firstly, there is a need to
thoroughly understand the intermeshed nature of state-owned and private Chinese FDI abroad. According to them:

[Many “SOEs” function as conduits for private gain, in the sense that profits are appropriated in part by key individuals who are not formal owners of the firms. Similarly, the returns from, and decisions made in many apparently “private” firms are in part a reflection of the direct decision-making power of state bodies, particularly provincial governments. “Private” in China means that the state holds less than 50 percent of the equity. In addition, state officials may also own companies, but in their ‘private capacity’, and often use the connections gained through their government positions. (2009, 2)]

The second item upon which Kapilinsky and Morris emphasise is the need to consider the host country’s policy environment when assessing the developmental contribution of FDI. Kapilinsky and Morris propose to reinvest negotiation power in African actors in the latter’s dealings with China. This negotiation power should be reinvested into the African governments to begin with, and should thereafter also involve regional African organizations in a ‘cartelised bargaining’ practice. It is only when the African country mobilises its own domestic capacities to strike a good deal with the Chinese, and consistently monitors the delivery of the developmental goods, that SSA will benefit from Chinese FDI.

Authors dedicated to comparative studies of Chinese and OECD engagement in Africa inform us of the concerns and preconceptions of Western actors when they study China in Africa. David Shinn (2009) observes that both China and the USA share converging, hence competing, interests in Africa. The three common interests that he identifies are: (i) access to resources, (ii) support of African countries in international forums, and (iii) exploiting Africa as an export market. China additionally seeks African support on the Taiwan issue. On its part, USA has two more interests in Africa: firstly, the agreeability of African states to allow America to use their air space and ports, and secondly, in order to allow the USA to keep an eye on the development of criminality (terrorism, drugs etc.) in Africa. Shinn explains that nonetheless, the USA has diplomatically coerced China in responsibly exercising its presence in Africa, in keeping with international norms. But China evades this indirect supervision by the USA by shielding behind its adherence to non-interference and sovereignty.
While global leaders try to bring Chinese activities to standards of international legitimacy, Guérin (2008) sees China as nurturing a different understanding of international norms and practices. He researches the example of the multilateralism exhibited under the FOCAC initiative. According to him, the multilateralism displayed at FOCAC is, in fact, only an aggregation of all the bilateral agreements that China has undertaken vis-à-vis its key African partners. The capital investment thereunder has only been totaled and rounded-up and presented as a comprehensive Africa package at the summit. This allows China to diplomatically pronounce itself as a partner to all, small and big countries, of the African continent (Guérin, 2008, 5).

The trend that we note across the China-Africa literature is that all researchers invariably underline the importance of the local African context. As Kapilinsky and Morris join Padraig and Taylor in stressing the need to give preeminence to the host African context when assimilating Chinese elements, the need for the same is echoed in an adoption of Chinese SEZS in Africa. However, strangely, ‘host country customization’ or ‘context’ are elements which have been ignored in economic zone studies. Madani (1999), Jayanthakumaran (2003), Warr (1989) do not touch upon the importance of matching the structural and policy requirements of the zone format to the developmental needs and existing economic, social, environmental particularities of the host country. Authors who do allude to customization have a very general take on how it should be exercised. For example, Farole (2011, 239) underlines the importance of tailoring EPZs—traditionally based on the Asian experience—according to the present global economic climate in which African countries evolve. He mentions the end of the Multifibre Agreement, competition from Asia and others, as reasons for why there is the need to revise the zone format to make it more suitable for African countries.

If most African zones are unlikely to be competitive as manufacturing export platforms, they may need to rethink their strategies and move away from the traditional EPZ model and toward, for example, natural resource-based activities, including agricultural and minerals processing...African SEZs will also require a much greater focus on building regional value chains and promoting industry clusters. This will require much more integration with local and regional economies than is possible under the existing enclave models, as well as a refocusing on generating efficiencies
through external scale and coordination rather than simply through internal efficiency.

It is assumed that all African countries face the same global pressures and therefore should be imposed a uniform zone form. In regard to the CSEZAs, this thesis proposes to move from a homogenous treatment of the African case and further refine the zone customization function in order to suit the specific needs and profiles of each African host country.

As the main investment of the host country in a CSEZAs is land, and the benefit it awaits is development, in order to optimize its share of profit from the CSEZAs, the host African country should customize the zone in a way in its own inputs are in keeping with its actual capacity and that the structure and implementation of the zone responds to its developmental needs. An analysis of how the host African countries and the Chinese partners deal with the land requirement of the CSEZA is deterministic of the developmental or anti-developmental effect of these zones. This is also the principal element of the CSEZA which makes a strong case for the need to customise the zone requirements and functions. The treatment of the zone’s land requirement in the source country of the SEZ concept, i.e., in China, needs to be modified when it is being practiced by another country, whose economic, political and environmental conditions are different. It is only then that the CSEZA would be able to maximize its chances of success. An overview of the land acquisition process for SEZs in China reveals the extent to which exploitation of land lies at the core of the SEZ concept. Any of the five African countries would not be able to sustain the same experience—even less, the little island of Mauritius.

On 6 August 2011, a Chinese newspaper reported that local county officers had illegally requisitioned 267 hectares of land in order to make space for real estate development in Hebei. Farmers who occupied the land were threatened and their crops were destroyed (Shen and Yishi, 2011). Shortly afterwards, in November 2011, *South China Morning Post* reported a series of riots in Lufeng city (Guangdong province) over the acquisition of 323.7 hectares by the local government in order to build an industrial park and residential areas. Twelve thousand resident farmers claimed to have been poorly compensated (Chi-yuk, 2011; Chi-yuk and Pinghui 2011;
Chen, 2011). These two cases are only glimpses of the innumerable similar occurrences that generally prelude the construction of SEZs in China. A Chinese civilian-led voluntary project called ‘The Blood Stained Housing Map’ which uses Google Maps to locate tragic land and property grab in China enlists such macabre cases. This initiative was publicised by The Wall Street Journal’s China Real Time Report on 29 October 2010 (Chin, 2010). Picking up on exploitative activities carried out in light of SEZs, Gopalakrishnan (2007) remarks that land tenure of farmers situated near SEZs are threatened as the Chinese government favours large-scale development projects. He refers to figures from Huang and Yang:

[B]etween January 1992 and July 1993, rights over 1,27,000 hectares of land were granted to real estate developers across China but only 46.5 per cent of this land to developers was actually developed. (Gopalakrishnan, 2007, p. 1493)

This is not to say that China does not have legal provisions regulating land acquisition under SEZs.

Until 2002, only the Land Administration Law catered for grievances regarding SEZs in China. While Article 2 of the Land Administration Law accounted for the authority of the state to requisition land owned by collectives in order to serve national interest, Article 37 of the same allows for the requisitioned arable land to be reconverted to arable land if construction of the scheduled project fails to start within two years. In 2002, China introduced the Land Contract in Rural Areas Law. This law safeguards the hold of farmers on the land the collective has contacted out to them for cultivation. Article 16 Section (2) commits to providing adequate compensation to the displaced farmers. The latest relevant legal development came in the form of the 2004 Amendment to the Land Administration Law whereby issues pertaining to the conversion of requisitioned agricultural land into construction land were comprehensively addressed. Under this amendment, China sought to be more considerate when compensating displaced farmers. But what remained unchanged throughout these years was the power of the state to requisition land at its will for SEZs. With power vested in the government’s ability to retrieve land for SEZ-based national development, land acquisition at the expense of rural livelihoods only becomes more common. This mass requisition of land for SEZs has also affected
Chinese national food security. In an article by China Daily published in March 2012, the Ministry of Land and Resources shared that China needs to maintain at least 120 million hectares of agricultural land for a sustainable food security. However, in 2009, the total expanse of land under cultivation had already fallen to 121.7 million hectares (Yingqi, Zhu and Ce, 2012). A glimpse of the Chinese legislations only confirms the integrality of land appropriation to SEZs. The fact that in its home-ground itself the SEZ concept thrives upon acts of land appropriation ratifies land mismanagement as an inescapable feature of this zone model. As the patron community itself suffers from the impact of land exploitation through SEZs, little respite can be expected for those countries upon whom this model is transposed.

India copied China’s SEZ model, and now counts 158 operational SEZs. Further 588 SEZs are in the pipeline. At numerous occasions, rural farming land has been acquired for these SEZs. Some well-known cases are: attempt at land acquisition for an SEZ from the Raigad farmers by the Reliance Industries since 2006, and the Trident SEZ project in Punjab. However, the worst case was that of the land possession attempt for the Nandigram SEZ project in West Bengal in 2007 which derailed into a riot. The livelihood of 30 villages was at stake. Villagers were killed and numerous women were raped during the riots (The Times of India, 2007). The canvas of deadly riots, eviction of rural communities without compensation and prioritization of the developer’s profits presented by India in light of the land appropriation process for SEZs flagrantly denounces the gross mismanagement on behalf of the Indian government in tailoring the SEZ model’s land requirement according to the present situation of the country. The last census carried out in India in 2011 revealed that although a considerable growth in the proportion of urban population could be noted, 68.84 per cent of Indians still lived in rural areas (Chandramouli, 2011). The source of livelihood of these people is agriculture—an activity which contributes to the Indian economy as well as to its food security. However, as Dev and Sharma (2010) note in their study of food security in India, there is a steady decline in the agricultural production of the country which does not bode well for the problem of malnutrition prevalent in India. One of the reasons to which they attribute this decline in agricultural production is the proliferation of SEZs. In their own words,
Long term factors like steeper decline in per capita land availability and shrinking of farm size are also responsible for the agrarian crisis. Land issues such as SEZs, land going to non-agriculture, alienation of tribal land etc. are becoming important (ibid., pp. 3-4).

In such a precarious situation of land usage distribution—with overlapping impacts on crucial national concerns such as food—an unregulated and unharmonised adoption of zone models by countries is condemnable. Based on these information and studies, this thesis advocates for a heightened sense of responsibility amongst the host African states in the customization of the zone requirements according to their own domestic capacities. Through a discussion of the importance of customization in zone practices, this thesis contributes to this unexploited aspect of zone studies. The land dimension would also recur throughout this thesis as an indicator of whether CSEZA ventures are exploitative or developmental.

**Contextualising the Debate about Chinese Special Economic Zones in Africa**

As this pragmatic new Chinese spatial strategy is deployed across Africa, scholars are driven by the need to identify the overarching logic behind such a complex, yet flexible endeavour. What do CSEZAs imply for China, the host African countries and the world at large? Do CSEZAs contribute to the development required in the African nations? These questions are of utmost importance today because the conventional ways of enacting development have faltered and policy-makers are on the lookout for an alternative model to uplift the poorest continent. As it proposes some novelty in its approach, structure, functioning and components, the CSEZA generates interest. Three global investigative premises substantiate the need to consider the different approach suggested by China’s CSEZAs. These premises will guide us to distinguishing the theoretical lenses which appeal to the attributes of the CSEZA.

1. **The decline of the USA versus the rise of China**

American and European concern about the escalating power and influence of China is no secret. After the Cold War, America assumed the position of the world hegemon and a unipolar world order was established (Brooks and Wohlforth, 2002;
Krauthammer, 1990/91; Walt, 1987). Using their high voting quotas in international institutions, OECD countries led world affairs by setting the rules and policy directions (Oatley and Yackee, 2004). Meanwhile, China started manifesting itself on the international platform mainly through cultural and economic proliferation. Confucius Institutes, university scholarships, overseas business acquisitions, market encroachment and unconditional aid offers disseminated Chinese global influence (Kurlantzick, 2007, p. 67; Wang, 2008; Zhang, 2005). Although perturbed by the idea of having to share its responsibilities with China, Washington, nevertheless, remained quite secure about its authority over other nations. The comfort of the USA rested on the fact that, ultimately world affairs were conducted according to its own ideology—the eponymous Washington Consensus. As is reflected through the faith the international community continues to have on American fiscal measures even after the financial crisis, the USA remains the prescriber of the models of development and is the one to set the benchmarks for international legitimacy (Garten, 2009). The commanding stance that America constantly adopts vis-à-vis China in their dealings is also an indication of this reassured serenity in American global leadership. For instance, America took it to itself to pressurise China to intervene in the Darfur 2003 conflict, and showing similar clout, it also pressurised China to allow the Yuan to appreciate in order to curtail Chinese trade surplus with the USA (US Department of State, 2006; BBC, 2012). Gu, Humphrey and Messner (2007, p. 9-10) observe that this composure of America, even in face of the rising dragon, is due to the uncertain demeanour displayed by China. According to them, China still undergoes an identity dilemma; it is unsure whether it is a developing or a developed country. Consequently, China tends to be restrained and non-confrontational.

Reporting on America’s potential clash with China over the sale of weapons to Taiwan by the US, and Obama’s expected meeting with the Dalai Lama, *The Washington Post* picked up on the display of ‘triumphalism’ and a ‘new assertiveness’ increasingly apparent in Chinese behaviour (Pomfret, 2010). The article describes a scene that occurred at the Copenhagen climate change summit.

China only sent a deputy foreign minister to meetings set for the level of heads of state; its representatives publicly clashed with their American
counterparts. And during the climax of the conference, China’s security team tried to block Obama and the rest of his entourage from entering a meeting chaired by China's prime minister, Wen Jiabao. (ibid.)

It is obvious from such conduct that China has emerged from its cocoon and marches alone confidently. Nevertheless, the most potent demonstration of China’s newly acquired belligerence is its exportation of its domestic SEZ model of economic development to foreign countries. Through these, China openly challenges the monopoly that the OECD countries exercise in the prescription of the terms of growth and development.

2. The failure of multilateralism to bring development versus the success of new spatial formations in enabling development

Although the geographical contextualisation of politics and economics under terms such as kingdoms, colonies, nations, multilateralism, bilateralism, and others, were initially intended to contain particular elements and actors for the ease of implementing orderly action, over time, these spaces have acquired a life and identity of their own. There is a progressive logic behind the advent of each of these structures. As the chronology of these structures reveals, the shape, size and content of these spatial forms have changed according to the priorities of the entities of authority ruling at the time. Likewise, Krugman (1991) observes that the erosion of US economic and technological primacy is undermining the importance of multilateralism and giving way to new forms of cooperation structures. Such a switch between platforms is called ‘regime-shifting’ (Helfer, 2004). Helfer produces a realist argument which explains how spatial reconstruction of economic and political relations is possible. He argues that though initially regimes reflect the distribution of power, over time the institution clouds over the primacy of the states and their particular interests. Consequently, states opt out and pursue their agendas through other forums (ibid., pp. 13-14). The failure of the Doha Round is one example where multilateralism has continuously failed, and countries have established other conglomerations to pursue the same agenda. Another example is the failure of the Multilateral Agreement on Investment (MAI), after which the only possible way to regulate foreign investment was through bilateral investment
treaties between the host and patron countries (Kutty and Chakravarty, 2010, p. 92). The advent of the CSEZA proposes a new spatial platform for the regulation of foreign investment.

3. The failure of Bretton Woods ‘one-size-fits-all’ Neoliberalism versus China’s customised approach

The advent of the CSEZA proposes a new spatial platform for the regulation of foreign investment. The Bretton Woods trio dominate the international scene in matters of finance, trade and economic management. The ideological blueprint substantiating the strategies of these organisations is neoliberalism. From the Poverty Reduction and Growth Facility (PRGF) programme, the Heavily Indebted Poor Countries (HIPC) initiative, to Official Development Assistant (ODAs)—each of these endeavours launched by OECD countries as measures to promote economic growth, development and poverty reduction in developing countries, have fallen short in meeting their objectives. This is because there has been a lack of consensus among leading nations, an absence of commitment on part of donors (Gwin, 1997), and no customised implementation programmes for the target countries. Strict conditionalities were moreover imposed on the later (Stiglitz, 1998). For instance, the provision of ODAs to African nations comes with prerequisites imposed as conditional to disbursement of aid. With the formulation of the Policy Framework for Investment (PFI), even investments from OECD members have become subject to similar conditionalities.

Finding their credibility threatened because of such unpopular practices, the International Monetary Fund (IMF) and the WB have attempted to move away from applying the ‘world’s best practice’ and established regional desks in Asia and the Pacific so as to gather more knowledge about the region’s specific policy needs. Under the 1997 Partnership Initiative, they started subcontracting research to academics from developing countries (Evans and Finnemore, 2001; Pincus and Winters, 2002). The CSEZA takes the trend of the customisation of development plans to suit the needs of the host country a step further. China does not impose any conditionalities but allows the countries welcoming the zone to set their own terms and conditions. The CSEZA, hence, becomes Africa’s Best Alternative To a
Negotiated Agreement (BATNA) in comparison to other conditional development mechanisms.\textsuperscript{12}

**The Spatial Infusion and Spatial Diffusion Approaches**

Each of the three above rationales, which justify the need to study CSEZAs, respectively attribute three different spirits to the new zone form—namely, revisionist; evolutionary; alternative entities. These three spirits of the CSEZAs are contained in the new conceptual approach whereby the distinctiveness of the Chinese approach from that of the OECD countries is highlighted. The OECD-endorsed exercise is named as ‘spatial infusion approach’ and China’s manoeuvre as ‘spatial diffusion approach’.

1. **Spatial Infusion Approach**

The OECD countries set the agenda for the world through the Bretton Woods organisations. They then call for other nations to join them in granting international legitimacy to this agenda. It is a classic top-down approach whereby America and Europe demand that other countries join them to exercise multilateralism. In cases where nations do not respond positively, they are faced with punitive measures. This forms a spatial concentration of power led by the West. Thus, multilateralism enables a euro-centric institutionalisation of international space. The ‘spatial infusion approach’ of the OECD countries is demonstrated in Figure 2.1.
2. Spatial Diffusion Approach

The logic behind China’s ‘spatial diffusion approach’ is that China takes its capital and expertise to the African countries and offers to build them SEZs on their land. There is greater opportunity for host-country customisation and state-ownership of this development activity. China poses as a partner. This is in contrast with the hierarchical process applied by the OECD countries. Here, China diffuses spatial concentrations of Chinese power and profit to other parts of the world. Even if Chinese SEZs keep the same basics of space creation like multilateralism (i.e. having the same objective of increased profitability through preferential treatments), it adds a higher degree of pragmatism to its characteristics, and is conspicuously more diplomatic in its construction. While multilateralism, free trade areas and ODAs were straight top-down approaches to cooperative development, the CSEZA model gives it the appeal of the more considerate bottom-up approach. Figure 2.2 presents the ‘spatial diffusion approach’.
This difference between the Western and Chinese approaches towards African countries resonate in constructivist and psychological studies on cultural variations in negotiations. These studies stipulate that the West adopts a more direct style of negotiation while Eastern negotiators are more diverted in their methods (Weber and Morris, 2010). As revealed through a study by Morris and Kaiping (1994), Americans tend to focus on central figures while Chinese consider the context. Similar elements can be identified in the above discussed distinct ways in which OECD countries and China enable investment in Africa: for the OECD countries, the surrender of the state is the objective; on the other hand, China considers the appropriation of a small space and through it, a diplomatic capture of its greater national context as the best move. This conceptualisation of the dissimilar approaches adopted by the OECD countries and China is instrumental in convincing analysts to acknowledge the alternativeness of the CSEZA as a development model. It also spreads the conviction that the CSEZA therefore requires a disparate set of variables and a different theoretical lens in order to understand it.
The Levels, the Actors and the Appropriate Theory

Contrary to the one-dimensional EPZ and SEZ, which are restricted by their state-patronage, the CSEZA breaks through both constrains upon interactive space and nature of actors. While the expansive reach and composition of the CSEZA is indicative of the large-scale impact it has, this characteristic becomes problematic when it comes to identifying the theoretical framework which can engage all the components and activities of this type of zone. Which school of thought can provide a comprehensive conceptual bracket under which to package an understanding of how these territorially-bound SEZs, established in Africa by the Chinese government, in cooperation with Chinese private investors connect to the grand scheme of world affairs? Are these CSEZAs mechanisms of China to balance other nations? Have they been formed to enable market access and profit maximisation? Alternatively, are they manifestations of a new Chinese identity? Can we locate a structural or ideological leitmotif throughout this process? Which perspective will allow academics to decide upon the logic of the CSEZAs, identify their performance indicators, predict their likely future, and eventually, present recommendations to overcome their faults? What is the link holding together these different levels of interactions—whereby each level is not solely the monopoly of state entities but also comprises of non-state entities? In sum, we seek to find out the nature of the links connecting the CSEZA to: the African state, the African community, the Chinese government, and the Chinese private investors, and altogether, as a sum of its parts, the connection between the CSEZA and the global system. Figure 2.3 demonstrates the different actors and levels of interactions that make up the CSEZA. The different levels of interaction, the different spatial substance of each level, the varying nature of the actors involved, the existence of trans-level links and the different economic and political characteristics of each echelon shown in this schema, confirm that divergent relationships of power and authority are involved in this system.
The divergences characterising this process further imply that there are a limited number of common dynamics across the levels that can cooperate on an equal footing. This complicates the assessment process for academics as they are not able to easily cross-analyse data, measure the performances of each strata and calculate the gains and losses of each.
Nonetheless, one overarching construct which defines the CSEZA’s dynamism drawn in Figure 2.3, is the hierarchy within which these actors evolve. That the CSEZA is deployed over levels indicates that there is a vertical separation of powers and authority. This invariably implies that there is always one dominant and one subordinate actor in the process of the CSEZA formation. As it starts with the ‘world structure’, and eventually only comes into realisation at the most localised level, we understand that China’s creation of CSEZAs is a devolutionary response to global pressures. The grand construct which contains the CSEZAs is that of the global capitalist economy—led and conditioned on the terms of the leading organisations such as the WB, the WTO, and the IMF. All state as well as non-state actors of the world submit to the pressures and requirements of this conditioning structure. Therefore, China too, has to evolve under the same structure, willingly in the economic sense, and unwillingly for its political ideology. Lying at the margins of development prior to the Open Door policy, China liberalised its economy and pursued global economic integration through more creative mechanisms than any originally economically liberal OECD state (Hale and Hale, 2003, 37). It devised SEZ spaces in order to welcome FDI; created the Export Import Bank of China (EXIM Bank) to support outgoing Chinese FDI; introduced flexible taxation systems, focused on technology; exported its SOEs, made use of Special Purpose Vehicles (SPVs); and established profitable construction-finance models such as the Built-Own-Operate (BOO), Built-Operate-Transfer (BOT), and Built-Operate (BO)? (Larçon, 2009). By ultimately joining the WTO in 2001, China confirmed that it seeks legitimacy in the eyes of the Washington-led economic order within whose perimeters it has to function. This assumption is further confirmed through the fact that China is now USA’s second largest trading partner. With multiple stringent product regulations, China has to ensure that its products, services and activities—which are to feed its domestic economic growth and development—conform to Washington’s norms. The fact that China has not been able to override the anti-dumping obligations regarding solar technologies imposed on it by the world economic order is yet another evidence of the quest for legitimisation by China which flows from the OECD-led world order. Recent indications of the rising interest of private Chinese companies to join foreign stock listings, the interest of foreign
investors in developing China’s pension system for its unsupported ageing population, and the emerging idea of extending commercial microfinance services to rural communities in China shows that China believes that its current underdeveloped social dimensions can only be uplifted by recourse to capitalist mechanisms (Hale and Hale, 2003). And through the exercise described under the Spatial Diffusion Approach, one of the means through which China responds to these pressures is through the exported CSEZAs—a structure whose outer layer and pursuits are capitalist but can at the same time, easily camouflages the socialist elements that China still endorses in its means of implementation.

Neither state actors nor non-state actors are singularly self-sufficient in enabling a CSEZA. It is an element of compulsive lack of autonomy and inescapable inter-linkages, which defines the relationship among the components of diverse nature identified in Figure 2.3. The one coagulatory idea, which grants the required hierarchical fluidity to this web of interaction, made up of a mix of state and non-state actors is that of ‘dependency’; dependency of all subordinate structures onto the global capitalist structure, and dependency of each level onto its immediate superior. The question which comes up here is: do these relationships not indicate a case of interdependency rather than dependency? The answer is no. Had there not been a clear hierarchy in the interaction of the strata indicated in Figure 2.3—whereby instead of a vertical alignment of actors, there had been a web of interactions across levels—then a case could have been made for relationships of interdependence. In this particular situation, it is clear that the African State, though containing the Chinese SEZ, is dependent on the Chinese patron, and the Chinese conglomerate is dependent on the economic climate and pressures propagated by the neoliberal world system. At no point in any of these relationships, does the reverse happen. Neither does the world structure become dependent on the activities of the Chinese state and its private investors, nor does the Chinese state depend on the graciousness of the African state to exercise tge CSEZAs. Although the zone is established in the African host country, China still retains full control of that space directly. The question that therefore pertains is which theoretical prism believes that, at the core of each event happening across
the world, the explanatory experience is that of one-way dependency, whereby all are subject to the pressures of the existing capitalist system.

In fact, all schools of thoughts in international relations recognise this element of dependency when talking about China’s relation with other world actors. However, each does so in varying construal. Whether one argues that China is a revisionist power (realism) or that China is a development partner (neoliberalism), both positions are based on an acknowledgement of the dependency and relativity of China’s identity on par with “superior powers”, or in relation to historically similar nations. The problem with the treatment of dependency by these traditional theories is that they see ‘dependency’ only as a channelling instrument in the relationship among and across states and non-states actors. Realism, neoliberalism and constructivism respectively allow the identification of foreign policies and motivations of self and others (realism) diagnose the exchange of goods (neoliberalism) and the formation of identity (constructivism). None of them view ‘dependency’ as the prevalent global climate of which realist, neoliberal or constructivist pursuits are a result. Furthermore, none of the traditional IR theories treat the development concern which is central to the CSEZA endeavour. Does the centrality of the developmental concern then make any of the development theories suitable for the study of CSEZAs? Can a case be made for the modernisation theory? Dos Santos’s critique of the theory of development rightly explains why not just any development theory would be applicable to the CSEZAs:

[T]he theory of development...seeks to explain the situation of the underdeveloped countries as a product of their slowness or failure to adopt the patterns of efficiency characteristic of developed countries (or to "modernize" or "develop" them- selves). (Dos Santos, 1970, 231)

As China actively modernises itself in the quest for development and generates new mechanisms such as the CSEZAs, which Africa too welcomes in a similar thirst for new developmental methods, it is proven that hindrances to national development is not only self-imposed but also externally-imposed. Therefore, just any theory of development will not do justice to a study of CSEZAs. Instead, the study of CSEZAs warrants theoretical lenses which invest primary focus onto the conditioning global system, and sees the rest of the activities and actors as results of this
conditioning climate. Furthermore, as we noted in the general diagnosis stipulated in the problem statement of this thesis (Chapter 1), rather than the development it promised, CSEZAs are generating underdevelopment. An understanding of the creation of underdevelopment as a result of the global economic structure is provided under Andre Gunder Frank’s Development Theory.

Contemporary critics have constantly discarded Dependency Theory as a negligible line of thinking, unable to match steps with the evolution of world affairs and a globalised system (Blaney, 1996; Gülap, 1998). Though partly true, if we consider the fact that Dependency Theory has constantly accommodated changes within its reasoning in the past, as Castells and Laserna (1989) agree, with further adjustments, Dependency Theory could be the most appropriate perspective to inspect this recent spatial initiative. With coinciding basic ideological perimeters, Dependency Theory and the CSEZA form a pair of a theory and a new phenomenon which together, have the potential to create new knowledge. Dependency Theory is able to contain the free flowing CSEZA which appears to be a political, economic as well as social endeavour simultaneously. As the CSEZA transcends borders, actors, and coerces the involvement of those not even directly concerned, Dependency Theory draws from its repertoire of the understanding of global processes of development and underdevelopment and explains to us the pursuit of this venture. It cautions against what a structure and process such as the CSEZA might entail. On its turn, this new politico-economic space allows us to challenge and modify Dependency Theory’s conventional interpretations of how development and underdevelopment unfolds in the capitalist world structure. Thus, rather than a wholesale adaptation of Frank’s dependency perspective, through an application to the study of CSEZAs—whose behavioural components are closest to Frank’s theory—this thesis reinvents the Dependency Theory. It brings into consideration, those variables of dependency of the new economic age which Frank ignored back in 1967.

A justification of the chosen theoretical framework is only valid in conjunction with a deconstruction of the non-applicability of the other theories that have traditionally provided coherent explanations of Chinese dealings in contemporary world affairs.
**Dismissing the Theoretical Alternatives**

As mentioned before, realism, liberalism and constructivism are the usual paradigms applied to a study of China-African relations. However, these approaches are justified if the study is based on hypotheses that China seeks resource accumulation in Africa, attempts to access the African market or even seeks to spread its soft influence. Their application to this study would furthermore receive support had the macro-understanding of the world system behind CSEZAs indicated towards a conditioning global climate of a balance of power; a regime of international economic cooperation through competition; or of being a set of global interactions which create new identities. But, neither does this study seek to investigate the objectives of the CSEZAs (for we are already aware that development is objective of the CSEZAs), nor can we readily assume that CSEZAs emerge from forces behind the traditional understandings proposed by realism, liberalism or constructivism. The key to the investigation of the rationale behind the introduction of CSEZAs is the complex structure and varied composition of this new zone form. China did not create such a complex, multi-levelled and multi-dimensional zone without a reason. It is the particularities of the CSEZA which reflect the logic from which this zone form emerged. Moreover, the CSEZA’s potential for development—or underdevelopment—is contained within the deterministic form of the zone and does not rely on its eventual physical manifestation. While the three grand international relations theories can very well provide a valid reasoning for China’s launch of CSEZAs according to their own priorities, they cannot explain why China gave such a shape to its exercise of political or economic balancing; how does this specific format enhance China’s competitiveness in a neoliberal climate; or how do the new global interactions push for the creation of an entity structured as such. Therefore, the theory, which would best explain CSEZAs should be one that focuses on the distinct composition of the zone. Realism, liberalism and constructivism do not give space for such a detailed deconstruction of political and economic realities. In fact, a discussion of the inapplicability of traditional international relations theories to an all-inclusive study of the CSEZA highlights inadvertent admissions about the suitability of studying these zones from a dependency paradigm.
1. Realism

The mere mention of China triggers debates among realists about China’s revisionism (Christensen, 1996, 2001; Mearsheimer, 2004; Shambaugh, 1996, 2011). This perception of China is rooted in realists’ beliefs that human nature is egoistic and states are configurations that contain these selfish drives. In the absence of an international government, nation-states are the principal actors and consequently, form an anarchic world. This co-existence of international anarchy and the selfish passion of nations unleash power struggles. Nations, therefore, have to be self-preserving (Bull, 2002; Carr, 1939; Waltz, 1979). While classical realism disregards the part played by international structures in determining inter-state relations, neorealism is well equipped to consider the American-Chinese equation in the contemporary global arrangement. Waltz argues that though equal in function, states differ in the power weightage and it is this distribution of capabilities that defines the prevalent international structure (Waltz, 1979, p. 114). The balance of power theory summarises this idea. The balance of power theory also posits ‘balancing’ and ‘bandwagoning’ as the only two behavioural options for states in an anarchical system. However, Waltz quickly dismisses bandwagoning as a desirable step as he argues that balancing is the only feasible step as nations try to sustain their relative power (ibid., p. 126). Unipolarity is impossible in this scenario. But after the collapse of the Soviet Union and faulted predictions about the stability of a bipolar international system, neorealism veered towards multipolarity. Neorealists saw the unilateral rule of America as transitional.

Waltz, the staunchest of neorealists, refuses to acknowledge a unipolar world order to the extent that three years after the Soviet collapse, he declared that ‘bipolarity endures, but in an altered state’ (Waltz, 1993, p. 52). He justifies his claim by pointing out that Russia is still militarily capable and its military might has not been displaced by any other new nation. Waltz almost bets that once countries like Japan, Germany and China become nuclear-armed, the world will be multipolar. Substantiating his prediction, Waltz quotes an event of 1990 when the USA attempted to dictate the establishment of a new bank for Eastern Europe in order to secure veto capacities, but failed (Fansworth, 1990). Waltz concludes that this
was already an indication of the faltering solo rule of America. ‘The old and the new
great powers will have to relearn old roles, or learn new ones, and figure out how
to enact them on a shifting stage’ (1993, p. 72).

In spite of his rooted assurance, along the way, Waltz dismissively predicts a
long term of American hegemony whereby the US will witness no act of balancing
by other nations. He betrays his conviction in many of his statements pronounced in
support of an inevitable establishment of multipolarity. For instance, he said,
‘[u]nbalanced power, whoever wields it, is a potential danger to others. The
powerful state may, and the United States does, think of itself as acting for the sake
of peace, justice, and well-being [...] Some of the weaker states in the system will
therefore act to restore a balance and thus move the system back to bi- or
multipolarity. China and Japan are doing so now’ (Waltz, 1997, p. 916, my italics).
While the obvious sense of the statement is strictly neorealist, one can make out
that this prediction is nevertheless based on a knowledge that is ideologically
incongruent with the beliefs of the neorealists. Although some may argue that the
description of the US as ‘the powerful state’ and its positioning against ‘weaker
states of the system’ is in keeping with the idea of relative gains, it is also true that
these words establish a hierarchy in which America already exists as a hegemon. In
the case of China, although Waltz recognises that China is acquiring nuclear
capabilities (hence matching the neorealist requisites to transcend to the status of a
great balancing power), in his 2003 interview lecture with Kreisler, he affirms that
America is more secure than ever and, at the time, China is far from being able to
balance America (Waltz, 2003).

Mearsheimer too counters expectations for a global balancing act by new
powers. He concludes that while Japan will not be elevated to the status of a new
power pole, China’s rise will be limited to East Asia (Mearsheimer, 2004;
Mearsheimer & Brzezinski, 2005). Today, peacekeeping efforts in East Asia propel
countries of the region to give in to regional American military preponderance. As
evident through the New Guidelines for US-Japan Defence Cooperation, the
Japanese and American association cancels out possibilities of a conflicting
remilitarisation of Japan. This leaves out China and North Korea as the only nations
predisposed to create instability. But even China’s confrontation with the US will
not attain a global scale and will be contained within the Asian region. Mearsheimer refers to the 2009 Defence White Paper of Australia in which this mood for greater regional security strife in the Asia-Pacific is well summarised. He draws the following analysis:

[T]he power gap between China and the United States is shrinking and in all likelihood “US strategic primacy” in this region will be no more. This is not to say that the United States will disappear; in fact, its presence is likely to grow in response to China’s rise. But the United States will no longer be the preponderant power in the Asia-Pacific region, as it has been since 1945 (Mearsheimer, 2010, p. 381).

As realist thinkers worked upon refining the premises of realism so as to achieve greater applicability, a neoclassical realist strand emerged, pioneered by the likes of Rose, Wolfforth, Brooks, and Schweller. Even if its association is closer to foreign policy analysis rather than to the study of political processes, neoclassical realism still contributes towards an evolved realist understanding of the world. Neoclassical realists distinguish specific areas in which great powers can balance each other. Rousseau (2003) lists five of the most common sectors which carry balancing potential. According to him, an evaluation of the Chinese threat should be calculated in proportion to its achievements in these five areas.

(i) **Defence spending:** In 2009, US spent USD 668.6 million on its military capacity while China invested USD 116.6 million. In 2010, US still led in military spending, with an outgoing of 4.8 per cent of its gross domestic product (GDP) injected into its defence programmes. In comparison, China spent 2.1 per cent of its GDP on military aspects in the same year (Stockholm International Peace Research Institute, 2009; 2010).

(ii) **Weapons procurement:** The embargo on arms trade with China that was imposed after the Tiananmen Square events prevents China from acquiring weapons of advanced technology capable of competing with Western equipment. The majority of Chinese weapons are acquisitions of Soviet-era military technologies which will soon be obsolete (Weitz, 2010). Besides, China’s constant reaffirmation of its commitment to the ‘no first use rule’ reassures of its non-offensive military intention.¹⁷
(iii) **Alliance behaviour:** To date, China has, neither overtly nor officially, built alliances with other states. Even its traditionally close association with Russia seems to wane—a recent indication of which is Russia’s reticence to sell its latest military technology to China (Weitz, 2010; Deng, 2001, p. 361). Pakistan and the select African countries can hardly be considered as allies who will aid China at balancing the US. As Malik observes in relation to North Korea, Myanmar and Pakistan, ‘nearly all of China’s allies happen to be weak and failing states’ (Malik, 2003, p. 90).

(iv) **Economic interactions:** The fact that a large portion of FDI inflow in China comes from America confirms that Chinese economic partnerships are not trying to put America out of competition. Most importantly, China’s accession to the WTO in 2001 ensures that America keeps Chinese commercial activities in check through the Dispute Settlement Mechanism. 18

(v) **Policy statements:** China continuously describes its rapport with the US as that of partnership and cooperation. A jargon of ‘cooperation for a better world’ colours the talks of both nations’ leaders (China.org.cn, 1997; Washington Post, 2011).

Therefore, dismantling all assumptions about China being a threat to the US, neoclassical realists state the following:

What such arguments fail to recognize are the features of America’s post-Cold War position that make it likely to buck the historical trend. Bounded by oceans to the east and the west and weak, friendly powers to the north and south, the United States is both less vulnerable than previous aspiring hegemons and also less threatening to others. The main potential challengers to this unipolarity, meanwhile – China, Russia, Japan and Germany – are in the opposite position. They cannot augment their military capabilities so as to balance the United States without simultaneously becoming an immediate threat to their neighbours. Politics, even international politics, is local (Brooks and Wohlforth, 2002, p. 24).

By giving importance to internal variables and led by the belief that ‘the scope and ambition of a nation’s foreign policy is determined by its relative power capabilities and place in the international system’ (Rose, 1998, p. 146), neoclassical realists suggest possibilities of non-balancing behaviour among states. In relation to China, they state the following:
Today, however, U.S. dominance is the status quo. Several of the major powers in the system have been closely allied with the United States for decades and derive substantial benefits from their position. Not only would they have to forgo those benefits if they tried to balance, but they will have to find some way of putting together a durable, coherent alliance while America was watching. [...] although there may be several precedents for a coalition of balancers preventing a hegemon from emerging, there is none for a group of subordinate powers joining to topple a hegemon once it has already emerged... (Brooks and Wohlforth, 2002, p. 25)

This overview of the progressive generations of realism and their stance on Chinese revisionism reveals that realism, benignly or unconsciously, accepts that even if states function in anarchy, their actions are influenced by experiences of dependence; a constant feature of an anarchical world structure with diverse power distribution. Waltz’s incongruent arguments about the prospects of unipolarity versus multipolarity, only to acknowledge the ever-expanding longevity of American hegemony; Mearsheimer’s claims about the regionally contained global rise of China due to American predominance; the overt acceptance of bandwagoning behaviours by neoclassical realists—all three stances point towards an element of dependence that contributes to the formation of the international structure. The key to this admittance to dependence is the concept of ‘relative gains’ stressed by realist thinkers. As they argue that states are concerned about maximising the gains they receive in comparison to those gained by other states, realist thinkers establish a relationship of action-reaction and hence domination-subordination, whereby it is the comparative power of one state and its actions that initiates another state to assume the position it does.

2. Liberalism
Liberalism is based on the Kantian understanding of human nature. It emphasises an inherent sense of goodwill and supports possibilities of cooperation among nations. Taking from the idea of ‘absolute gains’, liberals argue that states are not concerned with what others are gaining. Their sole focus is their subjective profit and security maximisation (Keohane and Nye, 1977; Powell, 1991). Nonetheless, liberals agree with realists that the world structure is anarchic. They attribute this anarchy to the fact that state behaviour is not determined by the international
system but by a nation’s domestic conditions such as its political nature and economic policies (Doyle, 1983; Kant, 2003; Keohane and Nye, 1977). In keeping with the democratic peace theory, liberals should therefore presume conflict between China and the community of democratic states. However, this is not the case. Instead, today, neoliberals appear more at ease with the demeanour of China. After the Second World War, neoliberalism emphasised more on the role of liberal economics, trade and market access in furthering international cooperation and democratic governance (Harvey, 2005). As Doyle (2005, p. 465) puts it, ‘avoiding a challenge to another liberal state’s security or even enhancing each other’s security by means of alliance naturally follows economic interdependence’. That China’s capitalist economic policies prevail over its communist identity and allow non-confrontational existence explains the neoliberal respite (Findlay and Watson, 1997; Hale and Hale, 2003; Jilberto and Hogenboom, 2007). In the context of a discussion about the relations between Latin American countries and China, Jilberto and Hogenboom conclude:

[Y]ears away from its international Maoist policies, China’s doctrine is nowadays based on: no hegemonism, no power politics, no arms races and no military alliances. This strategic doctrine proclaimed by the Chinese President Hu Jintao (since 2003) forms part of China’s global policy to favour its economic development and integration in global neoliberalism. In Latin America, this doctrine is seen as positive for improving international cooperation, strengthening mutual confidence, preventing international confrontations and thereby being positive for multilateralism’ (Jilberto and Hogenboom, 2007, p. 494).

Through its prioritisation of free global trade, neoliberalism acknowledges the significance of ‘dependency’ in world affairs, for such a configuration can only be sustained through reliance on external markets, imported raw materials, technologies, labour, and so on. As the world becomes the arena for competition, state and non-state actors depend on external resources to reduce production costs and produce improved quality goods in order to make the most of the market.

Since it accommodates the role of both, public and the private sector, neoliberalism fits the profile of the CSEZA on quite a few accounts. Why not study the CSEZA from a neoliberal paradigm then? There are several contentions. Firstly, neoliberalism only informs us of how the CSEZA can function successfully in the
current market-dominated global climate. It does not tell us what pushed China to invent CSEZAs and what accounts for its multi-dimensional feature. Neoliberalism only provides an ideological foundation to the policy practices applied for the purpose of the zone and within the zones. It does not offer the theoretical patronage to the concept of the CSEZA itself. Secondly, with the geographic displacement of zone-bound liberal economic policies from a country abiding to one political ideology (i.e. socialist China) to another country abiding to a different ideology (e.g. Mauritian liberal democracy) that too, with the involvement of a new range of front-running participants, there is an evident alteration in the context and actors to be studied. While neoliberalism does account for the participation of non-state actors along with state actors, it is not epistemologically equipped to cater for an understanding of an event engaging the interactive community dimension inherent to the scenario of Chinese SEZs abroad. We are here referring to the communities which have been displaced in the host countries. This diversity in the genre of actors in CSEZAs symbolises diversity in motivations. Although neoliberalism upholds that the objective of nation-states is the economic welfare of the nation, it is not conceptually equipped to provide an insight into the behaviour of the private sector or of the respective civil communities. This is a serious handicap in this case. For instance, since they are the ones who implement and run the zone, private developers are very likely to nurture aims of personal profitability. Their motivations may override those of the partner nation-states. Even then, academics cannot account for the zone on purely profit-driven hypotheses because new considerations such as corporate social responsibility (CSR) intervene. The element of benevolence that guides CSR is one that cannot be accounted for by any structural theory. Hence, although the idea of dependency is close to its basic ideas, neoliberalism falls of short in providing an understanding of Chinese SEZs abroad due to its epistemological shortcomings. It fails to trace back the cause of the unequal distribution of market access in the global capitalist structure. It is only restricted to implementing the mechanisms of dependency.

The fact that the CSEZA is an economic formation means that, to a large extent, international relations theories fail to appropriately explain its fiscal characteristics. Borenzstein and Lee’s (1998) neoclassical growth theory, which
explicate the ability of FDI to create economic growth, can potentially fill this gap. According to them, FDI brings together labour, capital and technology to further economic advancement. But what is important in this equation is that there needs to be a balance between the absorptive capacity of the domestic labour (education, skills) and technology. Though the authors rightly present the pre-requisite of a social capital-technology equilibrium in order to extract maximum use of FDI, its successful realisation in the enclave structure of the CSEZA is doubtful. This is because the restricted local access in and out of the zone and the lack of restrictions on the employment of foreigners prevent the host country from extracting a maximum usage of the FDI.\textsuperscript{20} Looking at the CSEZA through the perspective of an economic theory highlights the fact that usually researchers consider FDI inflow, foreign exchange income, technology, and employment as the determinants of the success of enclave economies. However, these are all economic indicators, which gain value only \textit{after} their implementation through policies; they cannot perform in isolation. In order to deliver a successful performance, these economic indicators require the support of ‘agency’ factors. As their abstract and multi-faceted nature cannot fulfil the demands of measurability sought in the studies of enclave economies, variables of the nature of an ‘agency’ are ignored. However, lately, WB analysts have recognised the contribution of a couple of these non-structural elements to the success of SEZs (Zeng, 2010, pp. 16-18).

(i) \textit{Leaders’ commitment to reform and pragmatism:} This is a reference to Xiaoping’s determination and pragmatism epitomised through his statement: ‘it does not matter if it is a white cat or black cat as long as it can catch the mice, it is a good cat’. The leadership and philosophy of Xiaoping are central to the success of the SEZ.

(ii) \textit{The role of diaspora:} An inflow of FDI from Hong Kong that Guangdong experienced in the early 1980s is evidence of the importance that cultural and social relations hold in building successful economies. Taiwan and Macao also took advantage of their diasporic connections and shifted their labour-intensive activities to Chinese SEZs. The works of Brautigam, Farole and Xiaoyang (2010, p. 5), further indicate towards an incorporation of ‘agency’ elements in the study of the CSEZA. By including ‘high
level of commitment and engagement from host government’ and ‘community relations’ among the considerations for setting up successful CSEZAs, they reinforce the idea that this particular form of exported economic zone calls for a constructivist insight. As we acknowledge the positive economic results that the pragmatic Chinese leadership and the support of diasporas have on SEZs, it becomes clear that non-structural factors have a hand in enhancing the performance of SEZs. Thus, if SEZ is to be studied by accounting for both sets of determinants, ‘structure’ and ‘agency’, it is imperative to take recourse to constructivism.

3. Constructivism

Where realism and neoliberalism have little to contribute to an epistemological understanding of the CSEZA, constructivism finds affiliation to the study due to its aptitude to consider both structure and agency. It sanctions an understanding of the interaction amongst the diversely empowered actors engaged in the creation of CSEZAs. Wendt defines the main premises of the theory as (1987; 1992; 1994): (i) structures of human association are defined primarily by shared ideas rather than by material forces, and (ii) that the ideas and interests of purposive actors are constructed by these shared ideas rather than given by nature. This centrality of inter-subjectivity and interaction in constructivism makes the theory apt to support Dependency Theory in explaining the dependent formation of states’ identities. Wendt stresses that each nation assumes multiple identities as a reflection of its inter-subjective interaction with every other nation. There is an exercise of role-play. Referring to a process of creating cooperation, Wendt explains:

[I]f we treat identities and interests as always in process during interaction, then we can see how an evolution of cooperation might lead to an evolution of community [...] Repeated acts of cooperation will tend to have two effects on identities and interests. First, the symbolic interactionist concept of “reflected appraisals” suggests that actors form identities by learning, through interaction, to see themselves as others do [...] Second, through interaction actors are also trying to project and sustain presentations of self [...] Thus, by engaging in cooperative behaviour, an actor will gradually change its own beliefs about who it is, helping to internalize that new identity for itself (1994, p. 390).
This idea of the formation of a flexible identity closely relates to the premises of Dependency Theory which stipulate that an entity can be a metropolis while also being a satellite when interacting with different sets of actors.

Nonetheless, constructivism on its own is not suitable as a prism for the study of the CSEZA. It focuses too much on the specificities of cases and does not provide a consistent framework with, at least, similar basic understandings of why China exports SEZs to various African countries. A grand understanding of the impact of CSEZA on the global structure will be difficult to achieve, since constructivism would struggle to draw generalisation. Secondly, Wendt’s basic premises of constructivism still retain states as the main actors while non-state actors and individuals are accommodated as intervening variables. This will not work in the study of CSEZAs (Wendt, 1994, p. 385) where non-state actors also assume the status of a structure. On a third instance, as Doty (2000) notes, constructivism can only provide an understanding of what is happening and how, but it does not answer the ‘why’ question. It can identify the deterministic variables involved in the creation of the CSEZA; explain the disposition of each actor participating in the zone; and tell us about how these actors interact and substantiate the existence of the unit, but constructivism does not elucidate why these interactions occur in the first place. Fourthly, the normative nature of constructivism allows it to explicate stability better than change (Wang, Qingxin, 2000, pp. 268-69). Therefore, its adoption as the paradigm to study the CSEZA will not be appropriate, as it will fail to justify the emergence of this new exported avatar of the SEZ.

**Development Theories**

The Bretton Woods institutions were set up in July 1944. The IMF and International Bank for Reconstruction and Development (IBRD) took upon themselves to ensure a strict supervision of the financial strategies of nations. They sought to ensure that nations keep in line with the new liberal capitalist trade regime which was identified as the ultimate path to economic growth and development. The Allied Nations agreed to it in order to overcome the disastrous effects of the Second World War and also to prevent a repetition of the Great Depression. But contrary to expectations, the benefits accrued by the Allied Nations under the Bretton Woods
arrangement did not reach their respective colonies. The 44 leading states of the
agreement overtly prioritised their individual domestic sustenance. For example,
suffering from a shortage of foreign exchange due to the damages suffered by its
industries, Britain was initially reluctant to open its door to free trade. It only joined
the system when America assured it of an aid grant. France also had a similar
negotiation. The loans and aid these colonial powers received were extensively
invested at home and little of it reached their dependencies. As Gavin (1996) writes,

the Bretton Woods system was not driven by some grand idealistic purpose
on the part of its founders, but by considerations of national interest. The
British especially saw in the agreements a chance to immunize their planned
social programs from international balance-of-payments pressures and to
acquire generous amounts of American aid without political concessions.

This development bias in favour of colonial powers undermined the neoclassical
realist hypothesis that the pursuit of maximised utility and profits by every nation
will eventually lead to a levelling of international income (Ardnt, p. 121 in Randall
and Theobald, 1998). In the few years that followed this skewed model of
economic growth, a wave of decolonisation hit the world and several Asian and
African countries gained independence. Independence was accompanied by a
strong feeling of self-reliance and nationalism displayed by countries such as India
who immediately nationalised the key industries of its economy. It is under the
same sentiment that the newly independent states formed the Non-Aligned
Movement (NAM) in 1961.

After decolonisation of the South American (largely in the 19th century), Asian
and African continents in the 1950s and 1960s, nations were left to administer their
own politics and economies. They had to find ways to survive in a system that was
in a daily flux, due to increased tensions among notable powerful states of the time.
Moreover, the economic inflictions of the Great Depression and of the world wars
still lingered, altogether limiting the options for growth and development sought by
these newly independent countries. In such a situation, energised by the feeling of
independence and self-reliance, some Latin American countries resorted to
cases of expropriation of US companies by Latin American nations. He refers to the
case of the US International Petroleum Company whose expulsion was described by Valesco of Peru as ‘the first step toward reducing foreign influence in Peru’s economy and securing the definitive emancipation of our homeland’ (ibid., p. 217). These policies were criticised by academics and leaders of the Western states. In 1971, President Nixon resolved to punish Latin American countries practicing expropriation by halting all their bilateral agreements with the US (ibid., pp. 226-27). Scholars were confused as ‘many features of the policies, concepts, and methods of economic development planning in such countries either do not make economic sense, or else would make economic sense only in certain specific and rather exceptional economic circumstances the actual presence of which no one has felt it necessary to establish by empirical economic research’ (Johnson, 1965, pp. 169-70). This inability to understand this new nationalist approach initiated by Latin American countries through existing economic and political theories triggered the search for a development theory.

Garcia (n.d, p. 2) contends that Dependency Theory arose in order to fill the gap between Modernisation Theory of the 1950s and the re-emergence of neoliberalism in the 1980s. While Garcia refers to a temporal void, it would not be wrong to say that Dependency Theory also filled the ideological gap between these two approaches. Both modernisation and neoliberal theories draw universal blueprints to pursue development, but differ in their respective understanding of the nature and source of this development. While for Rostow’s Modernisation Theory, growth is internally driven, neoliberalism supports externally-driven domestic development (where even internal adjustments are externally imposed in order to allow an externally-oriented growth). Dependency Theory bridges this gap and considers development as being both, externally and internally, hindered. It is interesting to note that while Modernisation Theory and neoliberalism discuss how development happens, Dependency Theory focuses on how it is prevented. Dependency Theory itself has many variations. There is the branch of liberal reformers headed by Raúl Prebisch; Andre Gunder Frank pioneered a Marxist version of Dependency Theory; and Immanuel Wallerstein presented the World System Theory reading of dependency.  

As Ferraro (2008, pp. 58-64) observes,
although each has different purposes and respectively hold different assumptions about what the key element dividing the world into strata is, dependency theories agree on the basic principle that external influences are deterministic of national development policies. However, the discussion below will only deliberate ideas of the liberal reformers and Marxist strands. The World System Theory is excluded because, as succinctly put by Smith (1978, p. 576), Wallerstein’s analysis is not concerned about the underdeveloped situation of the periphery. He considers the periphery solely in terms of the part it plays in the global division of labour.

Modernisation Theory
Disappointed by the sidelined developmental future of least economically developed countries (LDCs), development theorists attempted to trace back the roots of their lack of development in order to come up with measures to outgrow their pitiable conditions. In 1960, Rostow came up with the Modernisation Theory. He distinguished five distinct stages towards economic modernisation and hypothesised that every country has to go through these five stages if it is to achieve economic development—regardless of its cultural or historical context. Since Rostow’s doctrine of economic growth is entirely reliant on internal/domestic efforts, Modernisation theorists conclude that developing countries lag behind because of lack of initiative, investment and motivation on part of their respective states, and due to internal problems such as traditional cultures and overpopulation (So, 1990, p. 96). However, some academics question the validity of Rostow’s suggested development exemplary. Opposition to Rostow’s model became stronger when the model failed under Kennedy’s 1961 Alliance for Progress. Rostow had supposed that with a small amount of aid injected in Latin American countries, the later would reach the ‘take-off’ stage and could thereafter be easily directed towards fast-paced and comprehensive development. As it failed to deliver, the question that emerged was: if capital and technology are indeed fundamental to bolstering development, why do developing countries still suffer from a development deficiency despite years of foreign investment and aid? Since independence, Latin American nations have absorbed FDI in several of their sectors. But even after a century, the injection of capital, technology and infrastructure has
not brought development to Latin America. While evaluating the success of the Alliance of Progress in delivering development, Ish-Shalom (2006, p. 302) and Taffet (2007) underline how investment, aid and democratisation—desirable components of Rostow’s Modernisation Theory—are unreliable foundations of economic growth by themselves. These require a stronger policy retinue in order to sustain their implementation. Nevertheless, this still does not guarantee the delivery of developmental goods.

Import Substitution Initiative
During his term as the Director of United Nations Economic Commission (UNEC), Prebisch, with the assistance of Singer, came up with the Singer-Prebisch model in 1950. He had witnessed the immovable development situation in Latin American and was doubtful of Rostow’s measures. Singer and Prebisch were certain that there is a division in the terms of trade of LDCs and that of developed nations. In a study titled *Relative Prices of Exports and Imports of Underdeveloped Countries* (1949), Prebisch defined LDCs as the ‘periphery’ and the industrialised countries as the ‘centre’. The authors claim that, over time, prices of primary commodities tend to decrease and prices of manufactured goods increase due to the value-added involved in the latter. Consequently, producers of primary commodities (the periphery) have to export more to the centre for the same price, and at the same time, they have to pay more for manufactured imports from the centre. The remedy to this unbalance that Prebisch and Singer propose is an import substitution initiative (ISI). Under ISI, the periphery sells its raw materials to the centre but does not buy manufactured goods from the centre. Instead, the periphery generates its own manufactures, thus keeping the earned foreign exchange within its domestic economy. As ISI targets the domestic market, it promises more opportunities for development, as profits get re-invested in the country. Among the countries that implemented ISI in the 1960s were, Argentina, Chile, Uruguay, Brazil, and Peru. Latin American countries pursued the ISI strategy not only for economic benefits but also for political motives. It was expected that the industrialisation
accompanying ISI would roughly equalise the national bourgeoisie and the working class.

Import-substitution industrialization was not born as a cohesive development model; it gradually emerged as a response to the socioeconomic and political problems of the times. The successes of the liberal export-led model between the 1860s and, arguably, the 1920s generated a process of urbanization around trade, finance, and incipient industrialization that led to the rapid expansion of new social groups, such as merchants, financiers, the middle classes, and urban labor [...]. The collapse of the liberal export model brought social tension among these groups [...]. Thus, in its origins, import-substitution industrialization is better understood as a bundle of industrial and social policies implemented by political regimes that sought to include the interests of middle and lower classes. (Silva, 2007, p. 69)

However, ISI had the contrary effect. It was accompanied by difficulties and experienced a short-lived success. It failed for many reasons. Firstly, the peripheral states had to import expensive machinery required for manufacturing from the centre. Secondly, the domestic market of the LDCs could not absorb the expensive goods that were being produced through ISI. And thirdly, though it was initially geared towards a united domestic cross-class effort for nationally contained development, ISI later entrenched class divisions (Gülap, 1998, p. 955). State-owned enterprises coalesced with the domestic elite to exploit the working class. Moreover, as ISI products were expensive and not accessible to entire population, it deepened social and economic disparity. Disagreeing with ISI and Rostow’s recommendations, Frank introduced the most popular strand of dependency thinking.

**Dependency Theory**

Frank devised the Dependency Theory in 1967. He was inspired by the 1959 Cuban Revolution and Lenin’s theory of imperialism. During his teaching job in Latin American universities in the 1960s, Frank witnessed expressions of nationalism such as Castro’s and Che Guevara’s Committees for the Defence of the Revolution and the Ministry for the Recovering of Misappropriated Assets. The later worked towards the nationalisation of land, businesses and properties owned by the Cuban upper classes and foreigners. At the time, Cuba had decided to eliminate all
parasitic connections between the developed and underdeveloped countries. Guevara (1964) warned LDCs about this destructive relationship:

[T]here is the inherent contradiction between the various developed capitalist countries, which struggle unceasingly among themselves to divide up the world and to gain a firm hold on its markets so that they may enjoy an extensive development based, unfortunately, on the hunger and exploitation of the dependent world [...] If at this egalitarian conference, where all nations can express, through their votes the hopes of their peoples, a solution satisfactory to the majority can be reached, a unique step will have been taken in the history of the world. However, there are many forces at work to prevent this from happening. The responsibility for the decisions to be taken devolves upon the representatives of the underdeveloped peoples. If all the peoples who live under precarious economic conditions, and who depend on foreign powers for some vital aspects of their economy and for their economic and social structure, are capable of resisting the temptations, offered coldly although in the heat of the moment, and impose a new type of relationship here, mankind will have taken a step forward.

Lenin’s theory of imperialism reinforced Frank’s ideas (Lenin, 1916). Lenin identified a relationship of exploitation between the few capitalist oligarchies made up of European states, corporations, peripheral elites, and the poorer states and their general population. He postulated that capitalists manipulate the state into acting as an instrument of exploitation of the periphery and ascertain the domination of peripheral elites, European capitalist states and corporations. The state encourages producers of raw materials to produce and sell their goods to the core, at a cheap rate. The state also hinders the development of indigenous industries in order to keep the periphery dependent on finance from the core. On its turn, the core ascertains that the peripheral elite class is sustained so as it can continue gathering export income from the luxury goods sold to the peripheral elites. As a result, the wealth of the periphery flows to enrich the core and generates imperialism. Armed with a concrete Latin American illustration of the divergent development dichotomies inherent within capitalism, Frank developed an ideological framework to translate his experiences into a series of causal relationships.

Frank’s version of the Dependency Theory moves away from a unitary state level analysis and sees capitalism as having created a singular network of development consisting of two levels: the metropolis, and the satellite. The relationship between the two is characterised by exploitation and subordination.
The singular network in which these two levels repeatedly occur, allows the metropolis to connect to the furthest satellite in a single stretch. In this liaison of dependency, its immediate metropolitan superior claims the economic surplus generated by the subordinate satellite. In so doing, the surplus snowball across several levels to reach the ultimate 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. Frank does not grant the status of metropolis and satellite only to nations. This categorisation is valid within nations as well—where similar patterns of domination, subordination and surplus appropriation prevail among the different classes and communities (1968). He attributes this internally prevalent economic stratification to colonisation. At independence, the indigenous population who took over maintained the inherited hierarchical and appropriative administrative culture in the peripheries. This allowed them to have constant control and access to the surplus created, hence reproducing peripheries and constant underdevelopment (ibid., p. 71). Frank illustrates his theory through the example of Brazil.

He traces the origins of Brazilian underdevelopment to the era of colonisation. During that period, the profits generated through the cultivation of sugar were repatriated to the colonial masters in Portugal and to a large number of Dutch land and sugar mill owners. Frank explains that ‘[t]he concentration of wealth in their hands, the transfer of much of it to the metropolis, and the structure of production whose greatest profit lay in producing a single product for export led to little domestic investment and production...’(Frank, 1967, p. 153). However, in the 1690s and early 1700s, there was a decline in the demand for Brazilian sugar due to an overproduction across the world. Following this, the Dutch withdrew from Brazil and ‘the Northeast of Brazil began to fall into decadence. The relative weakening of its ties with the metropolis forced the Northeast to turn upon itself; the development of the system as a whole produced the involution of its Northeast Brazilian satellite’ (ibid., p. 153). As a result of this involution, a livestock sector developed alongside the sugar production. The livestock sector became the metropolis of the indigenous Indian peasants and a Brazilian bourgeoisie was born.
With the involution of the sugar economy of the Northeast, its growing satellite livestock sector absorbed population which went over from the declining export economy to this relatively more subsistence economy [...] In this Northeastern region of Brazil today rules coronelismo (gamonalismo they call it in Peru, and caciquismo in Mexico): the kind of all-powerful local economic, political, social and police chieftainship that the so-called “feudal” land-owner represents... (ibid., p. 154–55)

In this way, although Brazil became independent in 1822, due to its initial expropriation as a colony and continued coercive subordination at the hands of its domestic elites, the country remained a manufacturer of primary goods and dependent on imports of manufactured goods. A representation of Brazil under Dependency Theory is shown in Figure 2.4. 27
Frank remarks how, despite the end of colonisation, free trade aided the proliferation of relationships of domination and subordination. The political independence of Brazil was not enough to liberate it from underdevelopment or the structure that produces it. On the contrary, independence placed political power in the hands of those economic groups whose vested interests were to maintain the Brazilian status quo. Simultaneously, the metropolis now Britain without the mediation of Portugal, replaced the increasingly outdated mercantilist instruments of metropolitan monopoly control by the newer and now more advantageous ones of free trade. The essential metropolis-satellite structure of the system did not change, either domestically or internationally. Thus, political independence did not produce Brazil’s economic development; and free trade consolidated its underdevelopment and the structure which inevitably generates it (ibid., p. 167).

As mentioned before, Frank is highly critical of Prebisch’s ISI. He argues that not only has LDC development failed under ISI but the strategy has actively underdeveloped LDCs (Frank, 1976, p. 185). He also rejects Modernisation Theory for supposing that development is a self-contained national process that takes place in isolation. The following translated phrase appropriately sums his contention: ‘Development and underdevelopment are the same in that they are the product of a single but dialectically contradictory economic structure and process of capitalism. Thus they cannot be viewed as the products of supposed differences in the stages of economic growth achieved within the same system’ (Frank, 1967, p. 9). To him, this duality of development and underdevelopment central to the capitalist system traces its roots back to colonial times when the now-developed nations (colonial powers at the time) initiated the process of underdevelopment of the satellites. Nevertheless, the colonial powers, themselves had never been underdeveloped. As pre-colonial circumstances, which had allowed an independent development of the already-developed states cannot be replicated, Frank suggests that satellites can halt their underdevelopment only if they distance themselves from the metropolis (Frank, 1968, p. 75). Satellites should try for independent development and secure control over nationally produced economic surplus and capital. Yet, Frank admits that it is impossible for satellites to overcome expropriation by metropolises in a capitalist system.
Haynes (2008), on his part, points out that historically, attempts for contained peripheral development—such as the New International Economic Order (NIEO) and regionalism—failed to produce the desired results as they were unable to escape their dependence on core states. Cardoso and Falleto are of the opinion that there are only two options to stall underdevelopment: either LDCs should find a niche in global capitalism or a socialist revolution by the poorer sections of the periphery should take place (Cardoso and Faletto, 1979, p. 212). These recommendations have few takers. Junker (2009, p. 4) cites the example of China who initially pursued a socialist path towards development but has now resorted to capitalism. Gülap notes that revolution by the exploited in the satellites is unlikely to happen because the subtleties in the different levels of exploitation internal to a state are well camouflaged as yet. LDCs believe that they are being expropriated as a nation in its entirety. Consequently, they have not developed consciousness of the internal bourgeois-periphery divide. Therefore, a national revolution is what would be most effective in overcoming dependency on the metropolises (1998, p. 954).

**Criticisms of Dependency Theory**

Frank’s Dependency Theory is criticised for granting primacy to external factors while altogether ignoring possible activism on part of internal actors of the satellites. Tony Smith (1979) and Caporaso (1980, p. 617-621) disagree with the lack of autonomy Frank automatically attributes to the state and local actors in influencing interaction between metropolitan actors and components of the periphery.28

We conceive the relationship between external and internal forces as forming a complex whole whose structural links is not based on mere external forms of exploitation and coercion, but are rooted in coincidences of interests between local dominant classes and international ones, and, on the other side, are challenged by local dominated groups and classes. ... External dominations in situations of national dependency (opposed to purely colonial situations where the oppression by external agents is more direct) implies the possibility of the “internationalization of external interests (Cardoso and Faletto, 1979, p xvi).

Cardoso (1973) echoes Evan’s ‘triple alliance’ concept in his ‘associated-dependent development’. Associated-dependent development extrapolates upon the role of
private actors such as multinational corporations (MNCs) and foreign investors who bring about development (though limited) to the periphery through industrialisation. Cardoso is adamant that:

[associated-dependent development is not without dynamism; it is not based on ruralization at the expense of industrialization; it does not reinforce the old division of labour in which some countries only exported raw materials and imported manufactured goods. On the contrary, the distinguishing feature of the new type of dependency that is evolving in countries like Brazil, Argentina, and Mexico is that it is based on a new international division of labour. Part of the industrial system of the hegemonic countries is now being transferred, under the control of international corporations, to countries that have already been able to reach a relatively advanced level of industrial development (Cardoso, 1973, p. 156 – 157, italics original).

As he is joined by Faletto in writing about dependency in Latin America, once more, Cardoso highlights that, the system of domination reappears as an “internal” force, ‘through the social practices of local groups and classes which try to enforce foreign interests, not precisely because they are foreign, but because they may coincide with values and interests that these groups pretend are their own’ (1979, xvi). Dependency, therefore, involves a high degree of voluntary initiative from local components within the periphery. However, what critics like Cardoso initially ignored is that associated dependent development which the state carries out together with external actors, could not necessarily bring in profit. Cardoso (2001, p. 263-64) admits reticently while still trying to hold on to the functionality of the state, that:

[w]ith globalisation, the State needs to recompose its functions. Thus the mission of the State to provide steering capacity for development becomes much more important than the patently ineffectual attempt to take the place of private enterprise in the production of goods and services which are not of an eminently public nature (...) due to its new role, [the State] should intervene less often and more effectively, as it has increasingly restricted options in terms of economic policy, as a consequence of the necessary fiscal discipline and austerity in public spending...

Leys (1982, p. 104) draws attention to the implications underlying Frank’s recommendations to overcome underdevelopment. He quizzes the chances of having an autonomous capitalist development that does not generate inequalities, unemployment and instabilities. Tony Smith (1979, p. 278-79) flags a third critical aspect. He argues that Frank overlooks the development happening in the
peripheries. Although marginal, development in the metropolises is bound to spill into the satellites. It is up to the peripheral entities how they choose to interact with their metropolises in order to absorb the latter’s technological and economic advancements.

Contemporary Relevance of Dependency Theory

Many argue that in a global world defined by technological, political, economic, social and environmental connectedness in which instruments of power like capital are fluid, Dependency Theory is out-dated in its division of the world between metropolises and satellites. But even if Dependency Theory is unfashionable as a theory, the conditions upon which dependency rests still pervade the capitalist global economy in the form of neoliberalism. Today, neoliberalism has assumed the position of a function of dependency; dependency is the reality, which is being acted upon by neoliberalism.

In a description of the changed implementation of dependency, Chase-Dunn evokes the neoliberal mechanisms present in contemporary dependency exercises.

The maintenance of peripheral status during those times [before the modern capitalist world] relied exclusively on the credible threat of military force. Today, the reproduction of the international power hierarchy is achieved more subtly through market mechanisms, and force is used only when the market "rules" (which act to sustain the dominance of the core) are challenged by insurrection (1995, p. 396).

Indeed, the contents of neoliberalism and its demeanour confirm Chase-Dunn’s words. Neoliberalism has certain prerequisites which need to be fulfilled to enable growth and development. These are privatisation of state enterprises, tax reforms, trade liberalisation, subsidies cut, and deregulation, amongst others. Though implemented at the domestic level, these arrangements are mere contextual conditioning in order to fully integrate the nation and push it to participate actively in global trade transactions. The belief in the universality of this approach to development is evident through its endorsement and enforcement by the regulatory Bretton Woods institutions. Nonetheless, in this process, countries and entities internal to those countries get further tied to the externally occurring political and economic activities. It would therefore not be wrong to surmise that
dependency is now institutionalised in the form of WTO, IMF, Structural Adjustment Programmes (SAPs), the debt allocation/repayment system and the entire free trade idea (Ahiakpor, 1985, p. 537; Strange, 1998b). Ferraro and Rosser’s (1994) discussion reveal how the IMF has entrenched developing countries’ dependence on international organisations and developed nations. They claim that rather than prioritising its initial responsibility of aiding peripheral development, by adopting the Brady Plan, IMF assumed the position of the guarantor of debt repayment from the developing countries. The Brady Plan of 1989 was an attempt by the US Treasury towards debt reduction. It called upon the goodwill of the creditor banks to forgive part of the debt credited to the developing countries, in return for guarantees for payment of the rest of the debt. Usually, it was the IMF and the WB which would be providing these guarantees but ‘[t]o qualify for debt reduction, the plan stipulates that debtor countries should be undertaking sound economic policies aimed at encouraging domestic savings and foreign investment and promoting the return of flight capital’ (Sachs, 1989, p. 88). Strange (1998a) too refers to the process of taking loan from the IMF and WB to demonstrate how the direct dependence of the peripheral countries on the core remains. She is particularly concerned that loan grants invariably still depend on the direct contributions of core nations.

Over years and with increased experience, the shortcomings of the neoliberal development model have been addressed. For example, the harsh conditionalities for reform imposed under SAPs were revamped and granted more local ownership in the form of the PRSPs. Similarly, the IMF decided to address more ground level poverty and inequality issues through the PRGF. Nevertheless, as underdevelopment persists in LDCs, neoliberals argue that the blame rests on the incorrect implementation of the advised pre-conditions by the home governments. They project underdeveloped states as obstinate and reluctant to let go of protectionism. In the neoliberal revision of its development strategies in 1989, the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation by the UNEC emphasised upon the need of a transformation of the ‘economic, social and political structures in Africa that hamper development [...] the various forms of inequalities inherent in African
societies and [...] the lack of democratic political structures...’ (Owusu, 2003, p. 1659). Therefore, by advocating for greater openness to private—often external forces—in order to further development, and by curbing the autonomous role of the state, neoliberalism reaffirms domination by external forces.

Haynes (2008, p. 72) asserts that Dependency Theory still reigns through neoliberalism mainly because the peripheral elites accept the logic of neoliberalism and are convinced that ‘There is no alternative’. Strange is of the opinion that there is no withdrawal route from the capitalist liberal market system, especially for developing states. Developing states need the connection to the core, especially in terms of technology and market, in order to facilitate development (1998b, p. 23). As Leander puts it ‘although openness may not bring development, foregoing openness amounts to foregoing development’ (2001, p. 116). It appears that it is in a similar spirit that Chinese SEZs have been assimilated in Africa.

**Summation**

When the CSEZA is studied in context of the three major transitions across the world’s power tectonics, it is clear that this new zone form by China challenges the conventional routes to development. The unusually complex set of actors involved in the CSEZAs and the entangled inter-linkages across and within each entity, undermined the attribution of this endeavour to strictly structural or constructivist readings. Instead, CSEZAs transcend from being mere carriers of one-dimensional pursuits and are instead ‘trickle-down’ projections of a series of systemic global appropriation activities. The subject should thus be considered from a paradigm which believes that political and economic activities, entities and occurrences represent a pre-determined hierarchical structure. Frank’s Dependency Theory presents us with this opportunity. His Dependency Theory brings into perspective the capitalist context within which variations of power coexist, complement each other (whether negatively or constructively) and project their relations into new formations. In the given light, China assumes a dual position: of peripherality to Western states who lead the world order, and of appropriation towards African states. Frank’s advocacy of socialism as a possible remedy to underdevelopment resonates in China’s attempt to overcome its own underdevelopment at the hands
of the capitalist metropolises by creating the socialist-capitalist CSEZAs. Consequently, CSEZAs invariably launch into an underdevelopment of the African periphery—an underdevelopment which is actively aided by components internal to the African periphery itself.
Chapter 3
Export Processing Zones, Special Economic Zones and Chinese Special Economic Zones in Africa

Chapter Statement
A review of existing CSEZA literature reveals that academics make only fleeting references to China’s domestic SEZs. They do so merely in order to chronologically locate the emergence of CSEZAs. This chapter takes a step further and engages in a comparative discussion of EPZs, SEZs and CSEZAs, with the aim of responding to one of the key research questions guiding the CSEZAs study: what is the appropriate methodology allowing for a comprehensive understanding of this new zone form? Identifying the appropriate methodology implies the need to determine the constant variable to be studied, taking into account the extraneous variables which impact the constant components; and the nature of the interactions among the identified variables. The aim of this exercise is to eventually designate the overall contribution of the studied zone form to its external environment. It would establish how the zone relates to the existing global system. As this chapter formulates the methodology to be applied to a study of CSEZAs, it is able to confirm the networks connecting the CSEZA to the world order. Through the presence of the various actors, interventions and interactions in the CSEZAs which come out in the methodology, this chapter preliminarily identifies the possible routes of development that could be explored by the CSEZAs. Since no scholar has as yet attempted to draw a formulaic methodology for the evaluation of CSEZAs—or of SEZs from which CSEZAs are inspired—our initial reference point is the existing methodology formulated for the study of the EPZs. For this reason, this chapter starts by deconstructing the components and experiences of each of the zone forms and reveals that EPZs, SEZs, and CSEZAs are very dissimilar from each other. Therefore, the methodology used for the evaluation of one cannot be transposed to the analysis of the other. As it puts together the correct research method for each
of the zone types, this chapter conducts a comparative study of the unique variables each zone form is made of; the macro-economic framework within which each specific zone-type evolves; and the different actors the zones appeal to. The identification of an ultimate methodology for the study of CSEZAs achieved at the end of this chapter allows this thesis to establish the scope of the impact of CSEZAs, and in so doing, confirms the theoretical affiliation of the new zone form.

**Establishing the Connection between Chinese Special Economic Zones in Africa and China’s Special Economic Zones**

Chinese Special Economic Zones in Africa cannot be comprehensively understood unless studied alongside China’s own homegrown SEZs, from which it is derived. Although reports by the WB (2011) and leading academics such as Brautigam, Xiaoyang (Brautigam and Xiaoyang, 2010; 2012), Farole (Brautigam, Farole and Xiaoyang, 2010; Farole, 2011) and Akinci (Farole and Akinci, 2011) working on CSEZAs do acknowledge the intrinsic link between the two zone formats, their recognition of this correlation is based upon the simplistic insight that both the SEZ and CSEZA are initiated by the same patron, i.e, the People’s Republic of China. Brautigam and Xiaoyang (2012, p. 806) ignore China’s own SEZ experience and observe that ‘[t]he Chinese government had no blueprint for the zones [CSEZAs] and relied on Chinese companies to design them, in coordination with host governments.’ Publications treating the SEZ and the CSEZA together usually contain these combined accounts of these two zone forms only within their introductory chapters. They believe that the SEZ and CSEZA only connect in terms of their origins and definition. Any advanced analysis of the CSEZA, thereafter ignores the umbilical relationship between the two units. The CSEZA gets deconstructed in its own right rather than in relation to its affiliation to the tried and tested SEZ model. While sometimes academics measure the success of the CSEZA against their subjective deductions with regards to what a suitable procedural unravelling of the zone should be, most of the time, the deconstruction of the CSEZA is simply descriptive. By the time researchers come to evaluate the performance of the seven CSEZAs, it is noticed that they have tacitly established that each of the CSEZAs have their own
individuality. They believe that due to different political, economic and geographical contexts, the CSEZAs can neither be compared to each other, nor to the experience of their source SEZ in China model. Thus, the analytical benchmarks for the CSEZA are the latter’s own expectations and its professed objectives. While this outright CSEZA-SEZ separatist position adopted by academics warrants criticism, we cannot blindly assume that China, in fact, intends to replicate its SEZ procedures, experiences and performances through the new CSEZAs—unless we are presented with evidence proving so. Indeed, evidence supporting this supposition does come forth and we are provided with reason to believe that the SEZ is a constant reference for the CSEZA experiment.

The unintentional disconnection between the SEZ in China and the CSEZA acted upon by the English-print academia is dispelled by the efforts of Chinese authorities. Endeavours of the Chinese government indicate that China consciously intends to replicate its very own SEZ model in Africa. Three events hosted by China designate such intentions:

(i) The China-Africa Experience-Sharing Programme on Special Economic Zones and Infrastructure Development (Beijing, 14-21 September 2010): Organised by WB and China’s MOFCOM, the event was attended by 30 delegates from African ministries. The purpose of the congregation was for the African participants to learn from Chinese SEZ home experiences so that they could apply the same to the Chinese SEZs they host in Africa. The agenda covered discussions about discerning which Chinese SEZ experiences are suitable for Africa. Three days of the event were devoted to fieldtrips, during which the participants visited the Suzhou Industrial Park and Kunshan Economic Development Zone.

(ii) MOFCOM Training on SEZs for Francophone African Countries (Tianjin, 7-13 January 2012): The training programme was organised by the China Center for Special Economic Zone Research of Shenzhen University. It welcomed delegates from six African countries. The focus was on experience sharing on the subject of SEZs.
China-Africa Seminar on Economic and Technological Development Zones and Sustainable Development (Beijing and Chongqing, 16-22 January 2013): Organised by the United Nations Development Programme (UNDP) and the International Poverty Reduction Center in China (IPRCC), the event welcomed members of 11 African governments to discuss the management and development of China’s SEZs. The delegates visited SEZs at varied stages of development. Feedback from the Mauritian delegate indicates that the focus of the event was on transfer of knowledge. The delegate had said that ‘we analysed the problems and challenges facing us and explored specific approaches to Special Economic Zones to improve our development and poverty reduction models in a sustainable manner’ (United Nations Development Programme, China, n.d.)

The emphasis on experience-sharing, transfer of knowledge, and the inclusion of fieldtrips to SEZs of different abilities unequivocally denote that China wants to assist Africa in developing the CSEZAs to the image of China’s own SEZs. The agendas of the meetings also confirm that China attempts to do so in full knowledge of the functional modifications that might be applicable to the different African contexts. This confirmation that China wants the CSEZAs to unfold along the lines of its own SEZs imperatively calls for a detailed insight into the SEZ model. An elucidation of China’s SEZ model will create awareness of the strategies, objectives and performances that can—and should be expected—from the CSEZAs.

The History of Economic Zones

The designation of a specific space to contain commercial and manufacturing activities at preferential conditions is not a new practice. Such liberalising principles were originally implemented under initiatives such as custom-bonded warehouses and free-port areas. Nevertheless, this practice attained the shape of tangible zone-formation only with the advent of EPZs. A general characterisation of EPZs is that they are fenced areas accommodating industries mostly owned by foreign investors. These foreign investors are involved in the production of goods for exportation. They benefit from tax and import-export duties exemptions. The host
government usually subsidises their consumption of utilities. Infrastructure is also provided by the host state whilst local labour is employed in the EPZs. The first EPZs were built in Puerto Rico in 1951, under Operation Bootstrap, headed by Teodoro Moscoso.

The success of EPZs in Southeast Asia, Europe and Latin America set a remarkable trend which other developing countries were eager to replicate. The success and popularity of EPZ initiatives compelled academia to delve into an analysis of these zone forms: what makes up an EPZ; how to frame a policy framework which will grant the zone a greater chance of success; what are the support mechanisms required to aid its development; what are its deliverables; and what are the extraneous elements that contribute to its success. Authors such as Gibbon et al. (2008) follow the journey of the EPZ and inform us of the reasons of its eventually diminished popularity in the 1990s.

Meanwhile, in the 1970s, China introduced the SEZ. In 1979, Xiaoping devised the Joint Venture Law to encourage the inflow of FDI in China. This policy aimed to gather capital in order to fund the Four Modernisations programme. At the time, China did not have the extensive funds required for this mass development endeavour, as it had been strictly following the principle of self-reliance since its Soviet split. The Joint Venture Law offered investors the options of doing business independently or in partnership with Chinese nationals. These partnerships could take various forms of cooperation (Nishitateno, 1983). As these were new experiences of the market economy for post-revolutionary China, SEZs were conceived as spaces to contain these experiments. SEZs started by focusing on light export manufacturing, industrial subcontracting and slowly expanded to technology-based industries, specialised products cluster manufacturing, research and development (R&D), real estate and, agriculture. They eventually transformed into comprehensive industrial cities with residential and leisure facilities. This transition of functionality is described in Cartier’s analysis of developments in China’s first SEZ, the Shenzhen SEZ:

In Shenzhen, China’s leading Special Economic Zone, the planning and construction of a new city centre complex are designed to symbolise the city’s
transformation from a manufacturing zone to a ‘world city’... (Cartier, 2002, p. 1513)

The early SEZs were set up in the less-developed coastal regions of China. The provinces of Guangdong and Fujian were the first ones to host these zones. Within 13 years of the establishment of Shenzhen SEZ, the export income of the province of Guangdong shot from USD 4970 million to USD 32.9 billion (Hongyi, 2006, p. 85). SEZs later multiplied across the country and have been estimated to contribute to the unprecedented economic growth and development of China. China has since developed several variations of the SEZ. It now houses 127 Economic and Technological Development Zones (ETDZs), 56 High-Tech Industrial Development Zones, 13 Free Trade Zones, 14 Border Economic Zones, 60 EPZs, 31 Provincial Development Zones, and 29 other types of development zones which include National Tourist Holiday Resorts, Bonded Logistics Parks, Bonded Port Areas, Trade Zones and Business Investment Zones (China Association of Development Zones, 2009).

Export Processing Zones and Special Economic Zones: Similar or Disparate?

The advent of a new economic zone format called SEZs in a world economic order, which, at that time, already extolled the virtues of the EPZ, calls for some explanation. Are China’s zones also not EPZs but under a new name? Or are SEZs, in fact, substantially different from the traditional EPZs? This discussion lies central to this thesis as it would determine whether the methods and theories used in the study of EPZs can be replicated in the study of SEZs, and therefore in the CSEZAs.

This confusion pertaining to the closeness of EPZs and SEZs runs throughout the academic community. Some authors use SEZ as a synonym for the EPZ, while to others, SEZs can be any form of free economic or trade zones (Zeng, 2010; Farole, 2011, p. 27). SEZs can be freeport areas providing only warehousing facilities to one school of thought, while another group might consider the SEZ as the specific Chinese form of economic zone introduced by Xiaoping (for e.g. Nishitateno, 1983). In 1985, Sit prescribed a distinctive premise for understanding the SEZ. He
associated the free zone concept singularly to developed states and insisted that when such liberal policies are implemented in developing countries, they should be called EPZs. He affirmed that although China’s SEZ has similar characteristics to the EPZ, the SEZ is essentially different because of the socialist context in which it unravels. Carter and Harding provide another conceptualisation of the SEZ. They claim that the SEZ is ‘any area or zone in Asia which operates under a special legal or regulatory framework and offers incentives to enterprises to locate or which are located within the specific area’ (2011, p. 4, my italics). Through this definition, they classify the SEZ as a zone-type that came into being through a specific regional or cultural interpretation and reproduction of spatially controlled liberal economic practices.

Such diverse definitions of the SEZ only aggravate the confusion regarding the origins of the SEZ and its foundational ideology. Often in academia, researchers disagree on the characteristics associated to a particular term and consequently prevent the creation of its definition. In the case of the SEZ, although academics agree on the features that make up an SEZ, they diverge on concluding whether such a compilation of characteristics calls for the formation of a new concept. Or should it be treated only as a variation of existing concepts which have similar basics, i.e. EPZs? Consequently, ideas about the origins of SEZs can be divided into two parties:

a. those who believe that the SEZ was introduced in China, and
b. those who consider the SEZ as yet another stage in the evolutionary chain of liberal economic models.

In the view of the first category of thinkers, although the SEZ does contain elements previously identified in other free trade zones, its distinct ideology and motives, the actors involved, its foundational elements and its implementation strategies, grant the SEZ enough ground to assert its own conceptual identity. They argue that the SEZ zone is a different spatial formation and deserves its individual identity on the following grounds:

(i) The SEZ was created to capture the capacity of a particular economic instrument: FDI. Taking recourse to Hirschman’s Unbalanced Growth Theory,
Litwack and Qian (1998) explain why China resorted to attracting FDI in such a structured fashion. At the time, China lacked the capital required for the development of all sectors of its economy. Therefore, the Chinese government decided to attract foreign capital to specific domains of its economy, in the hope that the resultant backward linkages will bring about comprehensive development. This is in contrast with the measures adopted by the EPZ. Although like the SEZ, the EPZ also intends to re-invest the income produced into the development of the nation, the ‘means’ applied to their pursuits differ. The EPZ considers its main instrument to be trade rather than FDI. As Warr (1989) clarifies, the EPZ does not bank much on backward linkages to bring about development and is content with the limited export-generated foreign exchange inflow and employment opportunities created.

(ii) The SEZ comprises of a greater variety of activities. It includes manufacturing, residential areas and leisure facilities, real estate businesses, tourism, agriculture, horticulture, research & development (R&D) and many others. The fact that not all the activities in the zone generate foreign exchange income and its self-sustaining composition, demarcate the SEZ from the EPZ.

(iii) The SEZ embodies an amalgamation of traditionally divergent ideologies. One of the recurrent descriptions of the SEZ is that it is a laboratory of capitalist market-oriented policies in China (Wong and Chu, 1984, p. 3). It is an experiment by China to test Chinese adaptability to capitalist liberal market principles and also an attempt at establishing accessibility and adaptability for rich foreign parties to invest in the country. Although these liberal policies are the norm in the West, they are new to socialist China. This novelty of liberal trade practices applied in the context of an alien political ideology that the SEZ embodies is described by Sit (1985, p. 86) as ‘a microcosm of two interacting worlds: the socialist and the non-socialist, but one which is under control of the socialist initiator’.

The demarcation of the SEZ as a Chinese creation is so stark that Crane goes to the extent of labelling the SEZs as ‘both products and producers of China’s new economic identity’.
However, there is another category of researchers who perceive the SEZ as a new stage in the evolution of liberal economic space structures: from freeports, warehouses, to EPZs and now SEZs. This position is endorsed in WB publications. In the introduction to a collection of papers about SEZs published by WB, Farole and Akinci (2011, p. 6-7) conclude that ‘[i]ndeed, recent years have seen a shift away from the traditional EPZ model. In its place, zone development is moving toward the SEZ model...’ Such understandings associate a pattern to the evolution of economic zones: countries start with import substitution, move on to export production, and then in an attempt to attract FDI and enlarge their variety of goods and services, developing countries constructed the SEZ. This closeness with which researchers treat both EPZs and SEZs can be read in the light of the Derridean move. The Derridean move stipulates that new articulations can be added to existing narratives to produce a metanarrative (a progressive continuity) so as to further the formation of a conceptual identity (Diez, 1999).

However, this approach makes of the SEZ subject to being studied only as being part of a process that has pre-determined objectives, a set logic of functioning, and predictive—though inconclusive—results. It hinders academics from recognising new dependent variables relevant to the study of the SEZ and blurs out certain independent and intervening modalities previously overlooked in the study of the EPZ model. This understanding of the SEZ as a chronological extension of free trade zones and of the EPZ is explained by researchers’ concern for the need to revamp the EPZ. Trade and markets, which were the catalysts of development upon which the EPZ relied in the 1970s, do not have the same capacity to perform and deliver independently today. With increased market competition and the end of preferential treatments, the supremacy of trade has given way to FDI. FDI is now the principal development carrier. And the SEZ model relies on the primacy of FDI. In his comparative study of the EPZ and the SEZ, Ota (2003, p. 15) attributes the peaks of growth of Shenzhen, Shantou, Xiamen, and Zhuhai SEZs (especially Shenzhen’s) to FDI rather than to exportation and trade. In his analysis, trade and export income are only subsequent products of FDI. Thus, as developing countries seek the most efficient instruments for the acquisition of
capital in order to cater for their national advancement, a restructuration and shift from the EPZ and the phasing-in the SEZ is the obvious development strategy. Figure 1.1 illustrates the evolution in instruments applied.

**Figure 1.1: Evolution of Zone Forms and their Instruments**

*Source: Author*

While one party persists on the ingrained Chinese specificities of the SEZ, its opponents link the SEZ to the previous motives, functioning and outcomes of the EPZ. Regardless of whether it is with the aim of denying or confirming their resemblance, the EPZ is recurrently placed as a benchmark against which to assess the SEZ. In light of this methodological treatment of the SEZ, a comparative deconstruction of the EPZ and SEZ is required. This will serve to demarcate the fundamental differences which would allow each respective model to retain their independent identities, away from the basic similarities upon which they are both founded.

**Distinctiveness of Special Economic Zones**

As this thesis agrees that SEZs are distinct from EPZs, it conducts a comparative exercise to make its case. This comparative study establishes the specific elements of difference between EPZs and SEZs and also the substantiality of these differences. This is essential, especially since EPZs and SEZs do, in fact, share some common basic features.

During the earlier discussion which established that the origin of the SEZ was rooted in China and that the zone format is not merely a new form of spatial liberal economic practice, three premises attributable only to the Chinese fashioning were identified: the use of FDI as the principal instrument; the expanse of activities; and the ideological context. While the third feature (i.e. the ideological context) does
not form a technical basis for a comparative analysis with the EPZ, the use of FDI and expanse of activities are technical disparities separating the EPZ from the SEZ. However, as these differences between the EPZ and the SEZ are based either on a chronological prioritisation of financial instruments (the SEZ seeks trade income but only as an eventual outcome of the main factor, FDI, and in the EPZ the first focus is export income although that comes through FDI) or, on the scale over which each zone is deployed, they are deemed ignorable. These contrasts are treated as mere practical variations to the EPZ format. Consequently, the creation of a new entity on such bases is dismissed. Instead, it is the similarities in their structures, strategies to attract investment and incentive packages—all features considered as key determinants of the success of a zone—that push authors to conclude that both the EPZ and SEZ are the same. And yet, a deeper insight in the literature indicates that such an effacing treatment is misleading.

Table 1.1: Differences between EPZ and SEZ
Source: Author

<table>
<thead>
<tr>
<th></th>
<th>EPZ</th>
<th>SEZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content</td>
<td>Light Manufacturing</td>
<td>Real estate, Light manufacturing,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Electronics, Tourism, Pharmaceuticals,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Technology, R&amp;D, Residential, Leisure,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supporting services such as airports,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>financing (stock market)</td>
</tr>
<tr>
<td>Developers</td>
<td>Infrastructure is provided by the host</td>
<td>Government and private investors share</td>
</tr>
<tr>
<td></td>
<td>government.</td>
<td>responsibilities of initial infrastructures.</td>
</tr>
<tr>
<td>Implied reforms</td>
<td>All major reforms required to prevailing</td>
<td>Modifications are constantly made to the</td>
</tr>
<tr>
<td></td>
<td>national policies and practices are already integrated in the incentive package when the EPZ scheme is designed. The only modifications carried out after the EPZ is established are the small changes to internal EPZ practices.</td>
<td>set of provided incentives in order to make the SEZ more profitable. Often these are reforms of national magnitude.</td>
</tr>
<tr>
<td>Forms of Investment</td>
<td>Largely private foreign investors invest in the EPZ.</td>
<td>SOEs, local and foreign investors are all involved.</td>
</tr>
<tr>
<td>Key Instrument</td>
<td>It is the income generated through the export of the products that is the main benefit. EPZs produce negligible backward linkages.</td>
<td>SEZs rely on the capital and expertise brought in terms of FDI to generate benefits.</td>
</tr>
</tbody>
</table>

Table 1.1 shows how EPZs and SEZs diverge in terms of their respective content, developer, implied reforms, forms of investment and, key instruments.37
The SEZ is a more comprehensive economic zone of considerable size than the EPZ, not a small enclave within a city engaged in modern export-processing of manufacturing production. [...] The SEZs were, by all accounts, more ambitious than the EPZ in terms of industrial policies and activities’ (Ota, 2003, p. 5). Indeed, while the EPZ functions exclusively as a manufacturing space aiming for exportation and profit-generation, the SEZ is a self-sustaining area which combines manufacturing and production activities with residential spaces, leisure facilities, healthcare, green spaces, schools and other adjacent services. Not all the activities in the SEZ generate exportation-based income and profit. Moreover, technology and R&D hold high importance in the SEZ. Contrary to the EPZ, where technology means new machineries and the acquisition of skills (which relies exclusively on backward linkages to the domestic economy), in SEZ, technology is a purpose. Investors are encouraged to produce new technologies rather than just use new technologies. In 2008, Shenzhen SEZ registered 2,480 new patents (Yeung, Lee and Kee, 2009, p. 230).

Developers: A survey conducted by Madani (1999) across East Asian, Latin American, African and Bangladeshi EPZs reveals that infrastructure and utilities are commonly the responsibility of the state and often, the rental fee of the factory buildings and utilities costs are subsidised. Warr supports this observation (1989, p. 69). On the other hand, although it is the central government of China which initiates the SEZs, a large part of their administration and development responsibility lies with private developers. Government provides the off-site infrastructure for the SEZ but the construction of the buildings within the zone is up to the private developers. Referring to Shenzhen, Sit (1985, p. 75) outlines that: ‘[s]ince 1982, Shenzhen’s role has been further broadened. It is to be developed into a new type of border city with the following attributes: financing and construction are to be mainly by foreign capital...’

Implied reforms: The EPZ does not require macrocosmic changes in the country’s national policy to enhance its capacity to deliver. Nor does it need
constant large-scale reforms to the EPZ policy framework. All major alterations required to enable its efficient functioning are already included in the zone’s incentive package when the host government launches the EPZ venture. On the other hand, Chinese experience reveals that the SEZ requires extensive extraneous reforms to enhance its performance. These frequently take the form of national-level reforms. Wong alludes to three examples of reforms which started with Shenzhen SEZ.

a. The introduction of floating wage rates as compared to fixed wage rates, and the contract labour system in lieu of permanent workers.

b. The tender allocation system for construction projects. Wong points out that ‘Shenzhen was the first place in China to experiment with the practice of inviting tenders from construction units all over the country and to award the job to the most cost-effective construction team or company, resulting in increasing efficiency and reduction in cost’.

c. The introduction of the workers’ home-purchase scheme whereby the worker pays a third of the house’s price and the rest is subsidised by the employer. Wong surmises that ‘as a result of the introduction of the home-purchase scheme for workers and the changing attitude towards housing subsidy, the housing policy in other Chinese cities is now under review’ (1987, pp. 34-35).

While these alterations started within Shenzhen, they were later adopted by all SEZs in China and afterwards even diffused through the rest of the country. Framed by such profit-conducive national practices, the performance of SEZs improved. Yuan et al (2010, pp. 65-66) add to Wong’s list of large-scale reforms. They identify:

d. A switch to allow commodity prices to be directed by supply and demand. This was implemented in Shenzhen, with the aim of increasing opportunities for revenue maximisation by enacting flexible price controls.
e. Openness to foreign banks and the establishment of China’s first foreign exchange centre in order to allow profitable transactions in foreign exchange.\(^{38}\)

The nature of the changes that Shenzhen introduced as China’s first SEZ was so substantial that they escalated to become national-level reforms which, uoborously, granted leverage to SEZs as well as drew the support mechanism on which they could subsequently thrive.

Along with reforms of expansive reach, the SEZ differs from the EPZ because the former takes liberty to modify its zone policies on a timely basis. Litwack and Qian (1998) give us a glimpse of this behaviour through their discussion of the patterns of tax restructuration that takes place within, as well as across, China’s SEZs. They explain that China oscillated between unbalanced and balanced investment strategies in order to make the most of restructuration in, and spillover effects from, SEZs. In the 1990s, Guangdong province, which housed three SEZs, received high investment but paid low taxes. This allowed the SEZ to restructure. However, this laxity towards Guangdong SEZs was at the expense of high taxation and stagnation of firms in Shanghai’s SEZs. This trend was reversed few years later. However, in 1994, all SEZ preferences were eliminated and a balanced investment strategy was established.

(iv) **Forms of investment:** The EPZ mostly relies on investment from foreign parties. The domestic private sector is usually only involved through backward linkages, i.e. through contracts to supply the EPZ companies with raw or intermediate materials. Jauch (2002) substantiate this discriminative feature of the EPZ in his contemplation of the shortfalls of EPZs in Southern Africa. In his own words, ‘[m]ost EPZ countries do not have a strategy, targeted incentives or the necessary agencies to promote linkages between local firms and EPZ companies’ (p. 111). On its part, the SEZ allows everyone to invest within its boundaries: SOEs, foreign investors as well as domestic investors. Nishitateno (1983) recognises five ways in which investment take place in the SEZ:
a. *Processing of imported materials:* The machines are Chinese-owned and the enterprise processes raw or intermediate goods provided by their foreign partners.

b. *Compensatory trade:* The Chinese factories receive equipment from foreign investors on credit. China pays back in form of the products produced. When the credit is reimbursed to the foreign party, the equipment belongs to the Chinese factory.

c. *Cooperative enterprises with shared profits:* The Chinese side provides the land, building, labour and services, and the foreign investor brings in the capital, machines and materials. The profits are shared as per the negotiated agreement. When the cooperative contract expires, the Chinese party owns all the equipment.

d. *Joint ventures:* The Chinese party and the foreign investor divide the responsibility to provide the capital and equipment between themselves. Both of them bear the losses and profits according to their respective investment.

e. *Entirely foreign-run enterprises:* The foreign investor owns and runs an enterprise in China autonomously.

It is evident from the above options that, unlike the EPZ, the SEZ is interested in actively involving the domestic Chinese sector in the zone. Instead of being hopeful to benefit from backward linkages such as technology, the SEZ contractually ensures that the local Chinese companies have access to (and eventual ownership of) the equipment brought in by the foreign investor. As remarked by Yuan and Eden (1992, p. 1042), ‘[t]he SEZs were to perform the dual tasks of *waiyin* (introducing foreign investment and technology) and *neilian* (linking with other Chinese enterprises)’.

(v) **Key instruments:** To the EPZ, FDI is the ‘means’. The ‘end’ to which the EPZ aspires is the export income that it will generate. In comparison, for the SEZ, FDI is the ‘means’ and the ‘end’. Yuan and Eden (ibid.) support this idea and argue that while the EPZ’s objective is to make out the most of FDI through
trade income, the SEZ appears to have no defined priorities. The SEZ is treated as a solution to all economic problems and it functions in a flux.

Be it in the methods and approach they respectively adopt to pursue their development objectives, their industry focus, size, content, or the actors involved, the EPZ and the SEZ diverge from each other in a number of mechanics which eventually add up to create two different bodies. But one area in which the prevalence of the EPZ over the identity and substance of the SEZ is again felt is in the methodology used to evaluate the performance of the SEZ.

Methodology to Assess Export Processing Zones
Regardless of the hypothesis upheld concerning the origin of the SEZ and whether the substantiality of the differences between the EPZ and the SEZ is accepted or not, all readings of the SEZ are founded on studies which focus on the domestic framework. Researchers who consider the SEZ as a Chinese initiative, study the SEZ in line with Chinese national development. Those who regard the SEZ as an extension of the EPZ also study the former in a domestic context. This is because both the initiator of the EPZ/SEZ and the reaper of its benefits is the nation-state. Regardless of their preferred interpretation, the fact that the SEZ and the EPZ are both intended for national benefits, push researchers to measure their success according to indicators of domestic development. The common indicators are FDI inflow, domestic accumulation of foreign exchange earnings through exports and tax revenues, employment creation, technology transfer and, backward linkages (Roberts, 1992).

This selection of indicators is inspired by the incentive package that the host government offers to the zone investors. Researchers consider the balance left after having subtracted the value of incentives granted, from the foreign exchange income and social capital received, as determining the success or failure of the zone. Warr (1989) presents a benefit-cost analysis, in which, along with the EPZ’s financial contribution to the host national economy, he also accounts for the EPZ’s contribution to national welfare. To him, the benefits from the EPZ are in the form of (i) foreign exchange earnings which are ‘converted into domestic currency to be
spent on wages and purchases for the local economy’ (ibid., p. 77), (ii) employment and labour training, (iii) technology and skills transfer and, (iv) taxes. He excludes, (i) profit and losses made by the EPZ firms, (ii) domestic sales of faulted products from the EPZ firms and, (iii) purchase of domestic raw materials and capital goods, from this benefit-cost calculation. This is because of the negligibility of their economic substance, or due to their containment within the EPZ firm itself. Figure 1.2 draws out Warr’s formula.

\[
\text{Zone Performance} = \frac{\text{Foreign exchange income+ Taxes + Social Capital (Employment & labour training, technology & skills transfer)}}{\text{Incentive Package (Infrastructure, Land, Utilities subsidies, domestic purchase subsidies, tax concessions, recurrent costs)}}
\]

**Figure 1.2 Formula to measure EPZ Success**  
*Source: Based on Warr's hypothesis*

Two elements, which according to Warr, may be classified as costs or benefits, depending upon the balance they strike, are, the use of electricity and domestic borrowing. When evaluated according to the above economic indicators, often the result is that the host nation’s domestic foreign capital accumulation is much lesser than the profits gathered by the foreign investors involved in the venture. In spite of this, the domestic context singularly continues to monopolise the attention of researchers and perpetuates the myth that the EPZ and the SEZ are unaffected by the global trade environment. Writers (Corden in Warr 1989) who do include the international element in their analysis of the EPZ and the SEZ tend to treat the relationship between the zone and the outside world simply as transactional, characterised by a symmetrical exchange of goods and money. They disregard possible interventions of extraneous variables. This restrictive perception pushes authors not only to neglect the impact external actors and events have on the success of the EPZ/SEZ, but also ignores the effects that the locally-based EPZ/SEZ
have on external territories. Figure 1.3 is an illustration of Corden’s Enclave approach, which follows this trend.

![Figure 1.3: Corden's Enclave Approach](image)

**Figure 1.3: Corden's Enclave Approach**  
*Source: Warr 1989*

However, there are authors, such as Sit (1988, p. 672) and Yuan and Eden (1992) who recognise the importance of going beyond the domestic in order to gain a thorough insight into the functioning and success of the EPZ. They identify a methodological triad which allows them to do so. Each author gives different appellations to the three crucial elements that they identify as determinants of the fate of the EPZ. According to Sit, they are (i) macro climate (ii) meso climate, and (iii) micro climate. Yuan and Eden correspondingly name them as (i) international environment (ii) domestic conditions, and (iii) role of the state. While Sit’s ‘meso’ and ‘micro’ climates, and Yuan and Eden’s ‘domestic conditions’ and ‘role of the state’ are centred on the domestic factors, the macro climate/international environment emphasises the role of the global trade environment in enabling a successful enclave-host country equation.

Nevertheless, even their acknowledgement of involvement of the international level is based upon the authors’ understanding of the relativity of the ‘international’ to the ‘domestic’. This means that the authors see the value and influence of the ‘international’ depending on how it is assimilated by the domestic. While this limited interpretation of the international is evident in Sit’s definition of
the macro climate as the ‘comparative advantages of the host country’ (p. 665, my italics), Yuan and Eden’s words also confirm this:

While the international economic structure at any given time sets the context in which a country operates according to its comparative advantage, the state can be instrumental in observing changes in the international arena and in domestic conditions, evaluating these observations against national goals and priorities, and formulating and carrying out policies to achieve optimal results within the context of these constraints and opportunities (p. 1031).

As they highlight the importance of the relative advantage of the national in the international realm, the focus is again brought back onto the domestic context.

The central role that the domestic dimension occupies in the study of the EPZ can be understood in light of the set economic nature of the relationship that the EPZ shares with the international arena. The connection between the EPZ and the international environment is such that only international occurrences of economic nature, such as, changes in subsidies regulations, preferential treatments and market competition, have any relevance to the EPZ. These are set international economic conditions uniformly applicable to all countries. In this scenario, the domestic context is central, as it is the level determining how these international pressures are absorbed. It is the domestic context which decides how to manoeuvre these international pressures to its national advantage and to that of the foreign investor. Furthermore, as the technical nature of economics does not allow for much value-judgement and that the EPZ connects to the world on such a relatively apolitical basis, the domestic rarely gets an opportunity to engage back with the international after its one-way absorption of international pressures. Figure 1.4 shows how the EPZ engages with the international.

Given that the SEZ inherits the methodology applied to a study of EPZs which focus on the domestic component at the expense of the international component calls for the search for a disparate formula which would be more suitable to the particularities of the SEZ.
International Pressures

Domestic Government A

EPZ (A) Set incentive package A for all

Need to reduce production cost

Increase international competitiveness

Foreign Investor 1 (UK)

Foreign Investor 2 (Qatar)

Foreign Investor 3 (Taiwan)

Pressure to restructure

Figure 1.4: The Export Processing Zone in Context
Source: Author

Notes:
1. All three foreign investors (UK, Qatar and Taiwan) are investing in EPZ (A) as solely foreign-owned companies.
2. Since all three are attracted by the set incentive package A, it can be assumed that the investors have similar features and pursuits, e.g. similar capital investment capacities, labour and skills demands, etc.
3. Given that the benefits offered are the same—Incentive Package A—logically, this means that all investors opting for this package are facing similar problems. Hence, the external international elements, which act as the push factors for these foreign investors to invest in EPZ (A), are the same.
4. Largely, the same international occurrences are also the factors to have pushed Domestic Government A to offer EPZ (A).
5. These pressures are grand international economic occurrences which reach all countries uniformly regardless of their level of development, political or economic situation. It is up to the domestic context as to how to internalise these effects.
Methodology to Assess Special Economic Zones

While understanding the EPZ in a strictly domestic framework is acceptable because the EPZ is a national project launched and controlled by the national government, a similar treatment of the SEZ is not recommended. As academics insist upon evaluating the SEZ model using the same expected outcomes and success indicators as used for the EPZ model, the SEZ fails to overcome its image as a mere extension of its spatial zone predecessors. Its constant association to the domestic context hinders academics from perceiving the SEZ as an independent self-defining entity that can mould itself to exude as much value when practiced at home as when exported as a foreign public-private venture. Contrary to the uniform and set approach defining the EPZ, China’s SEZ is defined by an unprecedented flexibility. Its lengthy experience in China reveals that the SEZ has the ability to transform itself according to the needs of the environment and of the local economy in which it is situated. Though it started as an experiment of light manufacturing activities, in order to finance China’s growing financial needs, the SEZ expanded to the creation of products and services situated on the upper value-chain. Then, in the race to meet the new consumer demands, it developed residential areas and eventually became integrated cities. Its adaptability is further confirmed by the fact that though it started as a domestic endeavour, the SEZ can go abroad and do the same job as it does at home: its adaptation by Indians and importation by Africans is strong evidence of this. Moreover, as earlier discussions of Litwack and Qian’s (1998) works revealed, the SEZ allows a modification of its tax structures according to the financial climate of the country at the time. The five different options of investment patterns that SEZs offer to its foreign investors is further evidence of the openness of the SEZ to accommodate a variety of partners, each of which will deliver particular deliverables. As Nishitateno (1983) analyses the popularity of each of these SEZ cooperation patterns, he notes that each type of business association induces particular forms of investment, from investors of specific kinds. For instance, the cooperative style SEZ investment is more popular amongst Hong Kong investors and joint ventures are less appealing to foreign investors. This openness to a diversified approach within the same zone causes the SEZ to be at the receiving end of a variety of external influences. Rather than just assimilating international
pressures, SEZs responds to each of them in a way that it is able to optimise benefits from the challenges that they offer. Figure 1.5 designates the plural external influences to which the SEZ is subjected.
98

Notes
1. China provides five different investment options in one SEZ. China has numerous SEZs, each with different incentive packages set by the provincial government. Every particular state incentive package offers the five options.

2. Each of the investment options attracts a specific type of investors. E.g. 1. Businessmen who have a small investment capacity prefer cooperative enterprises. These are more likely to be local entrepreneurs. E.g. 2. Joint ventures are seen as non-profitable by foreign investors as it is usually geared towards export and not the Chinese market.

3. Their different chosen patterns of investment indicate that the external push factors motivating each investor’s choice are different. (The ‘reaction’ of each investor—represented by their choice of a specific investment pattern and package—points towards a correlated ‘action’ of a particular nature.)

4. The variety of external influences that intervene in the setting up of businesses in an SEZ in China confirm the imperativeness to include the study of the international as part of the evaluation of the SEZ.
The customised adaptability of the SEZ concept is not restricted to providing a varied approach to foreign investors. It is also adaptable across countries and time. While Litwack and Qian’s (1998) explication on the timely pragmatism of the SEZ concept has already been covered in the earlier discussion of Guangdong’s example of constant tax reforms, the concept’s transnational malleability is reflected through the example of India. While Chinese SEZs have special contractual labour regulations for its employees, Indian SEZs abide to the same labour laws established for the domestic trade area (Special Economic Zone Organisation of India, 2006).

If the distinction between the EPZ and the SEZ and their different methodologies might have been unclear still, the demarcation is obvious today as China’s SEZ departs from its traditional government-established form to become public-private partnership (PPP) projects, exported overseas.

Developing a Chinese Special Economic Zones in Africa Methodology

Wong (1987, p. 27) once remarked that ‘the Chinese zones do not belong to any of the categories within the family of free zones now existing in the world. Rather, the SEZ seems to stand on its own as a separate member’. This observation of Wong finds renewed substance in 2006 as China exports this essentially Chinese concept overseas and establishes its first seven external SEZs in Africa. None of the preconceived understandings of the SEZ discussed in this work up to now provides a methodological scope to comprehend Chinese SEZs abroad. These new ventures call for a new set of knowledge; a knowledge which nevertheless, departs from the basic premises of the SEZ model.

Presently, whereas China’s domestic SEZ is recognised as a national government endeavour, academia is yet to research its recent transformation into a foreign policy activity. Partly due to the novelty of the subject (therefore a dearth of information) and partly because of the yet reigning reluctance to recognise the SEZ as a different entity from the EPZ (with the capability to perform unconventional activities such as acting as a foreign policy tool), researchers have not delved into an in-depth analysis of CSEZAs. Nevertheless, existing literature on domestic SEZs in countries like China and India, and research carried on EPZs, provide us the background on which to build a framework for the study of CSEZAs. In an era when
free port and warehousing facilities were termed as free trade zones, the EPZ introduced the proper ‘zone’ approach to free trade-led economic development. Following that, the SEZ emerged and took the aims and implementation of zone-based free market policies to another level. Since CSEZAs are replicating similar conditions of practice (zone structure, reliance on FDI) and aim for similar gains (economic growth and development), the methods, methodologies and theories used in the assessment of the EPZ and the SEZ provide a valid starting point for the study of CSEZAs.

The identification of the SEZ as a pragmatic entity capable of functioning efficiently regardless of its context and of the actors involved, stand as key to our understanding of the new Chinese foreign-based SEZs. The CSEZAs bring three dynamics into play: (i) the host and patron governments, (ii) the respective private sectors of the host country, patron country and foreign investors, (iii) the international realm. As part of a ‘win-win’ cooperation strategy, these foreign-based Chinese SEZs are expected to bear the influence of both, the African and Chinese governments. At the same time, in their capacity as the developer or investor in the zone, the Chinese private sector holds major influence on the functioning of the zone. It is very likely that the influence of the Chinese private sector in the CSEZA will push the private sector of the African host country to organise itself and influence the zone either through the national government or by establishing partnerships with the Chinese private investors. Foreign investors interested in investing in the zone join this private sector momentum. Moreover, unlike the EPZ, whereby there is no patron government, and as a result, the host country and foreign private investors connect purely by an economic linkage, CSEZAs involve relationships between two politically value-laden states. In such a scenario, the CSEZA is no more restricted to affecting or being affected by only the two concerned countries. The foreign-based Chinese SEZ stands open to influences and pressures from the international community. This new canvas calls for innovativeness in the methodology applicable to the study of the CSEZA. Figure 1.6 draws a comprehensive canvas of the CSEZA, taking into account its integral and constant interactions with all three—international, national and local—modalities.
Notes:
A comprehensive study of CSEZAs should include the three levels of action:
(i) Patron and host governments
(ii) Private sectors
(iii) The external international realm
**Summation**

As a nascent concept, the CSEZA has to undergo multiple exercises of demystification. What is its origin? What are the indicators which allow an evaluation of its performance? What is its performance benchmark? Which is the closest known methodological approach that most appropriately permits an understanding of its dynamics? Having confirmed that China seeks to replicate its own SEZ model through the CSEZA, it is clear that the most appropriate approach to a study of the CSEZA is the one applied to the assessment of the Chinese domestic SEZ model. However, this transposition of the evaluational framework from the SEZ to the CSEZA is not as easily done because the SEZ concept itself is convoluted. Readings of the SEZ is divided into two strands: those believing that the SEZ is a specific type of zone which took birth in China in the 1970s (and was eventually adopted by countries, such as India), and those who argue that the SEZ is just a new stage in the evolution of spatial economics. Even as we establish (through a comparison between the features of the EPZ and of the SEZ) that the SEZ alludes to the particular Chinese zone, we have to resort to using the methodological framework of the EPZ in order to be able to establish the norms for the SEZ study, and finally that of the CSEZA. This is because the EPZ is the zone-format which immediately precedes the SEZ, and it is also one of the few to have been analysed in a structured fashion. The trend of integrating an ‘international’ element in the study of the SEZ is taken even further while methodologically conceptualising the CSEZAs. While the SEZ model brought the different levels of active two-way interactions into focus, the CSEZA combines geographic stratification (i.e. local, national, and international) with another set of diversity—that of actors of different nature.
Chapter 4
The Seven Chinese Special Economic Zones in Africa

Chapter Statement
This chapter aims to fill in the gap in the evaluation of the seven CSEZAs. To this end, starts by outlining the well-documented establishment procedures of the CSEZAs, and then moves on to draw a table listing updated information about the seven CSEZAs. This table introduces each of the CSEZA’s stakeholders, their current status and the problems they face. Through a comparative analysis of the gathered information, this chapter identifies three preconditions for successful CSEZAs. A cross-sectional study of these three preconditions indicates towards the repetitive presence of two elements which stand as the deterministic components of the CSEZAs. The two recurrent elements are: the presence of Chinese SOEs in the CSEZAs, and the land management issue. The chapter also addresses the hindrances to the successful delivery of a development-conducive CSEZA. As it recognises that the fault lies in the mismatch of the concept to different country contexts and objectives, the chapter evokes the respective responsibilities of the African and Chinese partner states in making the CSEZAs work. This chapter concludes with a reflection on how the CSEZAs can still be redeemed.

Why these seven specific CSEZAs?

The 2006 FOCAC meeting was not the first time when China expressed the wish to export its SEZs to other countries. An amplified portrayal of this ambition was presented in China’s 11th Five Years Plan drawn earlier in 2006. China had proclaimed its objective to set up around 50 overseas trade and economic cooperation zones (Brautigam and Xiaoyang, 2011, p. 69). This incongruence in the target figures for SEZ plans can be explained by the fact that while Jintao’s commitment to the ‘three to five’ zonal endeavours at FOCAC 2006 referred to the number of zones to which the Chinese government would be making an official
commitment in Africa, the remaining zones (some of which are also in Africa) are mostly composed of private overseas trade and cooperation zones towards which the Chinese government has no official engagement.\textsuperscript{44} Brautigam and Xiaoyang (2012, p. 5) document the composition of these two sets of overseas Chinese zones. They list examples of private overseas zone ventures by private Chinese companies such as, Haier in South Carolina in 1999, Haier in partnership with Pakistan’s Ruba in 2001, and Fujian Huaqiao Company in Cuba in 2000, among others. They argue that it is only in 2006 that the Chinese government, through MOFCOM, decided to officially assist in the proliferation of these spatial economic activities. Brautigam and Xiaoyang (ibid., p. 6) underline that:

\begin{quote}
[i]nitially, a minimum of 10 zones would be established abroad, with the hope that 500 Chinese companies would use them to go offshore, investing a projected total of $2 billion [...] The zone program was not limited to Africa, but the first mention of the policy in the English media came when the Chinese president, Hu Jintao, pledged to establish three to five economic trade and cooperation zones in Africa as part of eight major commitments made during the FOCAC.
\end{quote}

Nineteen proposals for overseas zones were initially shortlisted to benefit from MOFCOM’s support. By the end of 2011, four of the projects were cancelled. Seven of the remaining 15 ventures are located in Africa.\textsuperscript{45} These seven SEZs are spread across five different African countries.

As I conducted interviews and collected data on the progress and impacts of the finalised seven Chinese zone projects in Ethiopia, Egypt, Mauritius, Nigeria and Zambia, one leitmotif lingered across the accounts of all the African stakeholders: largely due to the political problems on the continent over the last few years, an assessment of the progress and impact of the CSEZAs has not been a priority. Indeed, with Ethiopia embroiled in domestic political upset and its military involvement in Somalia; Egypt undergoing a revolutionary change of government; Mauritius experiencing domestic political turbulence; Nigeria battling for electoral consensus since 2010; Zambia facing political demagoguery from successive leaders; and, against a background of succeeding financial crises, it is not surprising that policymakers ignore the capacity of these new spaces to be potential arbiters of economic development. Nonetheless, seven years after their official inception,
there is a pressing need to evaluate the deterministic and controversial dimensions of the CSEZAs.

Establishment Procedures of Chinese Special Economic Zones in Africa

Brautigam and Xiaoyang (2011, p. 80; 2012) conducted a thorough study on the CSEZA establishment process. According to the patterns they identified, MOFCOM puts out a tender and invites its provincial and municipal branches to publicise the CSEZA venture. Both, private companies and SOEs are allowed to submit proposals. The criterion of selection is made up of: the zone proposal; the feasibility studies which elucidate the market potential of the proposal and the favourability of the investment environment in which the zone will function; proof of support and approval of the host government; proof of the developer’s ability to put up projects of such magnitude; and proof that the company has enough funds to sustain the development work of the zone throughout. As a safety net, MOFCOM seeks companies which have recorded an annual turnover of at least USD 2.4 billion two years prior to their submission of the proposal for an overseas zone.

MOFCOM furthermore prioritises applicant companies which have a history of presence and cooperation in the host African country (Interview with Guining, 2011). It sees previous business engagement in the host country as a guarantee that the company is acquainted to the business environment and must have business contacts. This criterion of priority springs from the importance the Chinese grant to networking in business. Proposals which score high on all of the above criteria have to then be approved by the Ministry of Foreign Affairs of China. The Ministry of Foreign Affairs holds the onus to vet a CSEZA plan because of the political substance of the endeavour. As Brautigam and Xiaoyang (2012, p. 9) put it, this is because ‘they were to benefit other countries through official Chinese government subsidies’. However, the authors highlight that these are performance-based subsidies. They are granted to the zone developers as and when the later build up the CSEZA, not before (for the list of subsidies, see Brautigam and Xiaoyang, 2011). Certain provincial governments also provide additional financial assistance to the CSEZAs. Brautigam and Xiaoyang (ibid., p. 83) mention the support of Jiangsu province and Suzhou municipality to the Eastern Industry Zone in Ethiopia (EIZ), and
Tianjin province’s provision of subsidies and insurance to the Egypt Tianjin TEDA North West Suez SEZ (Egypt-TEDA SEZ) in Egypt. The China–Africa Development Fund (CADFund), an offshoot of China Development Bank (CDB) also provides loans and partnership opportunities to CSEZAs. Currently, CADFund supports the Lekki Free Trade Zone (LFTZ) in Nigeria and the Egypt-TEDA SEZ. However, financial support from CADFund is not guaranteed to all CSEZAs. Functioning as a market-oriented fund under the now-commercial CDB, CADFund only invests into CSEZAs which it deems as financially profitable and viable (Interview with Dongya, 2011).

EXIM Bank of China also lends its support. Zambia–China Economic and Trade Cooperation Zone (ZCCZ) in Zambia received a concessional loan of USD 208 million from EXIM Bank of China in order to finance the construction of its mining plant (Davies et al. 2008, p. 26).

In order to prove its eligibility for the government subsidies, the progress of the CSEZA needs to be monitored (Brautigam and Xiaoyang, 2012, p. 9). This is done in phases. Initially, the zone developers carry out a self-monitoring and report back to MOFCOM and to the Ministry of Finance. The two authorities thereafter conduct official assessments of the zones’ progress. Evidence from the case of ZCCZ and Egypt-TEDA SEZ reveal that China International Engineering Consulting Corporation is entrusted with the responsibility to audit the financial equitability and advancement in the construction of the zones (Ministry of Commerce, China, 2010c). Additionally, as an attempt to secure the government investment that goes into these ventures, MOFCOM ties up the CSEZAs to risk management and insurance services under the China Export and Credit Insurance Corporation (Sinosure) (Ministry of Commerce, China, 2010b).

Until date, only the procedures that take place on the Chinese side are known. The role that the African countries assume in the negotiation of CSEZAs has not been documented. This imbalanced insight is because, as there is only one patron to the CSEZA projects, information about the procedures undertaken by the Chinese developers is coherent. Contrarily, the points of intervention of the African host governments cannot be determined as easily, given that they consist of five different government administrations. Resultantly, there are diverse versions of the host African country’s interchange with China on the CSEZAs. For example, while
Mubarak is the one who requested the Chinese government to construct an SEZ in Egypt due to his positive impression of the Shenzen experiment, in the case of Mauritius, it is believed that a Chinese company already established in Mauritius proposed the plan to the Mauritian government. The Mauritian government then convinced the Chinese government to support this project (*L’Express*, 2006).50 A MOFCOM official draws a more consistent account of the role played by the African host countries in the CSEZA negotiation process. According to the officer, the Chinese government seeks the approval of the host country. The latter decides on the willingness to welcome a Chinese SEZ. The host government also proposes the location of the zone. The two parties agree over the location. Thereafter, the Chinese government identifies the company capable of handling the development of these zones (Interview with Guining, 2011).51

**Details of the Chinese Special Economic Zones in Africa**

Table 3.1 contains the details of the seven CSEZAs. Information concerning the cancelled Algerian Chinese SEZ is included in parallel in order to enable a comparative investigation of the conditions sustaining or undermining the progress of these zones.
Table 3. 1: Details of the Chinese Special Economic Zones in Africa
Source: Author

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Start Date</strong></td>
<td><strong>2004</strong></td>
<td><strong>2006</strong></td>
<td><strong>1998 then 2009</strong></td>
<td><strong>2003</strong></td>
<td><strong>2004</strong></td>
<td><strong>2006</strong></td>
<td><strong>2006</strong></td>
</tr>
<tr>
<td><strong>Shareholders</strong> (with/without SEZ experience)</td>
<td><strong>Joint venture</strong></td>
<td><strong>Joint venture</strong></td>
<td><strong>100% Chinese owned</strong></td>
<td><strong>Joint venture</strong></td>
<td><strong>Joint venture</strong></td>
<td><strong>Sub-zone of ZCCZ</strong></td>
<td><strong>100% Chinese owned</strong></td>
</tr>
<tr>
<td></td>
<td><strong>China-Africa Lekki Investment Ltd 60%:</strong></td>
<td><strong>Chinese Consortium 82%:</strong></td>
<td><strong>1.Jiangsu Qiyuan Group (Private)</strong></td>
<td><strong>China-Africa TEDA Investment Co Ltd 75%:</strong></td>
<td><strong>1. China Non Ferrous Metal Cooperation (SEZ inexperienced SOE) 95%</strong></td>
<td><strong>1. Shanxi Coking Coal (SEZ inexperienced SOE): 30.2%</strong></td>
<td><strong>Jiangling Automobile Group (Private/Partner with SOE Chang’an Automobile) 55%</strong></td>
</tr>
<tr>
<td><strong>Size &amp; Location</strong></td>
<td><strong>Initially, 16,500 hectares, excluding seaport &amp; airport area</strong></td>
<td><strong>Currently, 3,000 hectares</strong></td>
<td><strong>500 hectares</strong></td>
<td><strong>703.2 hectares, within the 2,000 hectares North West Suez SEZ</strong></td>
<td><strong>1,158 hectares within the 4,100 hectares owned by Non-</strong></td>
<td><strong>570 hectares, Near Kenneth Kaunda International</strong></td>
<td><strong>211 hectares Near Port Louis harbour</strong></td>
</tr>
<tr>
<td></td>
<td><strong>10,000 hectares Igbesa region, near IKEJa &amp; Appa airport</strong></td>
<td><strong>35km from Addis Ababa, Oromia</strong></td>
<td><strong>10,000 hectares Igbesa region, near IKEJa &amp; Appa airport</strong></td>
<td><strong>1,158 hectares within the</strong></td>
<td><strong>570 hectares, Near Kenneth Kaunda International</strong></td>
<td><strong>211 hectares Near Port Louis harbour</strong></td>
<td><strong>500 hectares N/A</strong></td>
</tr>
</tbody>
</table>

108
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to</td>
<td>Access to Atlantic Ocean &amp; Gulf of</td>
<td>near South entrance of Suez canal, Sokhna port</td>
<td>Ferrous Company Africa, Copperbelt</td>
<td>Airport</td>
<td>N/A</td>
<td>USD 80 million</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Guinea</td>
<td></td>
<td>Province</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>Initially USD 267 million, revised to</td>
<td>USD 500 million</td>
<td>Initially, USD 280 million, revised</td>
<td>USD 410 million</td>
<td>N/A</td>
<td>USD 80 million</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td>USD 300 million</td>
<td>USD 101 million</td>
<td>to USD 460 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Chinese</td>
<td>USD 200 million</td>
<td></td>
<td>Egyptian government to provide</td>
<td>99 years land lease granted to the 4,100 hectares of</td>
<td>79 years land lease</td>
<td>99 year land lease</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consortium:</td>
<td>2. Lekki Worldwide</td>
<td></td>
<td>infrastructure and utilities up to</td>
<td>NFCA</td>
<td>Zamian government will provide road network</td>
<td>Off-Site infrastructure + compensation to</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investment: USD 67 million + Rent free</td>
<td></td>
<td>the border of the SEZ</td>
<td></td>
<td>from Lusaka International airport to the zone</td>
<td>displaced farmers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>land at construction stage + 99 years</td>
<td></td>
<td>Egyptian government to bear 30% of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>years land lease + compensation to</td>
<td></td>
<td>the infrastructure cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>displaced settlers</td>
<td></td>
<td>Ethiopia government to bear 30% of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the infrastructure cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ethiopian government to bear 30% of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the infrastructure cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ethiopian government to bear 30% of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the infrastructure cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ethiopian government to bear 30% of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the infrastructure cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ethiopian government to bear 30% of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the infrastructure cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ethiopian government to bear 30% of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the infrastructure cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ethiopian government to bear 30% of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the infrastructure cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ethiopian government to bear 30% of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the infrastructure cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Phases/Sections</strong></td>
<td><strong>Initially, Phase 1: 2009-2014 was</strong></td>
<td><strong>Phase 1: 250 hectares</strong></td>
<td><strong>Phase 1: 200 hectares</strong></td>
<td><strong>Phase 1: 2008-2011, 134 hectares</strong></td>
<td>N/A</td>
<td>Phase 1:2009-2012 road network &amp; utilities, industrial zone, business centre, hospitality</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>1,196 hectares, revised to 150</td>
<td>5 sections: logistics, research &amp; development,</td>
<td>5 sections: living area, business &amp;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>hectares</td>
<td>exhibition, residence &amp; group</td>
<td>trade area, industrial warehouse&amp;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Phased 1: Integrated Support Service Centre, office buildings &amp;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5 sections: free trade zone, added value processing zone, international</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Phase 2: 2010-2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-----------------------------------------------</td>
<td>--------------------------------------</td>
<td>----------------------------------------------------------</td>
<td>-----------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>residential &amp; tourism 2. Petro-chemical industries, port facilities, if approved a methanol plant 3. Medium/light/heavy industries, workers housing 4. Waterside town, commercial, community &amp; recreational uses, administrative, business &amp; residential centre</td>
<td>management service at the centre.</td>
<td>storage, public infrastructure facilities, green land &amp; inland road area</td>
<td>apartments</td>
<td>Phase 2: Strengthen landscaping</td>
<td>business zone, technology innovation zone and life zone</td>
<td>solar power generation, ocean products processing, medication &amp; medical instruments, stainless steel product processing, education, real estate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industries/Activities</td>
<td>Industries/Activities</td>
<td>Industries/Activities</td>
<td>Industries/Activities</td>
<td>Industries/Activities</td>
<td>Industries/Activities</td>
<td>Industries/Activities</td>
<td>Industries/Activities</td>
<td></td>
</tr>
<tr>
<td>Oil &amp; gas, business &amp; financial services, media centres, real estate, agriculture, food &amp; beverages, mining, pharmaceuticals, retail, forestry, employees residence, golf course, tourism, private villas, sport centres, conference facilities, manufacturing</td>
<td>Furniture, ceramic, hardware, manufacturing, packaging, printing, paper, electronic, solar products, plastic, daily chemical, leather products, tourism, toys, transportation, autoparts, food processing, agriculture, beverage, pharmaceutical, entrepôt trade</td>
<td>Construction materials, steel products, leather products, agricultural equipment, textile, shoes, food processing</td>
<td>Petroleum equipment, electrical appliance, textile &amp; automobile manufacturing, Confucius Institute, chemicals</td>
<td>Non-ferrous metal mining, smelting, non-ferrous metal processing, derived product of non-ferrous metal, light industry, productive service</td>
<td>Manufacturing, real estate, logistics, trade &amp; business service, complementary service &amp; new technology.</td>
<td>Revised to Sino-African friendship platform, Oriental entertainment centre, exhibitions centre, convention centre, parks, tourism, school, commercial, real estate, ICT, R&amp;D warehousing &amp; logistics, villas private clinics universities, multipurpose</td>
<td>Automobile</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Free Trade Zone/Cooperation Zone</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>---------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Status</td>
<td>Phase 1 under construction</td>
<td>Phase 1 under construction</td>
<td>9 operational enterprises</td>
<td>Phase 1 completed 28 operational companies</td>
<td>17 operational companies</td>
<td>Zamibian government working on road, water &amp; power supply</td>
<td>Mauritain government has already set-up road &amp; utilities</td>
<td>Stalled</td>
</tr>
<tr>
<td>Labour</td>
<td>800 Chinese &amp; Nigerians employed</td>
<td>More than 600 locals employed</td>
<td>N/A</td>
<td>1042 local jobs</td>
<td>3300 local jobs 700 Chinese workers</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Achievements</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>2010: USD 29 million export income</td>
<td>2012: USD 4.35 billion sales</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Issues</td>
<td>1. Displaced settlers &amp; farmers</td>
<td>1. Investors relocating as they see the zone as unprofitable since Nigerian manufacturers import finished goods to sell locally.</td>
<td>1. Security issues</td>
<td>New demands for Phase 2: (i) Land ownership rather than rental as condition for the development of phase 2 which consists of the remaining 570 hectares (ii) An acquisition of additional 320</td>
<td>1. Salaries below minimum wage threshold</td>
<td>Delay due to lack of investment interest</td>
<td>1. Displaced farmers</td>
<td>Reforms requiring foreign investors to have Algerian partners as majority shareholders</td>
</tr>
<tr>
<td></td>
<td>4. Poor power supply</td>
<td>4. Acquisition of additional 320</td>
<td>4. Acquisition of additional 320</td>
<td>4. Acquisition of additional 320</td>
<td>4. Acquisition of additional 320</td>
<td>4. Acquisition of additional 320</td>
<td>4. Acquisition of additional 320</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*manufacturing unit, pre-built plant & production units*
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>environment</td>
<td>hectares for activities outside the zone</td>
<td>additional 1,000 hectares of land for the development of residential projects⁶⁴ 2. Political turbulence disrupt transportation, communication, water &amp; electricity supplies</td>
<td>as NFCA remains the reporting body-with the zone enterprises as subsidiary providers yet acting as independent entities⁶⁵</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Preconditions for Successful Chinese Special Economic Zones in Africa

Of the seven CSEZAs, Egypt-TEDA SEZ and ZCCZ are conspicuous as the successful ones in terms of their advanced stage of development, financial returns, employment creation and the amount of investment they have attracted.\textsuperscript{67} LFTZ too, is at a comparatively advanced stage in the first phase of its construction. Notwithstanding the few years head start they have on the rest of the CSEZAs, the relative bankability of these three CSEZAs can be associated to three technicalities:

1. **Involvement of Chinese SOEs who hold a majority of the shares within a joint venture with the host African government.**

   In 1998, when Tianjin Economic-Technological Development Area (TEDA) first attempted to launch a Chinese SEZ with local partners in Egypt, it held only 10 per cent of equity in the venture. The zone did not take off. In 2000, TEDA started a wholly self-owned industrial park in Egypt and it was relatively more successful (Brautigam and Xioayang, 2011, pp. 75-6). In 2008, TEDA reverted to the joint venture format. It kept the majority shareholding and ascertained a small participatory stake by the Egyptian state through the Egypt Chinese Corporation for Investment. Satisfied with this equity pattern, TEDA is now seeking an extension of the zone territory. The same scenario is repeated in ZCCZ, whereby China Non-Ferrous Metal Cooperation (CNMC) dominates company action though the Zambian government is present in its management. Similarly, LFTZ incorporates the Lagos state government and the federal government through partial shareholding. In comparison, Chinese developers who have decided to ‘go-alone’ in the form of 100 per cent Chinese-owned SEZ ventures (i.e. Ethiopia, Mauritius and Algeria) have faced difficulties in launching their zones, or have even been led to cancel the project, in the case of Algeria.

2. **The SOEs involved in the CSEZAs have previous experience in zone management.**

   Egypt-TEDA and LFTZ are the only two CSEZAs in which the companies involved are SOEs who have previous experience in SEZ management. While TEDA operates eight zones in China (Tianjin Economic-Technological Development Area, Micro-
Electronics Industry Park, Yat-Sen Scientific Industry Park, TEDA Industrial Park subzones, Tianjin EPZ, West Area expansion of TEDA, Micro-Electronics Industry Park Jinnan and Nangang Industrial Zone), Nanjing Jiangning Economic and Technological Development Corporation of ZCCZ is the establisher of the national-level high-tech zone, Nanjing Jiangning Economic and Technological Development Zone.

Although both Egypt-TEDA and LFTZ face hurdles, their difficulties are externally imposed (e.g. public discontent about the toll road in the case of LFTZ, political turbulence in Egypt, and so on). The zone promoters have little control over them. As for the remaining five zones, the nature of their problems confirm that the principal deficiency is internal to their SEZ management. Investors from OGFTZ are relocating as the zone’s fiscal environment is not competitive to the local Nigerian environment; JFET has failed to attract investors; EIZ and OGFTZ are both showing signs of closing onto themselves and functioning as ghettos by putting in place intense security measures. EIZ further estranges itself from its host community by insisting upon the importation of clinker from China instead of cooperating with local cement suppliers.

3. **The SOEs are specialists in the service or production activity towards which the CSEZA is predominantly geared.**

Developers who have a familiar industry as their investment area have more chances of delivering a well-developed and serviceable CSEZA. ZCCZ is an example. In principle, ZCCZ does not conform to the CSEZA model implemented in the other six cases. It only focuses on one specific industry, i.e. non-ferrous metals and allied products. Thus, technically, ZCCZ functions as an industrial cluster. By applying its lengthy experience of the non-ferrous metal business and using its contacts, CNMC has set-up this lucrative Chinese SEZ in Zambia. However, CNMC simultaneously rectifies its unconventionality by building a complementary sub-zone in Lusaka whereby it accommodates diverse economic and commercial activities found in the conventional CSEZA model. As the cases of ZCCZ and LMEEZ depict, it is through the revenue received from the good performance of a zone where a known product is handled that the developer can consider venturing into unfamiliar economic
activities. In spite of this, due to a lack of experience in SEZ management and in handling such diverse investment areas, LMEEZ faces difficulties in attracting investors.

These three logistical particularities identified are not mutually exclusive. A deficiency in one aspect compromises the ability of the CSEZA to deliver a successful venture. Egypt-TEDA ticks all three boxes—with TEDA’s 28 years of experience in SEZ development making up for the product or service specialisation required. While two of the three SOEs handling LFTZ are inexperienced in SEZ management, Nanjing Jiangning Economic and Technological Development Corporation—their only SEZ knowledgeable partner—specialises in information technology, automobiles and high technology activities. As its specialisation does not match what is being developed in the Nigerian SEZ, Nanjing Jiangning Economic and Technological Development Corporation is unable to deliver a good SEZ performance in this differed investment portfolio. And although CNMC’s aptitude at metallurgy gives it a profitable ZCCZ at Chambishi, its lack of experience in SEZ management exacerbates its contested treatment of its employees. ZCCZ’s specialisation in mining does not grant it access to other investment areas which it intends to develop in the Lusaka sub-zone. However, one component which noticeably recurs across the three prerequisites is the presence of Chinese SOEs.

**Deterministic Components of Chinese Special Economic Zones in Africa**

Along with an identification of the premises allowing a successful CSEZA, the three preconditions also point towards actors and actions which compromise the ability of the zones to deliver the required development to Africa. This section discusses these controversial components.

1. **The Centrality of Chinese State-Owned Enterprises**

All of the three pre-requisites for successful CSEZAs ascribe a central role to Chinese SOEs. However, this observation is inconsistent with the stance generally adopted by researchers on the topic. Often, the role of SOEs in making the CSEZAs profitable is taken for granted, imperative or negligible. Brautigam presents such a disengaged view:
Two of the zone projects were originally led by national-level, state-owned enterprises: CNMC and CCECC. Others were companies owned by provincial or municipal governments in Jiangling, Shanxi, Jiangsu, Guangdong or Tianjin. Tianli Group and Qiyuan Group, the original developers of the Mauritius and Ethiopia zones, respectively, were private companies. The business models for these ventures varied (2011, p. 36).

Contrary to the above assumption, Chinese SOEs are omnipresent across the shareholding of the seven CSEZAs. Even though the Ethiopian and Algerian units are led by private enterprises from China, the Chinese state is a major stakeholder in the leading companies of both private consortiums; either through provincial state administrations, or directly. In the case of Ethiopia, Jiangsu Yonggang Group Co. Ltd is a private company founded in partnership with the Jiangsu Province State-Owned Assets Supervision and Administration Commission (SASAC). The Algerian promoter, Jiangling Automobile Group, has direct shareholding links with the national Chang’an automobile. This partiality to SOEs is in line with China’s usual approach. China prefers engaging SOEs when starting a new experiment in the investment sector (See Buckley et al, 2008, for a description of the pioneering role of SOEs in outward investment). The favourable history and experience of SOEs, coupled with their centralised institutional control, make them the preferred delegates to be trusted with the management of these bilateral zone projects of high diplomatic significance.  

Xu (Interviewed in 2011) explains that initially, Chinese SOEs played a small role in domestic SEZs because the latter were designed to be experimental spaces led by capitalist market-conditions rather than by socialist preferences. Now, the role of SOEs in SEZs at home and abroad, is bigger for two reasons:

(i) According to China’s Constitution, land is owned by the state. Hence, the priority of land development is entrusted to SOEs. They enjoy larger expanses of land without paying rent at market value.

(ii) SOEs have easier access to bank loans in China. Bank loans are usually at low interest rates determined by the state. This allows SOEs to borrow more as they end up extracting greater profits. Private companies, on the other hand, do not benefit from such easy loans. This liberal access to easy loans adds to SOEs’ comparative weight as they venture abroad to build CSEZAs.
Xu comments that the success of SOEs in domestic SEZs comes from the context within which they function at home: within China, SOEs deal with competition from private companies, and, from other provincial SOEs. He expresses concern that if Chinese SOEs go abroad to set-up CSEZAs without any competitors, they will monopolise the zones. A complacent attitude might take over and the SOEs might become inefficient. The availability of cheap capital from Chinese banks will ease the pressure to deliver profitable CSEZAs. The current situation in Egypt-TEDA and ZCCZ demonstrate this reaction. Thus, merely by virtue of their function and status, Chinese SOEs reduce the competitiveness as well as developmental value of the CSEZAs.

2. Land Management

As evoked in Chapter 1, another dimension of the CSEZA which determines its contributive or exploitative nature, is land. As ascertained by MOFCOM (Interview with Guining, 2011), the decision concerning which plot to acquire is left to the African host government. Potential locations are discussed and then agreed upon by both parties. The Director of the Board of Investment (BOI), Mauritius confirms this site selection process (Interview with Poonoosamy, 2011). In the case of JFET, Chinese developers favoured the Riche-Terre site over two other options due to its proximity to the harbour.

In spite of these regulated land acquisition procedures, Table 3.1 indicates how there were concessions over this one principal natural resource of the host African countries. The concerned African governments bear the following accompanying costs as they lease out the land for the CSEZAs:

(i) **Cost of clearing the land**: Civil aviation satellite cables earthed under part of the JFET site had to be cleared. The LFTZ site had to undergo refilling as the land consistency was inadequate for construction (Mthembu-Salter, 2009, p. 2).

(ii) **Compensation costs to displaced settlers and farmers**: LFTZ involved the displacement of 36 pastoral and fishing communities (Social and Economic Rights Action, n.d). Lagos state gave out USD 4 million as compensation to the
settlers affected by phase one of LFTZ. They would soon also be allocated 750 hectares with occupancy certificates (Akinsanmi, 2010). Some settlers are contesting the compensation. In Mauritius, 121 planters were evacuated. Most of the planters agreed to the cash compensation of USD 3,850 each, and those who had been actively cultivating the land were additionally allocated new plots for cultivation (Noël and Ramkissoon, 2010).

(iii) **Rent concessions:** The lease for the LFTZ and OGFTZ land are for 99 years. It is moreover rent-free at the construction stage. JFET and ZCCZ too, have 99 years leases, while LMEEZ has a 79 years lease. All leases have been granted on concessionary rates. Since most of these zones are still undeveloped, the host governments are not optimising upon the concession granted. Therefore, they bear the loss of an optimum rent from the land.

(iv) **Cost of forgone development:** JFET’s location prevents further expansion of the harbour, because while JFET sits on one side of the port, the other side has been leased out to Indian private developers for an integrated city project called Neotown. In the absence of these projects, Mauritius could have had benefitted from a port expansion at this time when, due to proliferation of Somalian pirates activities, a diversion of sea route from Asia to Africa is endorsed. Figure 3.1 locates JFET and Neotown in relation to the Mauritian harbour.
Figure 3.1: Location of JFET and Neotown in relation to the Port-Louis harbour
Source: Google Map 2013

(v) **Security:** Egypt-TEDA SEZ is seeking to own (rather than lease) the land over which the CSEZA has expanded. This land borders the Suez Canal (Interview with Commercial Secretaries, 2011). This move has obvious security implications. Figure 3.2 and 3.3 locate Egypt-TEDA SEZ in relation to the Suez Canal. Mauritius too might find itself in an unsolicited military axis between China (resting at JFET) and India, Mauritius hands over Agalega\(^\text{71}\) to India. It is currently rumoured that this Mauritian dependency would be given to India to use for its military purposes.\(^\text{72}\) Already, the US and France have military bases in the nearby Diego Garcia and Tromelin islands, respectively.\(^\text{73}\) Figure 3.4 draws this axis.
Figure 3.2: Egypt-TEDA Location in Relation to Suez Canal
Source: Google Map 2013

Figure 3.3: Egypt-TEDA Location
Source: Google Map 2013
Figure 3.4: Location of Mauritius in relation to Agalega and existing military bases in the Indian Ocean
Source: Google Map 2013

(vi) **Conversion of land purpose**: Nigeria’s Social and Economic Rights Action (SERAC) website reports grievances of the displaced communities. They state that they are ‘unconvinced that the land being taken purportedly for the project is not in excess of what it is meant for’ and that ‘land acquired are being resold by agents to individuals for private use’ (Suberu, 2012). SERAC’s doubts are echoed in the description of LFTZ plan on the China-Africa Lekki Investment Ltd website (2012):

Lekki Free Trade Zone [...] covers a total area of about 30 square kms [3,000 hectares] with 27 square kms [2,700 hectares] for urban construction purposes, which would accommodate a total resident population of 120,000.

In Ethiopia, a company named Hujian which already functions within EIZ, has requested for 320 hectares near Addis Ababa. It wants to expand its existing production plant (Tekleberhan, 2012; Yewondwossen, 2012). Developers of Egypt-TEDA SEZ too, want to engage into real estate in the zone. They plan to dedicate 1,000 hectares to residential development (Setc-zone, n.d). Initially
publicised as an industrial zone, JFET is also seeking to invest into the construction of luxury residences. As the plot is near the coast, developers have expressed interest in constructing the zone in line with the Mauritian Integrated Resort Scheme (IRS).\textsuperscript{74} As we see in its site plan in Figure 3.5, sections 7 and 8, which consist of management and employees residential spaces, take over the larger share of the zone.

![Figure 3.5: JFET Masterplan](source: JFET presentation)

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Centre</td>
<td>Headquarters</td>
<td>Factories</td>
<td>Logistics Storage Centre</td>
<td>Product Display Area</td>
<td>Financial District</td>
<td>Management Living Area</td>
<td>Employees Living Area</td>
</tr>
</tbody>
</table>

The Importance of Contextualisation

The two identified deterministic components of the CSEZAs are in fact practices which are part and parcel of China’s own SEZ model. Purely due to a shift of context, the de facto features of Chinese SEZs at home turn into problems when transposed to Africa. This evokes the importance of contextualisation. Farole (2011, 248-56) initiates this debate in relation to Export Processing Zones specifically when, after an
analysis of the changed global economic climate, he concludes that ‘African zones are not likely to be competitive using the traditional zone model that many of them employ’. However, Farole talks about a temporal contextualization of zone models. For him, African countries need to modify the zone models to suit the changed economic climate characterized by intense competition from Asia and the effacing of EU and US as confirmed sources of investment. As he treats Africa as a homogeneous respondent to external pressures of a new global economic environment, he ignores the need to make economic zones adhere to the internal specificities of the African country hosting the zone. Throughout the process of transposition of the Chinese SEZ model to Africa, the importance of a customisation of the model according to the new context has been ignored. The adoption of a standardised SEZ model by the host African countries shows how, when applied to specific African contexts, norms of an economic hub model can transform into concessionary gestures.

As Xu mentioned above, while the eventual participation of SOEs in SEZs in China proved successful, the same success cannot be ensured when these very SOEs shift to Africa, without any competition or pressures. The same applies to the land component. For instance, the allocation of a greater share of land to residential areas is a common SEZ practice. In China, these residential sections serve both as accommodation for workers on the site, and promote the urbanisation purpose of SEZs. Guo (2011b) upholds that ‘[d]evelopment [z]ones are not only the first stop of many urbanized peasants, but also the critical area on the process of urban modernization’. He explains that in China, residential areas within the zones are set up at the early stage, before the SEZ develops fully. Building new residences during the full-fledged SEZ development is discouraged. Nevertheless, this is becoming an acceptable practice as problems emerging due to a separation of the residence place and workplace are addressed. With those residing in the SEZ not employed within the zone, and those working within the zone, not living in, problems such as traffic jams, increased commuting costs and environmental deterioration proliferate (Guo, 2011b). To some extent, it can be assumed that the residential quarters of the CSEZAs aim to prevent such problems. But the same residential areas when planned in JFET, LFTZ and Egypt-TEDA SEZ,75 suggest a followed negative impact. Instead of encouraging an inclusive national economic growth through urbanization as it did in
China, residential spaces within CSEZAs will generate new premises of inequitable division of wealth and social space. Real estate investments in the guise of CSEZAs will only create one-off and short-term investment returns to Africa.

Another feature of the Chinese SEZ model which turns concessionary when transposed to an African context is the phase-style development procedure of the zones. The construction of each of the CSEZAs is planned over a minimum of two phases, with each phase taking at least five years. Therefore, the capital that the Chinese promoters commit to invest in the zones is never disbursed in totality at the very beginning. This has been the case in LFTZ whereby the Chinese developers only invested USD 50 million of the USD 200 million agreed (Mthembu-Salter, 2009, p. 2). Lagos state had to top-up this initial sum from its own budget in order to render the first phase of the zone’s development viable. It so happens that, often, at the time of the agreement with the African country, the Chinese developers do not have the amount they cite for investment. Their calculation of the total capital input is based on the rationale of a ‘snowball development’—a strategy that TEDA’s journey within China reflects. TEDA’s first phase of development was financed by a government loan of USD 60.3 million. This loan bred one precinct of commerce and one precinct of residence. Together, they took up a total area of 420 hectares. In 1990, TEDA started ‘developing a stretch of land, making a rational return on it and then using the return to develop new stretches of land’ (ENorth, 2004). The director of CADFund (Interview with Dongya, 2011) describes this ‘snowball development’ exercise as being a long-term planning strategy whereby the initial investment areas are those which can generate immediate returns and attract investors. Usually, hotels, residences and manufacturing are the quick-return sectors. Since in China, the government, government-bodies and SOEs develop SEZs, the zones favour long-term development plans. There is no immediate profit requirement.

The fact that China upgraded several of its long-standing SEZs from provincial to national-level status and approved of 74 new zone projects—all of this in an environment in which the emerging discourse centers on how, post China’s WTO integration, SEZs are losing ground in China (See, Reardon, 1996)—is evidence of the importance of patient investment in SEZs. Detractors use statistical proofs of the
performance of China’s most successful SEZs to substantiate their case. Figure 3.6 provides a glimpse of those statistics.

Figure 3.6: Comparison of Fiscal Revenue among major ETDZs from 2009 to 2011
Source: TEDA (n.d)

Regardless, China retains faith in the SEZs’ ability to deliver profits over long term. But Chinese SEZ developers in Africa do not have the same luxury of time which SOEs can afford when building SEZs in China. In Africa, the government administrations push for a quick unrolling of the zones in order to win political capital at home. Yongpeng (Interviewed in 2011) agrees and claims that in order to stay valid, CSEZAs should develop at a fast pace. This is because, given that the African states grant the Chinese developers incentives and access to their resources, the host African communities expect to see an immediate output.

The fourth discrepancy which emerges due to an unaltered transposition of the Chinese SEZ model onto the African host countries pertains to the expected outcomes from the zone model. SEZs in China started as capitalist experiments to attract capital in any form: FDI inflow, export expansion or technology-transfer. The creation of employment was not one of its objectives. It was only a positive side effect of SEZs. As Guo (2011a) explains, manufacturing multinationals (MNCs) settled within China’s SEZs in the mid-1980s. They required unskilled workers—a demand which could not be fulfilled by the urban educated and skilled workforce. This benefitted the unskilled rural workers who thereby joined the workforce and reduced unemployment. However, in the case of the African hosts, they already limit the
areas of investment in which the Chinese developers can operate by pushing for local employment creation as one of the objectives of Chinese SEZs. The focus on employment also halts the extent to which technology can be used on the site, since advanced mechanisms will cut down on the number of workers. Moreover, by potentially curbing the number of Chinese employees allowed within the zone, African countries reduce possibilities for a transfer of skills and know-how to the local labour force—all of which are essential to serve the developmental purpose for which these zones have been welcomed in the first place.

Thus, a number of features labelled as nefarious to the developmental potential of the CSEZA model, are revealed to be integral contributive mechanisms of China’s own SEZ experience. Rather than being faults of the model itself, it is the standardised transposition of the model from one context to another that leads to the poor performance of the CSEZAs. This notion has been previously documented in Chapter 2. The failure to foresee the need for a customisation of the SEZ model according to the requirements and norms of its new context is a blame that both Chinese and African parties share. A clear division of responsibilities that marks the deployment of CSEZAs advocates for an evaluation of the role of both the Chinese and African states.

**Chinese State Presence in Chinese Special Economic Zones in Africa**

The account of the CSEZA establishment procedures, the percentage of shares held by the Chinese in each of the CSEZA ventures, and the centrality of SOEs in CSEZAs, reveal that China is alert and proactive in its pursuit of profits through these new zones. This prominence and efficiency of the Chinese government with regard to the CSEZAs follows from the practice established in SEZs within China. When Xiaoping visited Shenzhen SEZ in 1992, he remarked:

> From the very outset there were different opinions concerning the establishment of special economic zones, fearing whether this meant practicing capitalism. Shenzhen's construction achievements have answered those having worries of one kind or another, the special zone is "socialist", not "capitalist" in nature. Judged from the situation in Shenzhen, public ownership is the mainstay, foreign investment accounts for only one-fourth. Take that part of foreign capital for example, we can benefit from taxation and labor service! *Don't be afraid the establishment of more Sino-foreign cooperative enterprises,*
Sino-foreign joint ventures and solely foreign-owned businesses. We need not be afraid so long as we are clear-headed. We have advantages, large and medium-sized State-owned enterprises and township enterprises, more importantly, we have the political power in our own hands (Xiaoping as quoted in People’s Daily Online, 2002, my italics).

Indeed, in its domestic SEZs, Chinese government marks its presence in very obvious ways. For instance, in the Shenzhen SEZ, even though partnership with foreign investors or wholly-foreign investment ventures are welcome, the central government—through an authority called Guangdong Province Committee for Administering Special Economic Zones—maintains a direct control on the actions within the area. The duties of the authority include land-levelling, providing utilities in the zone, sanctioning investment proposals for factories and economic undertakings within the zone, issuing registration and land use certificates to investors, the right to veto permission for investors to carry out foreign exchange transactions and to obtain insurance coverage, and the right to permit sales of products to the domestic market. Guangdong provincial government too, has established sub-offices to ascertain a hands-on monitoring of the zone. For example, the Guangdong Province Special Economic Zones Development Company was set up to promote investment opportunities in the zone. It acts as facilitator in business transactions for the zone investors, and even engages into joint ventures with investors coming into the SEZ. A similar applied presence of the Chinese state can be witnessed in the CSEZAs.

While China ascertains an upfront involvement in the CSEZAs by controlling their financing, it also ensures an extraction of the maximum profit from the incentives granted by the African countries. For instance, under JFET, it uses the leased state land as collateral in order to obtain loan from Chinese banks. Similarly, it combines its security concerns with the CSEZA deployment in Egypt and seeks permanent presence by the Suez Canal.

African State Presence in Chinese Special Economic Zones in Africa
The same premises which testify for China’s hands-on involvement in the CSEZAs highlight the disengagement of the African host governments in the venture. The accidents and labour rights violations that constantly occur on the ZCCZ site is one
example of the leniency of the host African government. Human Rights Watch (2011) notes that:

[for its part, the Zambian government is failing to meet its obligations under the convention to provide a protective environment in which workers have the right “to report accidents, dangerous occurrences and hazards to the employer and to the competent authority...without discrimination or retaliation”.

African leaders keep reinstating their confidence in the Chinese commitment to generate mutual growth and development through the CSEZAs. They constantly promise forthcoming fast-pace construction and an operational zone to the local population. In 2008, Governor Daniel of Ogun state claimed that ‘the pace of economic activities in the Ogun West Senatorial District would soon change for the better’ (Larewaju, 2008). This was four years after the project had been launched. Now, five years since this declaration, Phase 1 is still under construction. Mauritian politicians have pronounced similar statements of reassurance. The Mauritian Minister of Foreign Affairs reacted to the scepticism of the local community, saying that: ‘[w]e are more than convinced that given our strategic geographical positioning, the JinFei project has the capacity to become an investment platform for China towards Africa’ (Chavrimootoo, 2012).

As they await benefits out of their investments, the host African governments know that they have gambled by welcoming the Chinese zones on the current terms and conditions. Yet, only a couple of the African partner countries have addressed these concerns. Following several changes and delays in the project, Nigeria renegotiated the LFTZ. Under the new agreement, the Nigerian government secured a 40 per cent employment quota for locals, and also recuperated 13,500 hectares of the initially leased land. Foreign partners will now develop the recuperated land under the guidance of Lagos state government (Mthembu-Salter, 2009). In March 2012, the Ethiopian government announced that it would introduce a bill to regulate the country’s industrial zones. The main elements of the Ethiopian Bill are (i) the formation of an Ethiopian Industrial Zones Authority, (ii) the resolution to have industrial zones developed by Ethiopian government itself or in joint ventures with private developers. The guarded remarks of officials from the Ethiopian Ministry of
Industry support suspicions that these sudden initiatives by the Ethiopian government are linked to the poor unrolling of EIZ.

The policy change was also triggered by the current performance of the industrial zones, sources within the Ministry disclosed to Fortune [the newspaper]. The Ministry has established an inspection committee to evaluate industrial zones that are operational. "Some of the lands designated as industrial zones are not serving their purpose, as there are even those who lease it for residential purposes," says an official at the Ministry (Mesfin, 2012).

These disguised insinuations are, unquestionably, references to the Chinese SEZ in Ethiopia. The only country among the five host African nations which had a policy arrangement from the beginning of the CSEZA negotiation—and in this respect, is a good example for its counterparts—is Egypt. Although the Egyptian government holds only 5 per cent of action in Egypt-TEDA SEZ, the fact that Egypt-TEDA SEZ is situated within the larger Egyptian state-administered space called the North West Suez SEZ means that the Egyptian government has a grip on both the perimeters within which the Chinese SEZ is allowed to function, and in the internal monitoring of the zone. North West Suez SEZ falls under the authority of the General Authority for Investment (GAFI), its sub-authority, Master Development Company, and, is regulated by the Special Economic Zones Law 83 of 2002. As some of the African host countries take corrective policy measures against the CSEZAs, one wonders why the African governments chose to absent themselves from the Chinese SEZs in their own countries in the first place.

An understanding of the larger context suggests three possible reasons for this withdrawal of the host African state: (i) the consciousness of the host African countries regarding their own lack of experience in zone management as compared to China’s successful SEZ history; (ii) the Chinese developers requested for a maximum control of the zone and the African state relented. The story of China-Jiangling Free Trade Zone, Algeria supports the latter scenario. The Algerian zone was initiated under the same CSEZA concept but was cancelled after the Algerian government enacted reforms which required foreign investors to form partnerships with local firms. Algeria insisted that the Algerian partners must hold the majority of the shares in the partnership. While the supposition that China exercises such a paternalistic stance vis-à-vis the host African countries may lead to China-bashing,
the host African states are equally responsible for having ignored their potential to negotiate a favourable deal. It is a fact that the African governments ratified the current terms and conditions upon which the CSEZAs are founded in the conscious knowledge of attempting an alternative developmental experience. This irresponsible behaviour of the African administrators may also imply possible corrupt pursuits. Nonetheless, even now, there are several elements of the CSEZA concept that allow for a rectification of affairs, as has been pursued by Nigeria. The phase-style development of CSEZAs, whereby the master plan of each phase has to be approved by the host country, gives the host African countries opportunities to renegotiate, and eventually bring the development of the zones to match their expectations and objectives.

**Redeeming Chinese Special Economic Zones in Africa**

Chapter 3 referred to Litwack and Quian (1998) and argued that SEZs work best when tweaked to match the prevalent economic and fiscal atmosphere. By this logic, as the CSEZAs stand deadlocked, it would have been reasonable for the partner African countries to renegotiate the contract with the Chinese. Renegotiation in this context alludes to rectifying clauses in the agreement which (i) hand Chinese investors the exclusive rights to invest in the zone, (ii) limit the host government’s participation in the activities of the zone, (iii) do not permit the host state to carry out any kind of institutionalised monitoring of the development of the zone. Renegotiation can also imply termination of the CSEZA, if necessary.

The parties who would benefit the most out of a renegotiation are the African nations themselves. After securing an expanse of land in a foreign country for at least 79 years, securing a preferential rent, gaining investor status, gaining the permission to use a foreign land as collateral, and gathered knowledge of the local market and business opportunities, the Chinese SEZ promoters can already tick off several ‘wins’ from their list of cooperative ‘win-win’ objectives. This only leaves the African partners in the wait for their share of ‘wins’ from the ventures. Jobs, transfer of technology and know-how and backward linkages can occur only if the zones proceed beyond carcasses of buildings and bare land.
However, while constant reforms in SEZs are acceptable in China—since China is both the patron and host of the zones there—the host African communities may not digest the same rectifying exercise. This is because the latter believe that already, too many concessions have been granted to the Chinese promoters. This understanding that the African host governments have gone beyond their general practices to accommodate the Chinese SEZ developers finds support in literature (Auty, 2011, p. 222; Brautigam, Farole & Xiaoyang, 2010, p. 5, Brautigam, 2011, p. 47). This belief, fuelled by media sensationalisation, diminishes the chances of redeeming the slowly unfolding or stagnant CSEZAs. Any subsequent contractual alteration—though intending to maximise the functionality of these zones in Africa—will inescapably be seen as concessionary. The prospect of not being able to renegotiate the terms of the CSEZAs, even amidst the world financial crisis (which has also affected China’s growth and FDI inflow) is daunting. Therefore, it is essential to investigate the extent to which the host African countries have truly gone out of their way to woo the Chinese developers before writing off chances of revitalising the CSEZAs. Table 3.2 measures the general investment regulations of each of the five African countries alongside the special provisions extended to each of the CSEZAs.
Table 3.2: Comparative Table of General Zone Investment Regulations and Special Provisions for Chinese Special Economic Zones in Africa

Source: Author

<table>
<thead>
<tr>
<th>Nigerian Free Trade Zones</th>
<th>General Investment Regulations</th>
<th>Special Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>● Exemption from payment of all federal, state &amp; local taxes, levies, rates, &amp; customs duties</td>
<td>LFTZ</td>
</tr>
<tr>
<td></td>
<td>● No import/export licence</td>
<td>• Finished goods produced within the zone from 100% local materials allowed sales in domestic market</td>
</tr>
<tr>
<td></td>
<td>● Rent-free land during construction</td>
<td>• No quotas on products exported EU and the USA, if local raw materials are used</td>
</tr>
<tr>
<td></td>
<td>● Services like warehousing, pre-built factories, transportation, sanitation, canteen available within the zones</td>
<td>OGFTZ</td>
</tr>
<tr>
<td></td>
<td>● 100% foreign ownership</td>
<td>• Construction on the land should start within six months after the land transaction. If the construction does not start within one year, the price of the land will be calculated at next year’s price &amp; management has right to adjust the location unilaterally.</td>
</tr>
<tr>
<td></td>
<td>● Sale of up to 25% of production permitted in domestic market</td>
<td>• Enterprises who rent the land can enjoy free rent for the first six months.</td>
</tr>
<tr>
<td></td>
<td>● Duty-free, tax-free import of raw materials and components for goods destined for re-export.</td>
<td>• Foreign investment and value-added investment can be withdrawn at any time.</td>
</tr>
<tr>
<td></td>
<td>● Duty-free import of capital goods, consumer goods and equipment</td>
<td>• All products produced in the zone can be sold in the Nigerian market.</td>
</tr>
<tr>
<td></td>
<td>● When selling in domestic market, the amount of import duty on goods manufactured in the Free Zone is calculated only on the basis of the value of the raw materials or components used in assembly not on the finished products.</td>
<td>• Freedom for enterprises in employment decision, no residence permits required for foreign employees</td>
</tr>
<tr>
<td></td>
<td>● 100% repatriation of capital, profits &amp; dividends</td>
<td>Ethiopia</td>
</tr>
<tr>
<td></td>
<td>● Waiver on all expatriate quotas for companies operating in the zones</td>
<td>• Ethiopian government to bear 30% of the cost of infrastructure cost</td>
</tr>
<tr>
<td></td>
<td>● Prohibition of strikes and lockouts for 10 years</td>
<td>• Tax holiday of 6 years</td>
</tr>
<tr>
<td></td>
<td>● Foreigner seeking long-term employment must obtain resident permit. Short-term employments obtain temporary work permits.</td>
<td>Egypt – North West Suez SEZ receives no special policy treatment</td>
</tr>
<tr>
<td></td>
<td>● Land lease term is typically 99 years</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>--------------------</td>
<td></td>
</tr>
<tr>
<td>• 0% tax on profits made by companies in the priority sector for a period of 5 years from first year profits is made.</td>
<td>• Provision of off-site infrastructure</td>
<td></td>
</tr>
<tr>
<td>• 50% tax on profits for years 6 to 8</td>
<td>• Provision of one passport to investors for every USD 500,000 of investment</td>
<td></td>
</tr>
<tr>
<td>• 75% tax on profits for years 9 and 10</td>
<td>• Land lease: 99 years</td>
<td></td>
</tr>
<tr>
<td>• 0% tax rate on dividends for 5 years from the year of first declaration of dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 0% import duty rate on raw materials, capital goods, machinery for 5 years for priority sectors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• No value-added tax on machinery/equipment including trucks &amp; specialised vehicles imported for investment in the multi-facility economic zones/priority sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• No withholding tax on management fees, consultancy fees, interest re-payments &amp; foreign contractors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Exempt foreign suppliers to multi-facility economic zone from reverse value-added tax charge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Materials/equipment imported for use in the multi-facility economic zone are exempted from customs &amp; excise duty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Land lease term for state, reserve, trust and park reserves land: 99 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mauritius</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 15% tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Dividends &amp; capital exempted from tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 100% foreign ownership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Equipment exempted from customs duty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Free repatriation of profits, dividends &amp; capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• No minimum foreign capital required</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 50% annual allowance on declining balance for the purchase of electronic &amp; computer equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Exempted from provisions of the Local Government Act relating to rates, levies &amp; licences</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Land lease period of state land for industrial and commercial purposes: 60 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Algeria</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) 2008: Algerian tax law was modified requiring foreign investors to re-invest within 4 years the value of any investment tax incentives received or face a 30% penalty.</td>
<td>Cancelled as Chinese developers were not agreeable to the general investment regulations</td>
<td></td>
</tr>
<tr>
<td>(ii) 2009: Algerian majority (51%) stake in any investment &amp; at least 30% Algerian stake in any foreign-owned import operation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(i) **Nigeria**: General Nigerian Free Trade Zone regulations allot 25 per cent sales to domestic market. In comparison, LFTZ is allowed 100 per cent domestic sales, if the product is fully made from local materials. While this encourages the Chinese SEZ investors to source raw materials from local suppliers, it also creates market competition for the local Nigerian manufacturers. On its turn, OGFTZ allows a withdrawal of investment and capital at any time. This clause enables investors to fully exploit the preferences granted by Nigeria—even using its export quota to the USA and EU, thereby penalising local exporters—and then, leave whenever suitable. This jeopardises possibilities of technology-transfer. The fact that no residence permits are required for foreign employees not only contradicts the general developmental objectives, but is also in paradox with the Expatriate Quota measure of Nigeria as it encourages an inflow of long-term foreign workers. OGFTZ enacts a reservation by providing only six months of rent-free construction as opposed to allowing the developers to occupy the land free of cost for the entire construction period.

(ii) **Ethiopia**: Barring the 30 per cent financing of the infrastructure cost, Ethiopian government does not give the zone any special treatment. On the contrary, while Ethiopian investment regulations provide for a maximum of seven years of tax holiday, judging from the nature of the activities the Chinese investors planned to develop in the zone, EIZ was given only a six-year tax concession period.

(iii) **Egypt**: Egypt-TEDA SEZ has not been granted any preferential incentive. The 10 per cent taxation rate is uniform to the treatment received by other zones falling under the Special Economic Zone Law 83 of 2002.

(iv) **Zambia**: Although Zambia does not provide any active concession to both Chinese zones, the fact that ZCCZ is passed off as a Multi-Facility Economic Zone (MFEZ) despite its activities being concentrated solely on mining, makes Zambia miss out on profits and royalties that it could have gained by treating it as an integrated mining industry. Therefore, the concession that Zambia made in relation to the Chinese SEZ is diverted. It qualifies more as a forgone
cost rather than a policy preference. The five years of tax holiday given to the Chinese developers are in line with Zambian policy.

(v) **Mauritius:** The use of state land as collateral to raise loan is in line with the Code Civile Mauricien, Article 1778-5. Therefore, technically, Mauritius made only three concessions; firstly, by providing the off-site infrastructure, secondly, through the provision of a passport to financially eligible investors, and thirdly, by extending the lease period of state land from 60 to 99 years. All three concessions add to national expenses. The provision of passport to some investors may also have adjacent repercussions such as an influx of Chinese migrants. But, while these are the only direct policy preferences that Mauritius entertains in regard to the Chinese SEZ, like Zambia, the island also grants indirect preferential treatments to the developers. These will be discussed in chapter 5.

As the above discounting regulatory provisions to Chinese SEZs are contemplated, it can be concluded that the African parties have not engaged into direct extravagant exchanges of preferential treatment. To a large extent, African governments still hold a case for pushing towards a re-negotiation of several of the zones’ aspects. A renegotiation may re-launch these bilateral cooperative ventures on a more delectable note. However, the extensive amount of ‘face-saving’ exercised by the African parties with regard to delays to the CSEZA plans has diluted the capability of CSEZAs to be nurtured as hubs. Thus, as long as the host African nations, pressured to maintain their political goodwill at home, hesitate to renegotiate or terminate the CSEZAs, and while the Chinese loiter around the sites at their own pace maintaining their diplomatic commitment, CSEZAs will, for a long time only be a name.

**Summation**

To say that either party is confident of the capacity of the CSEZAs to be the envisaged ‘win-win’ initiative would be untrue. Nevertheless, China invested all efforts in this endeavour. It has established a support mechanism which would aid every aspect of the zones’ functioning in Africa. Adding to that, China has, as reference, its own home-grown zone model. But in spite of all these precautionary
measures, it is only after the CSEZAs started unfolding in the host African countries that the Chinese authorities identified the faults in their provisions. These faults do not impact so much on the aimed developmental ‘wins’ of the Chinese as much as they affect the mutually-beneficial nature of the venture and affect the African states. Nevertheless, these slips are not imperfections which come from the original SEZ concept itself. It is the transposition of the model to another context that disturbs the outcomes. This can only mean that both China and the African governments have failed to customise the SEZ model for each of the African countries. Therefore, both parties share the blame. It is from this perspective that it becomes important to assess the activism of each of the governments in these bilateral diplomatic ventures. While the Chinese government proves its decisive control over the CSEZAs, the absence of the host African governments is conspicuous. They display little willingness to partner with the Chinese actors in running the zones, or even to secure a return from their investments and concessions. Such criticism of the African attitude towards the CSEZAs maybe contested by arguing that the African partners need to limit interference in these zones if they are to maintain their attractiveness to such FDI projects—an essential fiscal component if African countries wish to move up the value-chain of production. However, these observations neither obliterate the negotiation leverage African countries have as they place their natural resources at the disposition of Chinese zone investors, nor do they cancel prospects of a renegotiation of the CSEZA agreements. Back in 1979, China took a risk with the SEZ concept. It was, nevertheless, a calculated risk as China kept the reigns in state hands. Similarly, the onus here lies on the host African governments in ascertaining that, while welcoming the promises of development from the conceptually-wise though contextually-novice Chinese developers, their own inaction and leniency do not further perpetuate the dependency relations of which the CSEZAs are a projection already. Of the five countries hosting the CSEZAs, Mauritius is the one who, instead of evading this dependency equation, has actively reinforced it.
Chapter 5

The Chinese Special Economic Zone in Mauritius

Chapter Statement
This chapter focuses on the Mauritian case study. It starts by elucidating the restrictive local data environment within which the JFET has been researched. It then introduces the Mauritian economic context. The actors and entities important to a comprehensive and structurally coherent study of JFET (and of any other CSEZA) are identified. The section below also introduces every single actor falling under these five categories, and explains how each of them are connected to JFET. Those entities which have a cost impact on the JFET project are then selected from the list of JFET-related actors and a quantitative measurement of the JFET project is conducted. However, the cost-impact actors are further divided into two categories: those financed by the Mauritian government under the official budget allocated to JFET, and those which are not. This chapter then produces a chronological analysis of the JFET. This chronological picture permits an eventual discerning of timely strategies employed by particular actors over the evolution of the zone. The chapter closes with a summary of the ideas evoked.

Disclaimer

In order to get a good understanding of the Mauritian Chinese SEZ, it is essential to firstly note certain basic information concerning the project. To start with, although its official business acronym is JFET, Mauritians know of the project either as ‘Tianli’ or as ‘JinFei’. Secondly, all information pertaining to the zone project is inaccessible to the Mauritian public. Thirdly, it is believed that the agreement between the Chinese and Mauritian governments regarding this zone is covered by two documents: a framework agreement, and a land lease agreement. While the Mauritian government insists that these documents are confidential, the land lease agreement is available to the public at one of the government record-holding offices in Mauritius. The framework agreement is still a hidden document.
The Mauritian Economic Context

Mauritius gained independence from British rule in 1968. At that point, the Mauritian economy relied on a single economic activity: the exportation of sugar to the United Kingdom under the Commonwealth Sugar Agreement, and eventually to the EU under the 1973 Sugar Protocol. In 1970, the Mauritian government introduced the EPZ Act under which foreign investors were given incentives to establish factories on the island. The late 1970s and early 1980s was also a period under which Mauritius adopted SAPs—but in its own distinct way. Bunwaree (2002) explains makes the difference with which SAPs were implemented in Mauritius:

[S]tructural adjustment loan was bank supported rather than bank dictated. The Government takes great pride in the fact that Mauritius resisted the IMF’s request to abolish free education and subsidies on food. This decision has certainly enabled many people to benefit from education. The policies of economic diversification adopted in the post independence period and SAPS with a human face have contributed to making Mauritius a middle income country.

The Mauritian EPZ picked up only as from the early 1980s. In 1982, as the Multi-Fibre Agreement imposed export quotas upon developing countries towards developed countries, manufacturers from Hong Kong moved their production plants to Mauritius. Taiwan followed suit shortly afterwards. After this successful experiment with new economic sectors, Mauritius launched itself into a full-fledged diversification of its economic landscape. This diversification was aided mainly by money coming from non-traditional donors. As will be discussed later in this thesis, as from 1982, China started funding certain development projects of the island. The information and communication technology (ICT) sector, whose activities on the island concentrate at Ebène, was developed through funds from the Indian government.

In the two decades that followed the 1990s, tourism, ICT and financial services established themselves as reliable pillars of the Mauritian economy. However, since the past few years, the Mauritian economy has been under pressure as several of its trade preferences are being eroded. The Multi-Fibre Agreement expired in 2005, resulting in the exodus of a number of foreign textile manufacturers from Mauritius;
the Third Fabric Derogation facility from which Mauritius currently benefits from under the African Growth and Opportunity Act (AGOA) will end in 2015; the Sugar Protocol will terminate in 2017; the Double Taxation Avoidance Agreements (DTAAs) that Mauritius has with several countries (especially with India) will be reviewed—very likely to its detriment; and the conclusion of Economic Partnership Agreements (EPAs) is likely to increase its regional competitors. Currently, the public debt per capita of Mauritius is at USD 5,582 (Indian Ocean Times, 2013), and the island experiences an unemployment rate of 7.5% (Central Statistics Office Mauritius, 2013). It is in this precarious economic context that the JFET unfurls in Mauritius.

**Why the Mauritian CSEZA?**

JFET is dotted with experiences which help in understanding the functional dynamics and procedures integral to the ground implementation of the CSEZA model. As the island has been adjudged the most equitably governed and constitutionally democratic of the five CSEZA host states; the one scoring highest in economic freedom for Doing Business; and is generally known to be the most politically stable, the zone in Mauritius should have been the easiest to establish. But this is not the case. Of the seven CSEZAs, JFET is the one which is in the most critical situation. It has not delivered what it had promised despite the fact that Mauritius has granted the highest number of concessions to China (compared to what the other host states granted to the Chinese developers). While Mauritian authorities admit to upfront concessions such as passports, extended land lease periods and the provision of off-site infrastructure, the aura of confidentiality surrounding this project does not exclude the possibility that Mauritius must have acquiesced to additional indirect compromises. Moreover, unlike its other four CSEZA counterparts, neither did Mauritius have a policy framework which could contain the Chinese zone project from the beginning, nor has it contemplated (like Ethiopia) to eventually establish a regulatory mechanism to do so.

From the start, the Mauritian government sealed off the project from public and parliamentary enquiries by declaring that:
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. (Mauritius, Parliament. 2010, 15 June)

This demeanour of Mauritius may also be representative of the indirect compromises that the other host African countries may have undertaken to accommodate the CSEZAs but which may have been camouflaged. Therefore, JFET, as an extreme case of concession without protection, enacted by a reputational democratic Sub-Saharan African economy, is a benchmark for examining what went wrong with the CSEZA model—even when implemented in the best possible environment.

Chapter 4 attributed a large part of the blame for compromising the ‘win-win’ essence of the zone to the limited role of the African governments. As per this logic, while China dominated the inception stage of the CSEZA because it owned the SEZ concept and also the capital and experience to go into it, technically the next stage at which the CSEZA is deployed on the ground, should be led by the African host countries. This is because at that stage, the dynamics which preside the CSEZA are national context and geographic location—both of which fall under the aegis of the host African nations. This chapter explores the latter phase of the CSEZA in reference to the case of Mauritius. The example of JFET allows us to single out the manoeuvres—internal to the zone and also external to it (pertaining to the host country environment)—exercised by either parties, which may condemn the CSEZAs during the course of their deployment.

**Identifying the Units of Analysis**

Although literature connects the emergence of CSEZAs to the November 2006 FOCAC meeting held in China, a chronology of events establishes that the planning and negotiation of these zones started relatively prior to their official announcement. While work on LFTZ started in April 2006, EIZ in May 2006 and ZCCZ in 2003, Egypt-TEDA SEZ traces its roots back to 1998. Similarly, the idea of JFET was deliberated very early in 2006 (or maybe even late 2005). By the time FOCAC 2006 happened, some of these zones were already functional while others had reached
an advanced stage of negotiation. This gap of a few months (or years) between the inception of the zone proposals and their officialisation under the banner of China-Africa cooperation—which has been dismissed as inconsequential to the larger picture of CSEZAs—is telling of the direction in which the power equation flows between the Chinese and African partners in this new spatial venture. It signals a strategy which was deployed by China even before it was officially stated. In light of this prudent step-by-step unravelling of CSEZAs, it is essential to outline the chronology of proceedings of the controversial and confidential JFET.

An account of the unfolding of the CSEZA cannot be given in isolation due to the different sets of actors and the evolving business environment connected to the construction of the zone. In order to comprehensively understand what propelled, hindered or stagnated the development of the zone, we have to take into account the activities of: (1) the Chinese shareholders of this zone within Mauritius but outside the zone; (2) the subsidiary or support companies launched by JFET; (3) the Government of Mauritius, which appears in indirect support of the zone; (4) projects in Mauritius affected by the implementation of this zone; and (5) projects in Mauritius which have affected the deployment of this zone.

1. **The Chinese shareholders of this zone within Mauritius but outside the zone:**
   This refers to the institutionalised as well as non-institutionalised activities of Shanxi Tianli Enterprise Group, Taiyuan Iron and Steel Group Co. Ltd (TISCO) and Shanxi Coking Coal Group Co. Ltd within the Mauritian jurisdiction. The adjacent activities in which these three companies are involved in Mauritius help in demystifying their investment behaviour. It also sheds light on their motives and future plans. The pertinent activities to look out for are those of Tianli Spinning (Mauritius) Co. Ltd, Tianli Construction Co. Ltd and CT Power (Mauritius) Ltd. The connection of each to JFET will be clarified later in this chapter.

2. **The subsidiary or support companies launched by JFET:** As they declare that their objective is to promote mutual development through the CSEZA, it is unexpected that the Chinese developers would set up support companies functioning outside the perimeters of the zone. Even if they do set up support companies, these should preferably be units providing services or products
which are not locally produced in the host country. Therefore, a study of the presence and nature of subsidiary businesses established by the Chinese promoters in the host African country reflects the extent to which the former are dedicated to the idea of cooperation with the local businesses. Examples of such cases in Mauritius are JFET Travel and Tours Ltd and Oriental Group (Mauritius) Industry Co. Ltd.

3. The Government of Mauritius, which appears to be in indirect support of the zone: Officially, the Mauritian government claims that it only provides the Chinese developers with off-site infrastructure. However, neither is any publication available, nor has any statement been issued to confirm which are the exact off-site infrastructures that the government has contractually agreed to provide. While a few road, water, wastewater, telecommunications and power projects have clearly been demarcated as established with the aim to serve JFET, there are other infrastructure upgrade and construction projects which appear to be of indirect support to the zone. The connection of these undeclared off-site infrastructure projects to JFET can easily be established by dint of their location, scope of expenditure, timeliness of operation, stakeholders involved, and an assessment of their impact. Some of them are (a) provision of sewerage facilities to central and Riche-Terre areas of Baie du Tombeau, including the replacement of a section of an existing service located along Baie du Tombeau Coastal Road, (b) Terre-Rouge-Verdun link road and, (c) JinFei-Freeport area link road cutting through Pont Bruniquel (a bridge) and a parking space.

4. Projects in Mauritius affected by the implementation of this zone: There are projects in Mauritius which have been stalled because of the implementation of JFET. An awareness of these ventures is important since the zone project is showing little sign of taking-off. In such a case, delayed or cancelled projects count as income and development foregone. There are a number of such existing projects namely, the national vegetable auction market and three major projects by the Irrigation Authority (IA).
5. **Projects in Mauritius which have affected the deployment of this zone:**

There are also projects whose implementation have affected the progress of JFET. The Binani cement factory and Neotown are among these projects. As the above actors determine the development or underdevelopment of the Mauritian Chinese SEZ project, the timeline of JFET will incorporate their activities in order to make the impact of such indirect interventions on the zone more visible. A presentation of JFET in such a complete local context will also enable a detection of the mistakes committed by both Chinese developers and Mauritian government in deploying the CSEZA model. However, the companies, projects, and entities falling under these five criteria will be divided into two categories: (a) those having a *development* impact on JFET, and (b) those having a *cost* impact on JFET. While certain projects have only influenced JFET by altering its *developmental value*, hence affecting both Chinese and Mauritian parties, projects which have *cost impacts* have solely affected the Mauritian side.

Critics may condemn the exclusion of companies, entities and projects in China from the five factors of analysis and object to the claim that the cost impact projects solely affect the Mauritian side. This position assumed in this thesis is informed by the method of investment used by China to carry out the JFET project. To clarify, Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd is a company set up under Mauritian jurisdiction by the Chinese company, Shanxi JinFei Investment Co. Ltd with the purpose of establishing the zone. Shanxi JinFei Investment Co. Ltd, for its part, is a company set up in China by Shanxi Tianli Enterprise Group, TISCO, and Shanxi Coking Coal Group Co. Ltd, as a special purpose vehicle (SPV) in order to carry out investment in the Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd. Figure 4.1 is a drawing of this investment mechanism.
On 4 August 2009, Shanxi JinFei Investment Co. Ltd decided to invest USD 80 million in Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd; a project whose total investment requirement was declared as USD 750 million by the Mauritian government. Therefore, with USD 80 million pooled together by Shanxi Tianli Enterprise Group, TISCO, and Shanxi Coking Coal Group Co. Ltd into the account of the SPV, the three partners financially isolated themselves. As a result, the three ultimate stakeholder companies and the Chinese SEZ developer company are secluded from each other. Thus, not only do the Chinese investors prevent Shanxi JinFei Investment Co. Ltd from being influenced by any financially detrimental business experience they undergo in China, but with a limited fund (which they intend to bring up to USD 750 million by applying the ‘rolling investment strategy’), they also limit themselves from disbursing additional capital for the purpose of the zone development. Therefore, any monetary loss to the Chinese side will only be in the form of indirect losses resulting from the failure of timely development of the zone. In comparison, the Government of Mauritius bears active monetary losses by constantly investing in support projects with the intention of aiding the progress of the Chinese SEZ.

**Setting the Benchmark**

In order to establish the relationships between the extraneous companies, projects and entities and the Chinese SEZ in Mauritius, first and foremost, we need to outline the details of the zone itself. The zone’s business composition and its
geographic features will act as the touchstone against which the correlation
between JFET and the additional developmental and cost impact projects can be
identified.

Initially called the Mauritius Tianli Economic and Trade Cooperation Zone Co.
Ltd, the Chinese zone company was incorporated in Mauritius on 4 May 2007. Its
Chairman was Zhang Hongun. Shanxi Tianli Enterprise Group was the sole investor.
The company closed down in 2009 and reopened in a new form. Now called the
Mauritius JinFei Economic and Trade Cooperation Zone Co. Ltd., JFET (its business
acronym) is a private, domestic company, limited by shares. It was incorporated in
Mauritius on 13 August 2009. The nature of the business is that of land promoter
and property developer. Gao Zhiyi (Taiyuan, Shanxi, China) is the person who
applied for the permit to open this company. The names of the registered
company heads are: Xie Li, Director (Shanxi, China); Gao Zhiyi, Chief Financial
Manager (Shanxi, China); and Zhou Yong, Director (China, residing at Baie du
Tombeau in Mauritius). According to its registration papers, the company intended
to start its business activities on 1 September 2009. The shareholder of the
company is a singular entity from Shanxi, China, called the Shanxi JinFei Investment
Co. Ltd. The total number of shares it carries is 100,000, and the amount paid into
this company as investment was declared as USD 9.8 million.

Shanxi JinFei Investment Co. Ltd is the SPV through which investment is
channelled into JFET. The registered address of the SPV is North Yaoyuanlu, Taiyuan,
Shanxi, China. A note filed with JFET documents at the Registrar of Companies
(Mauritius), reveals that at a board meeting of Shanxi JinFei Investment Co. Ltd held
on 4 August 2009 at Garden International Hotel, it was decided that:

the company shall invest a sum of USD80 million, representing 100% shares
of number par value, in a company to be incorporated in Mauritius under
the name of Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd.
It was resolved that Mr Xie Li be authorised to sign all statutory documents
relating thereto including the consent to act as shareholder on behalf of the
company. (Registrar of Companies, 2012)

At the parliamentary session of 20 October 2009, the Mauritian government
confirmed that the shareholders of JFET are TISCO, Shanxi Coking Coal Group Co.
Ltd, and Shanxi Tianli Enterprise Group. TISCO leads with 50 per cent of shares
ownership. The company is based in Shanxi and deals in steel. The second party, Shanxi Coking Coal Group Co. Ltd, headquartered in Taiyuan (Shanxi), holds 30.2 per cent of the shares of the project. Shanxi Coking Coal Group Co. Ltd is a leading coking coal and allied products producer in China. And lastly, the third shareholder, Shanxi Tianli Enterprise Group, holds 19.8 per cent of the shares. The company’s activities and products range from importation of coke, labour export, coal operation, hotel management, construction, agriculture to financial services (Shanxi Tianli Enterprise Group Corporation, 2010). Its website explicitly lists Shanxi JinFei Investment Co. Ltd as one of the Group’s equity companies.

Information about the specificities of the JFET site location is equally important. This will allow us to identify connections that seemingly unrelated infrastructural projects have to JFET. The zone is in Riche-Terre village, which is located at 5 km from the harbour and the capital city, Port-Louis. The site is mostly composed of state-land. It borders the Baie du Tombeau coast (running alongside the Baie du Tombeau Road in Figure 4.2) and connects to the M2 highway which cuts across the major towns of the island and terminates at the airport. However, information about the size of the land under which the zone is to be developed has been inconsistent. Article 1 of the land lease contract between the Mauritian government and the Mauritius JinFei Economic and Trade Cooperation Zone Co. Ltd specifies that:

The Lessor hereby leases to the Lessee a portion of State Land of an extent of **two hundred and eleven hectares (211 ha or 500 Arpents)** described below, which is accepted by the Lessee (Lease Contract, 2009, bold original).

Mauritius uses ‘arpent’ as the land-measuring unit. The conversion value of arpent to hectares is: one arpent = 0.4048 hectare (Four decimal units is retained in this conversion because the value-gap between the two units—arpent and hectares—is considerable). Going by this conversion value, 500 arpents is 202.4 hectares, **not** 211 hectares! (The problems emanating from this confusion are later discussed in this chapter). At the time when the Chinese developers selected the Riche-Terre site (i.e. October 2006), the land was occupied by two groups of farmers. These farmers occupied the land under the Terre-Rouge Land Settlement, and the Riche-Terre Land Settlement. Figure 4.3 and 4.4 are plans of the zone site.
Figure 4.2: Location of JFET in relation to the Harbour and Neotown
Source: Google Map 2013

Figure 4.3: Overlay of Zone Plan on Riche-Terre Land
Source: Scene-Ries Consult Ltd Report
Introducing Variables of Developmental Impact

Now that we are acquainted with the potential access points of JFET, it is easier distinguish which companies, projects and entities are linked to the zone project and how. We shall start by introducing the companies, projects and entities which have a *developmental impact* on JFET. The details of the companies below are sourced from their respective records kept at the Registrar of Companies (Mauritius).

**Tianli Spinning (Mauritius) Co. Ltd** is a private company incorporated in Mauritius on 6 October 2000. It specialises in spinning, weaving, finish yarn and allied products. It describes its activities as those of a trader, wholesaler, retailer, distributor, importer, and exporter. The company holds an Export Enterprise Certificate.\(^8\) It is located at Wooton, Belle-Rive, Eau Coulée. At the time when the company was registered, it had four directors, two of whom were from China: Zhang Yingman, Deputy General Manager; and Zhao Yimin, Vice Deputy General Manager. The remaining two directors were Mauritians: Ng Kwet Shing and Lindsay
Unt Wan. On 27 February 2003, the shares of the company were transferred to Shanxi Tianli Enterprise Co. Ltd (Taiyuan, Shanxi, China). Tianli Spinning (Mauritius) Co. Ltd is the party who initiated negotiations for the establishment of the Chinese zone in Mauritius. The company, via Shanxi Tianli Enterprise Group, is one of the shareholding partners of JFET.

Tianli Construction Co. Ltd was registered in Mauritius on 23 July 2004 as a private domestic company. The applicant was Wang Xiang Long whose address is Tianli Spinning (Mauritius) Co. Ltd, Wooton, Belle-Rive, Eau Coulée. The address of the registered company office is also the same. The directors listed were: Zhang Hong Yun, Chairman (Shanxi, China), Wang Zaijing (Shanxi, China), Zhang Dazhong (Jiangsu, China), Gao Jianhai (Shanxi, China), An Jing (Shanxi, China). The name of the ultimate holding company is Shanxi Tianli Construction Engineering Co. Ltd, which is a unit of the Shanxi Tianli Enterprise Group—shareholder of JFET. On 10 September 2007, a notice of change of directors was registered. Of the earlier ones, only Wang Zaijing retained office while Shen Dong Xiong (Tianjin, China) and Sun Naiqun (Shanxi, China) joined the group.

The national vegetable auction market was a project launched in 2005. Two hectares were earmarked at the Riche-Terre site for this purpose. The project was scrapped following acquisition of the land as part of the Chinese SEZ project.

The (Mauritius) CT. Power Ltd is a private domestic company which was incorporated in Mauritius on 15 March 2006. The directors of the company are two Malaysians, Subramaniam S. Mariappan and Chay Kwong Min, who share the total shares of the company. There is a third director, a Mauritian by the name of Babita Jowaheer. Its declared activity is production of electricity at Albion, Pointe aux Caves. It intended to commence business in 2007. However, the company notified that, as from 7 November 2008, the sole shareholder of the company would be CT. Power Holdings Ltd, a company incorporated and situated in the Federal Territory of Labuan. The (Mauritius) CT. Power Ltd plans to produce electricity from coal and has assigned the operations and maintenance contract to Datang Taiyuan No.2 Co Generation Power Plant. The latter is a unit of China Datang Corporation, which in turn is a partner of the Shanxi Coking Coal Group Co. Ltd—one of the JFET shareholders. Figure 4.5 traces this connection. The (Mauritius) CT. Power Ltd faces
legal opposition for its use of coal. In March 2013, the company denied all connections to JFET and announced that Datang Taiyuan No.2 Co. Generation Power Plant is no more in charge of the operations and maintenance of the plant (Thandarayan, 2013). Amidst strong opposition from the public and the opposition party, the Mauritian government is now reassessing the project proposal for CT. Power’s coal-powered plant (*Le Weekend*, 2013b).
Figure 4.5: The Connection between The (Mauritius) CT. Power Ltd and JFET
Source: Author
Three projects by the Irrigation Authority were planned in the Northern part of the island. Not much information is available about the particularities of these projects. Interviewed in September 2012, a chief engineer at the IA (Mauritius) shared that, following the implementation of JFET, the three major projects had been scrapped (Interview at Irrigation Authority, 2012).

Oriental Group (Mauritius) Industry Co. Ltd was registered in Mauritius on 14 October 2009 as a private domestic company. Its aim was to establish a stone crushing plant, a tile making plant, a clinker grinding plant, a ready-mix concrete plant and a block making plant over 12.7 hectares of land at JFET. On the very day of its certified incorporation, i.e. 14 October 2009, JFET sent a letter to the Ministry of Environment and National Development informing that, as per government request, they would soon submit an Environmental Impact Assessment (EIA) report in respect to the five construction materials plants to be put up by Oriental Group (Mauritius) Industry Co. Ltd. JFET entrusted the contract for producing the EIA to Scene-Ries Consult Ltd, Mauritius. There have been no updates about this project since.

Binani Cement Factory (Mauritius) Ltd was incorporated in Mauritius on 25 September 2007 in order to set up a greenfield clinker grinding unit and a packaging unit. The plant would expand over 6.5 hectares at the Mer Rouge Reclaimed Area, close to Terminal 2 of the port where cement cargoes are handled. The company is a wholly-owned subsidiary of Binani Cement Factory LLC, Dubai. Binani Cement Factory Mauritius (Ltd) was supposed to start production by the end of 2012 but got embroiled in legal strife with Mauritian competitors, Holcim and Lafarge over its environmental impact. The relevance of this project to JFET is for two reasons. Firstly, it has an advantage over Oriental Group (Mauritius) Industry Co. Ltd as it is closer to the port and cuts down the transport costs. Secondly, in light of the liberalisation of the Mauritian cement industry since 1 July 2011, it adds to the competition for Oriental Group (Mauritius) Industry Co. Ltd. However, on 19 October 2012, Binani abandoned the project in the face of continuous delays over its EIA clearance and due to a reduction in the space allocated for its business development (Barbé, 2012).
Neotown is an integrated city project developed by Les Salines Development Ltd, a subsidiary of Patel Realty India Ltd. According to records, Les Salines Development Ltd has been registered twice: the first time on 10 August 2005, and then again on 28 March 2008, as a private domestic company limited by shares. Events suggest that the first registration was in line with the submission of the Les Salines Development master plan by Stauch Voster Architects. The plan had been commissioned by the Mauritius Ports Authority (MPA). Later, when Patel Realty India Ltd took over, the project was redesigned by DSQ Architects Pvt Ltd. The project site, situated diametrically opposite the JFET site, on the left coast of the harbour, covers 23.6 hectares and involves an investment of USD 508 million. For a location map of Neotown, see Figure 4.2. Les Salines Development Ltd has requested similar terms and conditions as applied to JFET’s framework agreement in order to maximise the bankability and reliability of the project (Le Weekend, 2011).87 Neotown is different from JFET in that, while the lease agreement for JFET is between the zone company and the Government of Mauritius, the lease agreement for the Neotown site is between two local parties: the MPA and the Ministry of Land, only to be sublet to Les Salines Development Ltd. Like JFET, Neotown is also a dormant zone.

JFET Travel and Tours Ltd was initially incorporated in Mauritius on 26 November 2007 under the name of MTET Travel and Tours Ltd. It was set up as a private domestic industry. The designated directors were Zhang Hongyun, Shen Dongxiong, Wang Zaijing, Zheng Xiaobin, and Yi Lili. Except for Yi Lili, the directors were also shareholders of the company, along with 18 other people from Shanxi, China. On 30 December 2009, the shares of the company were transferred to Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd and the following year, on 8 April 2010, the name of MTET Travel and Tours Ltd was changed to JFET Travel and Tours Ltd. On 10 May 2010, there was again a change of directors in the company. Xie Li, Gao Zhiyi and Zhou Yong—the three directors of JFET—became its new directors. In the registration document of the Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd, JFET Travel and Tours figures as a subsidiary whose ultimate holding company is Shanxi JinFei Investment Co. Ltd.
Tianli International Trading Co. Ltd was incorporated in Mauritius on 4 February 2002 as a private domestic company aiming to conduct freeport activities, according to provisions of the Freeport Act 1992. The directors of the company were Zhang Yingman, Deputy General Manager (Shanxi, China, also director at Tianli Spinning (Mauritius) Co. Ltd), Zhang Guozheng, Accounting Supervisor (Shanxi, China), Zhao Yimin, Vice General Manager (Shanxi, China), and Ng Kwet Shing, Managing Director (Port Louis, Mauritius, also director at Tianli Spinning (Mauritius Co. Ltd). However, two years afterwards, on 25 June 2004, the directors of the company changed. The seven new directors were all residents of Eau Coulée, Belle-Rive, where Tianli Spinning (Mauritius) Co. Ltd was based. On 17 February 2007, a notice was issued to the company stating that if necessary action is not taken, Tianli International Trading Co. Ltd would be struck off the Register of Companies. This was followed by a request from the Mauritian Ministry of Social Security, National Solidarity and Senior Citizen to withhold the dissolution of the company as it owed payments to the National Pensions Fund. There has been no update regarding this issue or the company since. The company could not be located on the address at which its office was registered.

The displaced Riche-Terre–Terre-Rouge Planters stand at the crux of the JFET controversy. The majority of the land under which JFET stands was initially leased to two sets of planters falling under two separate agreements:

(i) The Terre-Rouge Land Settlement of 103.76 hectares was leased to 106 sugarcane planters. Their lease arrangement started in 1947 and was to end on 30 June 2007. The Government of Mauritius decided that it would not be renewed. The sugarcane planters were compensated in cash. Some additionally received land and were promised to be relocated to Côte d’Or so that they could continue their agricultural activities.

(ii) The Riche-Terre Land settlement covered 74.73 hectares and was occupied by 121 foodcrop cultivators. Their lease started in 1985 and would have expired in September 2015. They were requested to vacate the land by 30 April 2007 and to harvest their existent crops by 30 June 2007. This led to two hunger strikes after which they were eventually granted cash
compensation and relocation options at Bois Marchand and Arsenal—which some of them deemed insufficient.

Figure 4.6 marks the three relocation options granted to the displaced farmers.

![Figure 4.6: Resettlement Locations Proposed to the Displaced Planters in relation to JFET](image)

**Source:** Google Maps 2013

**Introducing Variables of Cost Impact**

The individual descriptions of the various companies, projects and entities which have a cost impact on JFET will now be attempted simultaneously with their assessments. Cost impact projects are divided into two categories:

1. **Those accounted for by the government within the officially designated budget devoted to the Chinese SEZ project:** As these companies, entities and projects are part of the officially sanctioned selection of activities, their connection to JFET is straightforward. They act as the constants of JFET’s financial scenario, against which additional cost-elevating ventures in which
Mauritius has invested would be identified. Even though the framework agreement is not accessible, parliamentary questions, media declarations and ministerial reports allow an easy compilation of a list of the government-sponsored projects associated to JFET. As successive finance ministers have declared, the Government of Mauritius will only provide off-site infrastructure to the zone. The rest of the funding would come from the Chinese developers. On 10 June 2008, Deputy Prime Minister and Minister of MOFEE, Sithanen stated:

> We succeeded in convincing Tianli [JFET] to choose Mauritius whilst offering a more limited package that includes provision of off-site infrastructure with a contribution of Rs 100 m. [USD 3.2 million] from Tianli [...] of the Rs750 m. [USD 23.8 million] of off-site infrastructure paid by Mauritius, only Rs85 m. [USD 2.7 million] is paid for by Government for road infrastructure after taking account of the Rs100 m. [USD 3.2 million] exceptionally contributed by Tianli for financing off-site infrastructure. (Mauritius, Parliament. 2008, 10 June)

The subsequent Minister of Finance and Economic Development (MOFED), Pravin Jugnauth reinstated the same on 29 March 2011.\(^88\)

> I wish to inform the House that, as per the terms of the Framework Agreement, Government has committed to invest in off-site infrastructure for provision of utilities and road network to the site. (Mauritius, Parliament. 2011, 29 March)

Hence, the Government of Mauritius will only pay for utilities and road networks up to the boundaries of the zone. USD 23.8 million has been earmarked for these projects. Of this amount, USD 2.7 million will be invested in roads to service JFET (in addition to the USD 3.2 million contribution by Tianli), and the rest, i.e. USD 21.1 million, will be invested in power, water, telecommunications, and wastewater provisions.

2. **Those unaccounted for by the government and falling outside the budget officially allocated to the Chinese SEZ project:** Sithanen hinted that part of the disbursement to power, water, telecommunications, and wastewater provisions will be treated as separate expenses borne by parastatal bodies on an independent account. This will form part of the ‘normal expansion of work’ of the parastatal bodies.
CEB [Central Electricity Board], CWA [Central Water Authority] and WMA [Wastewater Management Authority] are investing the rest as part of their normal expansion of network to cover not only Tianli [JFET] but also benefit the residents and businesses in the region. Moreover, these utility companies will recover their investment from the very large bills to be expected from the companies operating in the zone. As regards, telephone facilities, Tianli is dealing directly with service providers. (Mauritius, Parliament. 2008, 10 June)

While the government acknowledges the later projects, they are not financially sanctioned to be included within the budget granted to JFET. Instead, they fall under the separate financial responsibility of state-owned companies, which are also financially attached to the government. The activities of these authorities are funded from the national budget. Therefore, in a diverted fashion, it is the government who eventually bears the cost of these additional power, water, telecommunications, and wastewater projects established to support JFET. But one additional item of unaccounted expenditure that Sithanen does even not acknowledge here is the extra road infrastructure that is being built to aid JFET. Based on the locational attributes of these new roads, it can be easily derived that these are intricately linked to the Chinese SEZ project. Hence, they count as an additional cost borne for the sake of JFET.

This separation of companies, projects and entities as those receiving official financial support from the government and those which do not, performs multiple evaluational tasks simultaneously. Firstly, it shed light on those hidden projects which the Mauritian government had camouflaged in order to make it appear that the incentive package that Mauritius grants to JFET is not preferential in any form. And secondly, it quantifies the excess of funds which the Mauritian government is investing in JFET. With this computation, we are also able to compare the investment that both parties, Mauritian and Chinese, have put into this cooperative and mutually beneficial venture. The expenditure on each item of off-site infrastructure will be calculated to measure the extent to which they have stayed true to the allocated government budget, thus determining whether JFET is a financially sustainable and profitable investment for Mauritius. The data cited in the
tables below is based on information derived from various government authorities and databases.

Projects financially sanctioned by the government within the budget of USD 23.8 million.

Table 4.1 compiles the details of the projects financially sanctioned by the government of Mauritius, within the budget of USD 23.8 million.

Table 4.1: Off-site Infrastructure projects accounted for by the Government of Mauritius
Source: Author

<table>
<thead>
<tr>
<th>Project 1</th>
<th>ROADS</th>
<th>Central Electricity Board (CEB)</th>
<th>Central Water Authority (CWA)</th>
<th>Wastewater Management Authority (WMA)</th>
<th>Mauritius Telecom (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JinFei access road with dual carriageway of 1.1km +3 roundabouts +streetlights +drains</td>
<td>66 kv line from Beau Plan to Riche-Terre+ substation USD 13.2 million</td>
<td>Pipe Laying from Calebasse Reservoir to Riche-Terre USD 746,033.</td>
<td>Pump station and pipe laying USD 2.8 million</td>
<td>Telephone exchange + 6 mobile base stations providing 3G, 3G+ LTE service</td>
<td></td>
</tr>
<tr>
<td>Project 2</td>
<td>Upgrade of Riche-Terre Road USD 2.5 million</td>
<td>Water supply to JinFei 7km pipe laying USD 3.26 million</td>
<td>Additional costs expected for new contract to complete installation of equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project 3</td>
<td>Upgrade of Baie du Tombeau Road N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total on Completion</td>
<td>USD 5.7 million + cost of upgrade of Baie du Tombeau Road</td>
<td>USD 13.2 million</td>
<td>USD 4 million</td>
<td>USD 2.8 million + additional cost for project 2</td>
<td>Not completed</td>
</tr>
<tr>
<td>Budget Earmarked</td>
<td>USD 5.87 million</td>
<td>USD 12.86 million</td>
<td>USD 3.58 million</td>
<td>USD 3 million</td>
<td>USD 952, 395.</td>
</tr>
<tr>
<td>Difference</td>
<td>N/A but above budget</td>
<td>Above budget by USD 340,000.</td>
<td>Above budget by USD 428, 572.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Discounting the costs of incomplete works by Mauritius Telecom (MT), the total amount disbursed by the government up to now is USD 25.7 million + cost of upgrade of Baie du Tombeau Road + additional cost for the installation of equipment by the Wastewater Management Authority (WMA). Considering that the total budget set aside for these projects is USD 23.8 million, already, an additional
expenditure of at least USD 1.9 million has been drawn from public funds. Figure 4.7 marks the road infrastructures mentioned in Table 4.1

![Figure 4.7: Financially Sanctioned Road Infrastructure Projects and JFET](image)

Source: Google Map 2013

Projects unaccounted for within the USD 23.8 million budget allocated to JFET’s off-site infrastructure
The extra expenditure on JFET’s officially ratified off-site infrastructure works is only a prelude of the amount of money that has gone into adjacent infrastructural projects that Mauritius has carried out for the ease of JFET. These unaccounted adjacent support projects have required an additional investment of USD 134.3 million from Mauritian public funds. Therefore, the total additional expenditure on JFET’s off-site infrastructure assumed by Mauritius exceeds USD 136.2 million. Table 4.2 presents the concerned additional off-site infrastructures and their costs.
Despite the disclaimer from Sithanen that some off-site infrastructure works aiming to serve the Chinese SEZ will be in the form of normal expansions of networks in order to benefit the general population, links between JFET and these new construction plans are clearly stated in their respective project profiles published on the government’s Public Sector Investment Programme (PSIP) website. It is doubtful that without JFET these ‘normal’ projects would have been considered. Examples of such projects are:

Table 4.2: Off-site infrastructure projects unaccounted for by the government of Mauritius

<table>
<thead>
<tr>
<th></th>
<th>ROADS</th>
<th>CEB</th>
<th>CWA</th>
<th>WMA</th>
<th>MT</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project 1</strong></td>
<td>Terre-Rouge-Verdun link road</td>
<td>—</td>
<td>Upgrade of La Nicolière</td>
<td>Provision of sewerage</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td></td>
<td>USD 79.36 million³⁰</td>
<td></td>
<td>from a capacity of 66 000m³</td>
<td>facilities to central and</td>
<td>USD 13.65</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>to 100 000m³ to 13.65 USD</td>
<td>Riche-Terre areas of Baie</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>million</td>
<td>du Tombeau (including</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>replacement of section of</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>an existing service main</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>located along Baie du</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tombeau coastal road</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>USD 41.3 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Project 2</strong></td>
<td>Study for construction of</td>
<td>—</td>
<td>—</td>
<td>USD 85,714 +administration</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td></td>
<td>link road between JinFei-Freeport</td>
<td></td>
<td></td>
<td>cost in tender process²¹</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>area USD 85,714 +administration</td>
<td></td>
<td></td>
<td>USD 13.6 million</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td></td>
<td>total cost in tender process²¹</td>
<td></td>
<td></td>
<td>USD 41.3 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Total on</td>
<td>USD 79.4 million +administration</td>
<td>—</td>
<td>—</td>
<td>USD 134.3 million</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>completion</td>
<td>cost in tender process for</td>
<td></td>
<td></td>
<td>+administration cost in</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>project 2</td>
<td></td>
<td></td>
<td>tender process for road</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>project 2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Terre-Rouge–Verdun link road: The plan for a road connecting the North and South of the island was initiated in 2003 but was launched only in 2007. A PSIP document outlines its objective:

It will also improve economic activities in the port and will provide easy access for the industrial zone of Riche Terre as well as the future Administrative City of Highlands. (Ministry of Finance and Economic Development, 2009)

The project was to be financed by a concessional loan from the EXIM Bank of China until 2009 when the Mauritian government re-launched the tender at an international level due to the high-priced bids submitted by the Chinese contractors selected by EXIM Bank of China (Mauritius, Parliament, 2009, 1 June). Eventually, the project was financed by the Arab Bank for Economic Development in Africa, OPEC Fund for International Development, Agence Française de Développement and the government of Mauritius (Public Sector Investment Programme, Mauritius, 2012-2016). The contract for the construction of the road has been awarded to a joint venture company comprising of Beijing Construction Engineering Group Co. Ltd (BCEG) and the Mauritian company, Gamma Civic. Although this road network will undeniably aid general traffic flow across the country, the locations chosen for the detours of this road specifically serve JFET. While Terre-Rouge lies within less than a kilometre from the JFET site, Verdun is close to Tianli Spinning (Mauritius) Co. Ltd’s factory at Belle-Rive. Tianli Spinning (Mauritius) Co. Ltd also intends to set up its third manufacturing plant in JFET. In this situation, a link road between its headquarter and the zone is a commendable facility. The proximity of Terre-Rouge–Verdun road to JFET is represented in Figure 4.8.
Figure 4.8: Approximate route for Terre-Rouge – Verdun Link Road in relation to JFET and Tianli Spinning (Mauritius) Co. Ltd

Source: Google Map 2013

(ii) **Link road between JinFei-Freeport area:** The proposal for a road linking the Mer Rouge Freeport area to JFET via Baie du Tombeau and cutting through Pont Bruniquel, in addition to a nearby parking lot, was considered. If the proposal is ratified, it will affect the fauna of the country. This is because Pont Bruniquel and the Rivulet Terre-Rouge Bird Sanctuary areas, which are home to migrant birds, would have to be demolished and constructed upon. The feasibility study conducted by Luxconsult Ltd also suggests that once the zone starts functioning, a flyover should be built over the JFET roundabout. This will ease traffic congestion which would necessarily result from the presence of three roundabouts within 500m of each other, i.e. Quay D–Terre-Rouge-JFET roundabouts. Figure 4.9 pinpoints all locations relevant to this plan.
Figure 4.9: Freeport Area, JFET & potential link road routes, cutting through Pont Bruniquel and Rivulet Terre-Rouge Bird Sanctuary  
Source: Google Map 2013

(iii) **Upgrade of La Nicolière from a capacity of 66,000m$^3$ to 100,000m$^3$:** La Nicolière Treatment plant treats water sourced from 19 reservoirs of the north of the island and supplies potable water to the region. With the advent of JFET, water consumption will increase. For this reason, the government has decided to upgrade La Nicolière Treatment Plant from a capacity of 66,000m$^3$ to 100,000m$^3$. It will be funded by loans from Agence Française de Dévelopement.

(iv) **Provision of sewerage facilities to central and Riche-Terre areas of Baie du Tombeau (including replacement of section of an existing service located along Baie du Tombeau coastal road):** This is a large scale project aiming to improve the sewerage facilities in the named regions of the island and to replace existing equipment with new ones. It is clear that this sudden need to rehabilitate Riche-Terre and Baie du Tombeau’s sewerage networks is linked to the development of JFET.

While these unaccounted expenditures are entirely of an infrastructural nature, the Government of Mauritius has made further disbursements in other
areas in order to secure an unencumbered foundation for the Chinese zone. Those items of expenditure are discussed below:

(v) **The Terre-Rouge and Riche-Terre planters:** One of the largest expenditure that the government has made is in respect of the two groups of planters who were displaced from the JFET site. A total compensation amount of USD 1.7 million was distributed among the 106 Terre-Rouge sugarcane planters. Eighty-six of them were additionally given 2.53 m² of land each. The cases of 20 planters who had been squatting on their plots were regularised. They will also be relocated to Côte d’Or (Mauritius, Parliament. 2007, 7 May). As for the second group, comprising of the 121 Riche-Terre Land Settlement planters, 33 took up the cash compensation of USD 3,850 per 0.4 hectare (per arpent) and relocated to Arsenal and Bois Marchand. Fifty-eight of them only took the USD 3,850 per 0.4 hectare. By July 2009, three of the remaining 30 had passed away and two were abroad. Of the remaining 25, 23 were contesting the compensation, of which 14 were identified as active planters and nine as having abandoned their plots. The remaining two cases were both identified as inactive planters; one was absent on the day of compensation collection and the other one was not eligible for compensation. These items of expenditure in relation to the JFET project had not been envisaged. Nevertheless, they have been entirely borne by the Mauritian government, without any contribution from the Chinese developers. Table 4.3 calculates the total compensation amount disbursed.
Table 4.3: Total Expenses over Displaced Farmers
Source: Author

<table>
<thead>
<tr>
<th>Terre-Rouge (106 sugarcane planters)</th>
<th>Riche-Terre (121 vegetable planters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD 1.7 million (approximately USD 16,037 each)</td>
<td>34 active planters: USD 3,850 each + 0.4 hectare each (USD 130,900 + 13.7 hectares)</td>
</tr>
<tr>
<td>217.58m² (2.53m² to each of 86 planters)</td>
<td>58 non-active/deceased/abroad planters: USD 3,850 each (USD 223,300)</td>
</tr>
<tr>
<td>Regularisation of 20 planters having illegal construction of the land</td>
<td>6 dead and unresolved</td>
</tr>
<tr>
<td>13 certified active planters: USD 8,879 + USD 3,850 + accrued interest of approximately USD 800 each (USD 115,427 + USD 50,050 + USD 10,400)</td>
<td>9 certified non active planters: USD 3,850 + accrued interest of approximately USD 800 each (USD 34,650 + USD 7,200)</td>
</tr>
<tr>
<td>1 non-active but seeks land (USD 3,850 + accrued interest of approximately USD 800)</td>
<td></td>
</tr>
<tr>
<td><strong>Total: USD 2.3 million + 13.7 hectares + cost of regularisation of 20 planters</strong></td>
<td></td>
</tr>
</tbody>
</table>

(vi) **Electricity and irrigation dues of planters:** The dues of the planters to Central Electricity Board (CEB) and to IA were written off. The cost was USD 63,600.

(vii) **Compulsory acquisition of adjacent sites:** Another payment went towards compulsory acquisition of land neighbouring the JFET site. However, this item of unaccounted expenditure not only involves cash disbursement but also signals towards a probable embezzlement of additional land. While the Terre-Rouge Land Settlement covered 103.59 hectares and Riche-Terre Land Settlement expanded over only 74.61 hectares, the remaining expanse of land required for the Chinese SEZ development had to be retrieved from individual proprietors. To this end, a total of 30.44 hectares was acquired in the form of five private plots belonging to Filature de Riche-Terre Limitée (three plots), Société Redville (one plot) and Heirs Ahmad Salehmahomed Ramtoola (one plot). The amount paid to the proprietors for this compulsorily acquisition was decided by the Chief Government Valuer and remains confidential. (Mauritius, Parliament. 2008, 27 May)
As we add up the expanses of land acquired from the Terre-Rouge Settlement, Riche-Terre Settlement and from the compulsory acquisition of the five private plots, the total area of land comes to 208.64 hectares. This neither matches the 211 hectares mentioned in the lease contract, nor does it match the 500 arpent (202.4 hectares) to which 211 hectares is wrongly equated to in the contract. Table 4.4 computes the total land acquired for JFET against the 211 hectares or 500 arpents (202.4 hectares) stated in the contract.

Table 4.4: Extra Land acquired under JFET

<table>
<thead>
<tr>
<th>Source: Author</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Terre-Rouge Settlement</th>
<th>Riche-Terre Settlement</th>
<th>Compulsory Acquisition (5 plots)</th>
<th>Total</th>
<th>Extra Land Acquired</th>
</tr>
</thead>
<tbody>
<tr>
<td>In arpent 256.34</td>
<td>184.63</td>
<td>75.33</td>
<td>516.3</td>
<td>16.3</td>
</tr>
<tr>
<td>Should be in hectares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1 arpent = 0.4048</td>
<td>103.59</td>
<td>74.61</td>
<td>208.64</td>
<td>6.58</td>
</tr>
</tbody>
</table>

Therefore, if we assume that 211 hectares has been leased to JFET, then records accounting for the additional 2.36 hectares required to complete 211 hectares are missing. And if we assume that 500 arpents (i.e. 202.4 hectares) has been leased to JFET, then, an extra 6.58 hectares has been appropriated under the name of JFET. The second hypothesis is more likely to be true since on 10 June 2008, Sithanen declared in parliament that, land granted to the Chinese SEZ developers is divided into two plots: 48.9 hectares and 153.56 hectares. This totals to 202.4 hectares (Mauritius. Parliament. 2008, 10 June).

(viii) Land conversion and rental fees: Although the land was agricultural before it was suddenly granted industrial status under JFET, the Sugar Industry Efficiency Act 1988 (Section 7, ix) exempts it from the payment of land conversion tax. This is because of a special provision which states that ‘[n]o land conversion tax shall be payable where an application is granted (a) for the purpose of the construction of industrial estates and business parks approved by the relevant Ministry’. Nevertheless, as per the State Lands Act 1945, Section 6, 1, C (since the majority of the land expanse is state property),
rent payable on industrial lease of state land situated beyond 81.21m from the high water mark of Zone D of the Second Schedule (the Riche-Terre site falls under this area) should be USD 8,571 per 0.4 hectare per year. Figure 4.10 designates the Zone D boundary in relation to JFET.

![Figure 4.10: Zone D Boundary from Rue des Aigles to Junction of Rue Japonais to Pointe aux Piment Mont Choisy Coast Road](image)

*Source: Google Map 2013*

But on 30 July 2009, the Government of Mauritius strategically made changes to the State Lands Act 1945 and reduced the rent payable by the JFET developers.

Notwithstanding subsection (1C), where a large investment project is deemed by the Minister, subject to approval of Cabinet, to be in the economic interest of Mauritius, the annual rent determined in accordance with that subsection shall be reduced by such amount as may be determined by the Minister and any lease may be granted for a period not exceeding 99 years, with the approval of the Minister, subject to the approval of Cabinet. (State Lands Act 1945, Section 6, 1, F)
According to the lease contract signed between the Mauritian state and JFET, the rent is USD 4,574 per 0.4 hectare per year for the first five years. At the very outset, a rent of USD 3,997 per 0.4 hectare per year is foregone.

With the above profiling of the companies, entities and projects connected to JFET, this work is now equipped to analyse the way in which each of these components have been altered by, or are altering the development of the zone. In short, having addressed the ‘who’ part of the query, the next step is to answer ‘how’ they intervened in JFET and how they are responsible for the current status of the zone. The most coherent and transparent way in which to analyse the patterns of behaviour of the listed actors is through a timeline.

**Timeline of JFET**

**2001: Advent of the SEZ Pioneer**

In 2001, Tianli Spinning (Mauritius) Co. Ltd. launched a cotton yarn-spinning factory in Mauritius. The establishment of the company on the island was in line with the favourable trade climate that Sub-Saharan African countries experienced under AGOA 2001. Under this agreement, Sub-Saharan African countries whose textile products were made of (i) yarn from the region, or (ii) yarn from the US, are eligible to export their apparel to the US market, free of duty. Except for South Africa, Seychelles, Gabon, and Mauritius, the remaining Sub-Saharan African countries benefitted from the LDC status as from 2001 and therefore were eligible for the Third Country Fabric Derogation facility under AGOA. Thus, by establishing itself in Mauritius, Tianli Spinning (Mauritius) Co. Ltd captured the market made up of Mauritian garment producers who, due to non-LDC status, had to rely on regional or US yarn. Along with Mauritius, South African, European and Malagasy companies became Tianli Spinning’s regular clients. However, in July 2004, under AGOA IV, Mauritius too gained LDC status. It could use yarn imported from a third country and still be eligible for duty-free access to US. This move affected the business of Tianli Spinning (Mauritius) Co. Ltd as Mauritian producers resumed their imports of yarn from India where cotton yarn is much cheaper (Interview with supervising officer at Tianli Spinning (Mauritius) Co. Ltd, October 2011). Subject to intense
lobbying from beneficiary countries, the Third Country Fabric Derogation which was supposed to terminate on 30 September 2012, was further extended until 2015. Nevertheless, in September 2004, Tianli Spinning (Mauritius) Co. Ltd expressed its plans to expand its production capacity from 2,500 tonnes of yarn per year to 8,000 tonnes per year. It is for this purpose that it leased a further 4 hectares of land from the Mauritian government at Quartier-Militaire. This expansion plan of Tianli Spinning can be read as a long-term strategy of the company to position itself as a profitable regional and local supplier for when AGOA preferences end in 2015. To date, Tianli Spinning (Mauritius) Co. Ltd maintains that its business in Mauritius has not met the expectations with which it was established.

2006-2007: FOCAC and Tianli SEZ Site Identification

The (Mauritius) CT. Power Ltd was incorporated in Mauritius on 15 April 2006. On 21 April 2006, BOI issued a letter of intent to the company, permitting it to invest in the proposed coal-powered electricity plant. Shortly afterwards, BOI requested the promoters to downsize the project. The proposal was revised to compose of the construction of a 2 x 55 MW plant.

In October 2006, a newspaper reported that Tianli Spinning (Mauritius) Co. Ltd had proposed the creation of an integrated industrial zone in Mauritius (L’Express, 19 October 2006). The project would include residential facilities for Chinese workers and was in line with the decision of the Chinese government to set up a number of such zones abroad. The location for the zone had not been decided, although Belle-Rive, where Tianli Spinning (Mauritius) Co. Ltd currently stands, was being considered. On 27 October 2006, a ministerial committee was appointed to identify potential sites for this zone. Only four days after the appointment of this committee, on 31 October 2006, the Ministry of Housing and Lands appealed to the Ministry of Agro Industry and Food Security (MAIFS) to pursue the following:

(i) a survey of the number of planters occupying land at the Riche-Terre and Terre-Rouge area

(ii) possibilities of relocating the planters
Agricultural Research and Extension Unit (AREU), IA, BOI, in collaboration with the Chief Government Valuer, to calculate the quantum of compensation to be paid to the planters if they cannot be relocated.

This short span of time (i.e. five days) in between the appointment of a committee to identify a prospective location for the Chinese SEZ and consensus upon the potential of the Riche-Terre and Terre-Rouge sites, signals that contrary to what was publicly declared, the site for the zone had been decided before the official committee group was set up.

A week after the committee was set up, on 3 November 2006, Mauritian prime minister, Ramgoolam travelled to Beijing to attend the FOCAC conference which was to be held on 3-5 November. In his opening speech at the event, Jintao announced the intention to set up a few CSEZAs. On the second day of the convention, Ramgoolam met Premier Jibao to discuss investment opportunities and lobbied to secure one of the CSEZAs in Mauritius. He invited Chinese investors to start businesses in Mauritius and presented investment protection and an attractive business environment as inducements. Reminding China of the past fruitful collaboration between the two countries in establishing the EPZ on the island, Ramgoolam successfully convinced China to implant a Chinese SEZ on Mauritian soil. The negotiations concluded with China additionally offering Mauritius a financial aid of USD 3.8 million for various development projects. On 6 November 2006, it was decided that Mauritius would be hosting one of the Chinese SEZs over an expanse of 211 hectares. To believe that Ramgoolam lobbied and the Chinese government relented to a Chinese SEZ in Mauritius and even finalised the size of it over just two days, is delusional. Statements such as:

As the House is aware, the Jin-Fei Zone is one of five economic zones that the People’s Republic of China is supporting in Africa. It is the outcome of intense lobbying by the Prime Minister during the Sino Africa Summit held in Beijing in 2006 for Mauritius to be part of the Africa development strategy by the Chinese Government. (Mauritius, Parliament, 15 June 2010)

by Mauritian ministers are only eulogies misleading the public from the actual procedures which led to the formation of the Mauritius Tianli Economic and Trade Cooperation Zone.
Between 14 and 27 November 2006, AREU and the Chief Government Valuer submitted the result of their studies regarding the prospective displacement of the 121 Riche-Terre farmers. The survey found that only 51 of the 121 Riche-Terre planters were regular cultivators. It was concluded that compensation for crop-loss would be unnecessary since the planters will be given time to harvest their crops before the displacement. Accordingly, the compensation calculated for the Riche-Terre planters was USD 3208 per 0.4 hectare. This calculation was computed keeping the following in mind (Noël and Ramkissoon, 2010):

(i) No compensation would be given for fencing since the planters had not applied to Land Use Division (LUD) of the MAIFS to request for the permission to put it up initially.

(ii) It is agricultural land.

(iii) No compensation for crop-loss as planters will be allowed to harvest their crops before they are displaced.

(iv) No compensation for the irrigation network because that had been provided by the government through the IA.

(v) Full market rent of agricultural lands in Mauritius is estimated to USD 385 per 0.4 hectare per annum. The rent paid by the Riche-Terre lessees is USD 3.8 per 0.4 hectare per annum. Therefore, the profit rent is USD 381.2. The compensation calculation will apply an estimated 4 per cent per annum for capitalisation rate of profit.

(vi) Other relocation losses were estimated to be USD 257.

The equation resembled the following (adapted from Noël and Ramkissoon, 2010, p. 26):

\[
\begin{align*}
\text{Full Market Rent per annum} & \quad \text{USD 385} \\
\text{Less Passing Rent} & \quad \text{USD 3.8} \\
\text{Profit Rent} & \quad \text{USD 381.2} \\
\text{Years Purchase 9 years at 4\%} & \quad x \quad 7.73 \\
\text{USD 2947} & \\
\text{Other losses} & \quad \text{USD 257} \\
\text{USD 3204} & \\
\text{Rounded to} & \quad \text{USD 3208}
\end{align*}
\]
Nevertheless, two and a half weeks after these evaluations, on 15 December 2006, the 121 Riche-Terre planters received a notification from the government informing them that, as from the following year, i.e. 1 July 2007, the rental fee for the land they occupy at Riche-Terre would increase to USD 144. This was followed by another letter received on 7 February 2007, informing the planters that it had been decided that instead of USD 144, they would have to pay USD 64 as rental fee as from 1 July 2007. Eventually, on 6 March 2007, LUD issued letters to each of the Riche-Terre planters requesting them to vacate the land by 30 April 2007. In between the rent increase-decrease and eventual evacuation saga, the First Framework Agreement between Tianli and the Mauritian government for the setting up of a Chinese SEZ in Mauritius was signed (Mauritius, Parliament. 7 May 2007). This was eight months prior to the project becoming public.

2007: Displacing Riche-Terre and Terre-Rouge Planters

Following the orders to vacate, on 9 March 2007, the president of the Riche-Terre Mixed Farming Cooperative Society wrote to MAIFS to confirm that the planters would leave the land by the date, and that they would not sow new crops. However, he requested for until 30 June 2007 to allow the planters to harvest their crops. On 19 March 2007, the Ministry conceded and communicated the following compensation proposal to the Riche-Terre planters: 51 of the 121 planters who had been identified as active cultivators would be allowed 0.4 hectare each at Bois Marchand or Arsenal to continue their farming, and their debts to IA and CEB would be written off. The total compensation amount disbursed to the 106 Terre-Rouge sugarcane planters was computed as USD 256,657 (Mauritius, Parliament. 2007, 10 April).

By 22 April 2007, the Chinese zone developers had set an office at Baie du Tombeau. It was reported that a bulldozer had already started working the land at the Riche-Terre site. As this was almost a week before the occupants were due to vacate, the Riche-Terre planters issued a notice to Shanxi Tianli Enterprise Group. On 1 May 2007, the day of the Riche-Terre land repossession, the 121 planters had
not left. Five days afterwards, on 6 May 2007, IA damaged the water pump shed at the Riche-Terre site and took away the pump.

A week later, on 17 May 2007, Ramgoolam met the 121 planters and promised to increase the compensation computed by the Chief Government Valuer from USD 3,208 to USD 3,850 per 0.4 hectare. Additionally, he promised that the planters could sell their vegetables in the Tianli zone once it was operational. The next day, LUD wrote to the planters, asking them to finalise their compensation options. The payment of USD 3,850 as compensation to the planters and the allocation of land at Bois Marchand and Arsenal became effective as from 23 May 2007. By that time, MAIFS had applied for an eviction order to be issued to the Riche-Terre planters who continued to occupy the land. The government needed the land to be cleared as the Chinese developers were expected to start work on the site from 1 June 2007. However, 51 planters refused to budge until their requested compensation amount was paid to them. They wanted a compensation amount ranging from USD 78,505 to USD 127,687 each.

30 June 2007 was the last day of the lease of the 103 Terre-Rouge sugarcane planters. It was also the last day for the 121 Riche-Terre vegetable planters to harvest their crops. On 11 July 2007, the 51 Riche-Terre planters who still occupied the land, reported that 14 hectares of the site had been set ablaze. They requested an investigation. However, on 4 October 2007, Court ordered the remaining six planters who still held the land to vacate the site by 30 November 2007. The six concerned planters filed for a ‘stay of action’ on the judgement. On 28 December 2007, the planters withdrew the application for ‘stay order’ on the Court’s eviction order and evacuated the land.

2008: Changes in Masterplan and Terre-Rouge - Verdun Link Road

The following year started with a new twist in the Chinese SEZ tale. This got brief media coverage, though only retrospectively:

[T]he Prime Minister expresses reservations and seeks to be enlightened on certain points about the Tianli project. The reason? The magnitude of the project, which the government has minimised up to now. In addition to industrial production activities, the Mauritius Tianli Economic and Trade Cooperation Zone (MTET) has announced touristic activities: the
construction of two hotels, of which one will be situated on the coast of the Baie du Tombeau region, is worrying. The government had not envisaged having to concede a section of the coast to Tianli. (L’Express, 2008f, my translation) 99

Already, barred from public knowledge and to the dissatisfaction of the Mauritian government, the zone was diverging from its initial plans. Meanwhile, overtly, an official project presentation of the zone master plan took place on 21 January 2008. The Chinese developers stipulated that by 2013, there would be an Oriental Entertainment City, factories, a custom-built plant, two hotels and a commercial boulevard, amongst others at Riche-Terre. Parallel to these events, the Government of Mauritius was working on two road projects. Those were the (i) feasibility study for the construction of a road linking Mer Rouge Freeport area to JFET via Baie du Tombeau and cutting through Pont Bruniquel and a parking lot, and (ii) construction of the Terre-Rouge-Verdun link road. On 11 February 2008, the 106 sugarcane planters were paid their monetary compensation. Instead of the USD 256, 657 computed, a total compensation amount of USD 1.7 million was disbursed.

March 2008 was marked by further changes in the master plan of the Tianli zone. The Tianli zone developers had modified the project. It was no more to be the industrial zone as originally planned. Instead, it would be an integrated industrial city. The Government of Mauritius was meanwhile consulting the EXIM Bank of China for a concessional loan in order to finance the Terre-Rouge-Verdun link road. The EXIM Bank of China approved the project. In May 2008, as the Chinese SEZ got further delayed, it was reported that the reason for the delay was the difficulty that Chinese developers were having in dealing with local Mauritian architects. According to the then Director General of the Tianli zone, Xiao Bin, the project had been handed to a Chinese company, Artech Architects, because the price quoted by Mauritian architects were too high (L’Express, 2008a). By November 2008, four Chinese companies bided for the contract of the Terre-Rouge-Verdun link road. However, a couple of months afterwards, a tender re-evaluation had to be carried out for the road project as the price quoted by the Chinese bidders had doubled.

At a parliamentary session on 10 June 2008, Sithanen explained that the expanse of land granted to the Chinese developers was divided into two plots: 48.9
hectares and 153.56 hectares. The government had given concessions only in relation to the 48.9 hectares. He evoked the facility extended to the Chinese developers, which allowed the later to pledge the land to foreign banks. He further stated that until that date, 14 companies had shown interest in investing in the zone (Mauritius, Parliament, 2008, 10 June). About a month later, during a parliamentary session, information about the parties to which The (Mauritius) CT. Power Ltd had imparted various contracts was disclosed. The contract for engineering procurement and construction had been given to Shanghai Electric Corporation, and that of operation and maintenance had been given to Datang Taiyuan No. 2 Co-Generation Power Plant. It was further revealed that CEB officials and some experts from Mauritius had visited power plants in China for the purpose of The (Mauritius) CT. Power Ltd project. When asked why the visit was to China and not to Malaysia (because the promoters of CT Power are from Malaysia), the minister clarified that: ‘[t]he promoter is not, as I said, the operator. They will be contracting a promoter to operate...’ (Mauritius, Parliament, 2008, 15 July). On 20 November 2008, The (Mauritius) CT. Power Ltd notified the Registrar of Companies that from thereon, the sole shareholder of the company would be CT. Power Holdings Ltd, a company functioning from the Federal Territory of Labuan, Malaysia.

2009: JFET and Adjoined Businesses

It was only after Hu Jintao’s visit to Mauritius in February 2009 that the zone project picked up again. On 16 February 2009, the Chinese President visited the island as part of his ‘five Asian, African nations’ trip. On the occasion, Mauritius and China signed three conventions for the financing of Mauritian development projects. Jintao applauded the close ties between the two countries and promised to accelerate work on the Chinese SEZ in Mauritius. On 26 March 2009, the Mauritian government amended the first land lease agreement to include the remaining land expanse which was not available at the time when the initial lease was signed. Still, the Chinese developers did not sign the amended lease (Mauritius, Parliament. 2010, 15 June).

On 17 April 2009, the Central Procurement Board (Mauritius) (CPB) requested for a renegotiation of the pricing for the construction contract of Terre-Rouge-
Verdun link road with BCEG, the lowest bidder. BCEG had proposed USD 80 million, and CPB wanted to bring down the price to USD 64 million. The latter stated that it would otherwise prefer re-launching the tender.

In May 2009, several major changes were announced in the Tianli Chinese SEZ project. The project was now to be financed by a new set of partners: CADFund, ‘Shanxi government’ through a SPV, and the Shanxi Tianli Enterprise Group.100 The work was scheduled to begin as from September 2009. BOI was entrusted the duties of monitoring and facilitating the implementation of the project. The construction period would be from five to nine years and would occur in two phases. The rent would increase by 50 per cent after every 15 years, instead of after every 10 years. The zone would no more be exclusive to Chinese investors. It would now welcome other foreign investors too. Earlier, the land could only be pledged to Chinese banks but now, the developers were allowed to pledge their leasehold rights to banks outside Mauritius when raising money for the development and construction phase. In order to raise money for business operations, the companies investing within the zone would be able to pledge their leasehold rights, buildings and properties to banks both, inside and outside Mauritius, if permitted by the Government of Mauritius. Government had previously agreed to upgrade the Riche-Terre Road and to build the access road. It was decided that it would now additionally also upgrade the Baie du Tombeau road. (Mauritius, Parliament. 2009, 20 October)

Meanwhile, a series of related events were unfolding. Tianli Construction Co. Ltd won the contract to build the extension block of Flacq hospital at the cost of USD 4 million. Differences between bidders and the government over the Terre-Rouge-Verdun link road led to a re-launch of the tender. This time bidding was not restricted to Chinese companies only but was open to international contractors. Still in May 2009, Tianli Spinning (Mauritius) Co. Ltd announced its intention to invest in a third manufacturing plant. The plant would be on JFET’s premises (L’Express, 2009).

By July 2009, the 58 non-active Riche-Terre planters had collected their compensation of USD 3,850 each. Six cases remained unresolved due to death and uninterested planters. Thirty-four of the active planters took USD 3,850 plus 0.4
hectare at either Arsenal or Bois Marchand each. The remaining 23 contested the compensation. They demanded a compensation amount which would account for elements overlooked during the government evaluation exercise. The overlooked items were: (i) moral damage and loss of livelihood, (ii) loss of investment in crops, and (iii) the differential treatment they had been subjected to as compared to the sugarcane cultivators of the Terre-Rouge Land Settlement. They explained that the sugarcane planters of Terre-Rouge Land Settlement had received cash in addition to land ownership as compensation for their foregone revenue. Comparatively, at Riche-Terre, vegetable planters could have derived three harvests from their existent crops compared to one harvest from sugarcane plantation derived by the Terre-Rouge planters. (Mangar, 2010). The total compensation sought by the Riche-Terre planters was a sum of the following items:

\[
\begin{align*}
\text{USD 3,208 per 0.4 hectare/planter} & \times 9 \text{ years} = \text{USD 28,872} \\
\text{Moral damages per planter} & = \text{USD 16,041} \\
2.53m^2 \text{ for settlement per planter} & + \text{ USD 44,913}
\end{align*}
\]

On 30 July 2009, MOFCOM officially consented to allow the Chinese developers to proceed with the Chinese zone development in Mauritius.

No major developments regarding the zone took place for months until 4 August 2009 when, at a board meeting in Taiyuan (China), it was decided that the zone investing company, Shanxi JinFei Investment Co. Ltd, would invest USD 80 million (representing 100 per cent shares) in a new company to be incorporated in Mauritius called the Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd. Xie Li, an employee of TISCO, was entrusted to act as shareholder on behalf of this new company. Shortly afterwards, on 13 August 2009, the Registrar of Companies (Mauritius) gave its approval for the incorporation of Mauritius JinFei Economic and Trade Cooperation Zone Co. Ltd as a private domestic company. On 16 September 2009, JFET eventually signed the amended lease agreement prepared on 26 March 2009 for the complete land expanse of 211 hectares /500 arpents. JFET was officially launched with much fanfare in the presence of the vice-governor of Shanxi, Li Xiaopeng (Chavrimootoo, 2009).
JFET invited the Chinese company, Yantai Oriental Stainless Steel Industry Co. Ltd, to set up five construction materials plants in the zone in order to produce all the construction materials for the zone. Hence, on 14 October 2009, Oriental Group (Mauritius) Industry Co. Ltd. was registered in Mauritius. In November 2009, the group of 23 Riche-Terre planters who were contesting the compensation amount were summoned by Court to explain the reason behind their demands. The planters offered no explanation and withdrew their petition. On 10 November 2009, the Ministry of Environment and Sustainable Development wrote to JFET to request for an EIA of the stone crushing plant that Oriental Group (Mauritius) Industry Co. Ltd was planning to set up on the site.

2010: Strike and Final Compensation

On 19 February 2010, the Riche-Terre planters started a 30-days long hunger strike, asking the government to reconsider their case. Pressurised by this act, Ramgoolam appointed Noël and Ramkissoon to form a Comité de Mediation to investigate the grounds for consideration of the demands of the 23 planters. On 4 March, a social activist, who was also on the hunger strike with the planters, was arrested for organising an ‘illegal gathering’ (Hemraz, 2010). On 27 April 2010, Noël and Ramkissoon’s committee submitted its report. However, the government refused to publicly release the recommendations of the committee. The committee had made two strong points. Firstly, that Mauritius lacks the regulatory framework to manage retrieval of leased lands and calculation of appropriate compensation. And secondly, that although 14 of the Riche-Terre planters are genuine planters and nine are not eligible for relocation, in light of the problems encountered throughout this case, all 23 planters should receive similar compensation. The committee proposed that the 23 planters be granted:

(i) Basic/Displacement compensation of USD 3,850 per 0.4 hectare, adjusted for accrued interest for the period 23-24 May 2007 to end of June 2010, and

(ii) Option A

Relocation to Arsenal and Bois Marchand with a land lease starting July 2010 and ending in August 2018, with additional financial support of approximately USD 3,850 from the Food Security Fund (FSF) for land preparation, and
technical support from AREU. FSF may also consider additional support for activities such as waterlogging and access roads. The planters’ loans from IA and the CEB would be written off while their loans from the Development Bank of Mauritius (DBM) would be rescheduled.

**Or**

**Option B**

Cash compensation in lieu of option A which has been computed for net revenue forgone from July 2007 to August 2015, estimated at USD 1,143 per 0.4 hectare per annum. The resultant amount is to be adjusted to USD 8,879 per 0.4 hectare, in line of present value. Their loans from IA and CEB would be written off while their loans from DBM would be rescheduled. (Noël and Ramkissoon, 2010)

In the meantime, one of the 23 planters opted for land and cash compensation and abandoned the group. Twenty-two plaintiff planters were left. Eventually, on 29 June, the government decided that out of the 22, only 13 were genuine planters. Therefore, only they were eligible for the following compensation package:

(i) USD 3,850 per 0.4 hectare, plus

(ii) Accrued interest from May 2007 to June 2010 (approximately USD 802 per 0.4 hectare), plus

(iii) Relocation option, plus

(iv) Support from the FSF for land preparation and other activities, amounting to approximately USD 3,850 per 0.4 hectare.

The remaining nine planters, who were found not to be cultivating the land at the time of the acquisition, were eligible for the following:

(i) USD 3,850 per 0.4 hectare, plus

(ii) Accrued interest from May 2007 to June 2010 (approximately USD 802 per 0.4 hectare)

In July 2010, the Mauritian government voted a USD 5.7 million loan for CEB to invest in the construction of a power distribution station within the JFET zone. On 23 July 2010, MT signed an agreement with JFET for the setting up of an exchange station and six mobile base stations in the zone. Three months later, on 19 October
2010, the state also commissioned the installation of sewerage infrastructure at JFET.

On 7 November 2010, the 22 Riche-Terre planters who still contested the compensation, staged a second hunger strike. On 16 November, after the planters refused to terminate the strike, the government decided to put in place a ministerial committee to solve the problem. The committee was composed of the Prime Minister’s Office (PMO), MOFED, and MAIFS. On the 17th day of the hunger strike, the government announced that it would only reach a decision after three days, on the day of the Cabinet meeting. Eventually, on 26 November 2010, on the 19th day of the strike, a press conference was organised to officially communicate the final decision of the ministerial committee regarding the case of the 22 Riche-Terre planters. The measures put forth were that: there was a distinction to be made between the 13 planters who were cultivating their plots at the time of the survey by AREU and the nine planters who were not. Therefore, the recommendation made by the Noël and Ramkissoon report for an equal treatment of all the 22 planters would not be accepted. However, in line with the recommendations of the report, the 13 planters would be offered:

**Option A:** Relocation + USD 3,850 per 0.4 hectare + accrued interest.

**Option B:** USD 1,143 per 0.4 hectare per year for the period of July 2007 to August 2015, totalling up to USD 8,879 + USD 3,850 + accrued interest.

The minister of MAIFS mentioned that as the planters had systematically refused to relocate, they would be granted compensation package B. Cabinet approved to write-off all the planters’ debts to IA, CEB, and also their loans from DBM. Technical support would be provided by AREU, and the FSF would help with land preparation, upgrading of irrigation network, providing fertilisers, seeds, fencing and other upgrade works. The remaining nine planters were to receive USD 3,850 per 0.4 hectare + accrued interest. However, if they wanted to pursue agricultural activities, they should submit requests for land to the Ministry. These would be considered on a case-to-case basis. The 22 planters unwillingly relented to take the cash compensation.
2011: On-site Plans and Off-Site Infrastructure

On 7 January 2011, JFET Travels and Tours Ltd was set up as a subsidiary of Mauritius JinFei Economic and Trade Cooperation Zone Co. Ltd. In March 2011, parliamentary updates informed that the on-site infrastructure of the zone was nearing completion and that in the next few months, the construction of a business centre of 2.4 hectares would start on the site. By then, the only activity which existed on the site was a series of tents, each denoted with room numbers, which functioned as a restaurant called ‘China Hot Pot’.

Figure 4.11: China Hot Pot Premises in JFET
Photograph by author, January 2012
In between the waves of activities within the zone, the 22 planters who had accepted the final compensation offered by the government were facing new difficulties. Contrary to what was promised to them, the DBM had not suspended the loans they had taken for their agricultural activities. In February and in June 2011, the president of the Riche-Terre Mixed Farming Cooperative Society wrote to DBM and to the MAIFS, requesting them to look into the matter, with no avail. On 19 July, four months after the first construction update was provided to the parliament, it was announced that a further development would soon start onsite. This would be the construction of a warehouse covering 0.6 hectare. Responding to queries about the sewerage works on the site, the parliament was informed that the government had retracted from an installation of the sewerage infrastructure on-site because no building existed at the JFET site yet. Nonetheless, the concerned minister added that the equipment had already been bought and since they could not be tested due to the lack of working water flow on the site, the Wastewater Management Authority (WMA) had taken charge of the equipment. The minister underlined that the warranty period of the equipment would expire in approximately 14 months: i.e. around September 2012 (Mauritius, Parliament. 2011, 19 July). In November 2011, the government voted a fund of USD 320,822 to be allocated to the Central Water Authority (CWA) for the provision of water supply to JFET (Mauritius, Parliament. 2011, 22 November).

**2012: Chinese SEZ takes New Direction**

By January 2012, JFET developers had applied for the construction permit for residential plants over 1500-1700 m². In April 2012, Ramgoolam informed the public that the financial crisis had caused the project to take a backseat. He reassured the public that Jintao was personally following the Chinese SEZ development and that the zone developers would have to respect the deadline to deliver the zone to Mauritius. The next update on the JFET project came in form of a newspaper article dated 2 July 2012, where investigations revealed that Chinese zone promoters were seeking to rent out land at the JFET site to local Mauritian and foreign firms. However, a special condition was attached to renting out to local Mauritian firms: the directors of the local Mauritian firm looking to rent land at JFET had to be of
foreign origin. Another requirement applicable to both local and foreign parties was that their planned minimum investment should be USD 2 million per hectare (Earally, 2012).

In September 2012, a warehouse was under construction at the site. The contract for its construction had been given to Tianli Construction Co. Ltd. It was being supervised by Zhen Yi Supervision Company, and repeating the defiance of architectural regulations in Mauritius, the design of the building had been conceived by the Chinese firm, Design Institute of TISCO. No local Mauritian party was involved in the construction process.

Meanwhile, the displaced farmers faced further problems. In an interview in September 2012, the Riche-Terre farmers who had opted for relocation at Bois Marchand and Arsenal revealed that their harvest had been stolen. The fencing and facilities on their land had also been damaged. Those active farmers who had not opted for relocation presently find themselves without a permanent source of income. Most of them had undertaken odd jobs as gardener, painter and other manual tasks. Contrary to what had been promised to them, DBM had still not suspended their loans. The manager at DBM declared that the loans of the displaced Riche-Terre planters had not been written off because there had not been any formal request from the government to do so (Interview with Mooloo, 2012). The planters have had to repay their loans, leaving them with little or no money from the compensation amount they had received. Also, the Terre-Rouge Land Settlement farmers were yet to receive their 2.53m$^2$ each at Côte d’ Or. In light of this unruly treatment, the Riche-Terre planters were contemplating to revive their case vis-à-vis the state, and maybe even conducting a third hunger strike. They feel deceived by the government and, in reference of the now-accessible Noël and Ramkissoon report, they explain why the compensation money they were given is not enough.

They argue that although they were able to harvest their crops before evacuation, plants such as chilli and brinjal have a life exceeding one year during which they can repeatedly yield fruits. Moreover, newly sowed crops could not be harvested within the one-month leeway that the government had given them. In addition to this, the Noël and Ramkissoon report acknowledges that the sum of USD
3,850 is the basic displacement compensation. The same had been granted to non-active planters whose lands were uncultivated. Therefore, USD 3,850 excludes compensation for the type of crop-loss mentioned above. The planters estimate the compensation for crop-loss to be USD 8,020. They also point out that USD 3,850 excludes all extra expenditures that active planters have borne in relation to their lands, e.g. purchase of machinery for land preparation (USD 3,850), pesticides and fertilisers (USD 320), and labour (USD 4,812). Another element discounted in the government’s computed compensation is severance payment which the planters estimate to be USD 320. The planters see their contestation as justified, especially given that JFET has hardly developed since they were evacuated (Interview with displaced planters, September 2012).

At the end of November 2012, the JFET site was being used as a motor rally location. On 19 October, Binani Cement Factory (Mauritius) Ltd cancelled its cement production plant project due to contestations from local cement manufacturers (Chavrimootoo, 2012).

2013: Defiance and Cover-up

On 30 January 2013, L’Express reported that Tianli Spinning (Mauritius) Co. Ltd is investing USD 64 million in the expansion of its factory at Belle-Rive. The company had acquired land in Madagascar for the cultivation of cotton to supply the spinning plant in Mauritius. It is also considering a diversification of its activities to include real estate (Barbé, 2013). On 11 February 2013, again L’Express reported that one factory had finally opened its doors at the JFET zone. It is a Chinese company owned by Goldox Construction which manufactures window and door frames in aluminium and steel. The officer responsible of the unit informed the press that the products were intended for the local market. The article goes on to relate that all the employees working at this factory are from China and Bangladesh. A four-storey business center is also being constructed by Tianli Construction Co. Ltd on the site. In addition, there are two blocks of flats which will accommodate more than 80 apartments, targeting investors wishing to invest in JFET. These two construction sites largely employ Bangladeshi workers and the construction is supposed to end by mid-June (Jaulim, 2013).
During the parliamentary session of 26 March 2013, the government was questioned about the link between the (Mauritius) CT. Power Ltd and JFET. The minister denied knowledge of any links between the two. As at May 2013, the JFET zone project continues to unfold. The only functional building on the site is the warehouse holding the manufacturing activities of Goldox Construction (though strangely, the warehouse building carries the name-plate of Mauri-China Development Freezone Co. Ltd). The four-storey building intending to house a business center is still under construction, as are the blocks of apartments.

The Mauritian press closely follows the developments on the site and the opposition party continues to probe to find answers to the confusion surrounding the project. The opposition still demands that the lease agreement and Framework Agreement be made public. The government remains tight-lipped on both fronts.

**Summation**

This detailed description of the experience of Mauritius reflects the extent to which the cooperative aspect of the CSEZA is executed in reality. At first glance itself, we can notice the over-powering presence and activism of China in what was supposed to be logistical realm of domination of the Mauritian government. This was the phase at which Mauritius was to exercise its share of leadership in this cooperative venture for which it has given up its land, capital and in which it has invested its political goodwill. This has not happened. The role of the Mauritian government administrators has been reduced to that of the spokesperson of JFET. However, it is interesting to note that this role is willingly assumed by the Mauritian government. This is obvious through the new infrastructural inputs which it constantly injects in the zone project, the infrastructural upgrades it plans, the contracts for which it favours the Chinese zone’s associates, even at the expense of its own public benefit. The opaqueness in which the government of Mauritius conducts activities in relation to this project also indicates strong possibilities of corrupt practices involved in the domestic management of JFET. This chapter therefore prepares us to analyse how, by exercising particular tactics, the Chinese reinforces Mauritian dependency to China from within Mauritius’s own locality. It also sheds light on the inactivity of the Mauritian state, which only reinforces this exploitative relationship.
Most importantly, this account of JFET enlightens us on why the CSEZA model is not able to deliver, even in the most supportive political and economic environment.
Chapter 6
Evaluating JFET

Chapter Statement
This chapter evaluates the case of JFET and draws generalizations applicable to the remaining CSEZAs from its experiences. It starts by identifying the recurrent patterns of action that occur over the evolution of JFET and establishes the correlation of these patterns to the present undeveloped status of the zone. Seven such patterns are identified: the Chinese singularly deploy three, and the Mauritian side commands the rest. After a discussion of each of these strategies and their contribution to the current status of JFET, this chapter assesses the impact of JFET on Mauritius. The national development objectives of the country and a wise use of its assets are taken as indicators measuring the impact. Has JFET created jobs? Has it brought export revenue? As chapter 5 already conducted a quantitative analysis of JFET’s impact on Mauritian public funds and noted its abusive effect, this chapter concentrates on JFET’s impact on the only other key national asset that Mauritius puts at the disposal of the Chinese, i.e., land. In light of the understanding gathered in Chapter 2 that the CSEZA is essentially exploitative in terms of land usage, this chapter concludes that the combination of an integrally land exploitative CSEZA concept and the inability of the host country to customise its developmental outcomes, along with a propensity for corruption, makes JFET detrimental to the national assets of Mauritius.

Identifying the Strategies
As one gets familiar with the intricacies of JFET, it becomes easier to spot the costly undertones, inconsistencies and fault-lines that run through the zone venture. Some recurrent practices are revealed as patterns employed by the two sets of actors, the Chinese developers and Mauritian government, during the establishment of the Chinese SEZ. As the identified practices are repeated throughout JFET’s deployment, their deterministic influence on shaping the CSEZA
experience comes forth. In light of the current underdeveloped status of JFET, these recurrent practices are therefore the strategies which undermine the progress of the zone. Hypothetically, if the remaining four CSEZA host countries are also using these strategies, the same detrimental effect will be produced on their respective Chinese SEZ ventures. We can confidently assume so since the seven CSEZAs share a common Chinese patronage and moreover, African administrations endorse, more or less, similar business ethics and methods. The JFET timeline acts as a progressive schema which allows for a visualisation of these strategies.

This is not to say that the Shanxi-based SOEs and the Shanxi Tianli Enterprise Group pre-planned their interventions in Mauritian investment through calculative measures and under particular corporate guises. What is implied here is that, as the zone was implanted, the Chinese promoters acquired knowledge about how to conduct business in Mauritius. They recognised the opportunities outside the zone and decided to make the most out of them. Unfortunately, the experience of operating investment from outside the zone (as has been practiced by Shanxi Tianli Enterprise Group through Tianli Spinning (Mauritius) Co. Ltd and Tianli Construction Co. Ltd) has not been as profitable. This is despite the fact that the Mauritian government enhanced their business environment by providing them with support infrastructure: for e.g. the Terre-Rouge–Verdun link road and additional state land provided to Tianli Spinning (Mauritius) Co. Ltd at Belle-Rive in order to allow it to expand. While it can be easily be construed that it is because of the financial crisis that the JFET developers have failed to recruit investors for the zone, the deadlock may also be explained through the idea that the developers have realised that the incentives that the Mauritian state grants to JFET (mainly in terms of provision of land and infrastructure like roads) can anyway be coerced in support of investment projects settled outside the zone too. This is further guaranteed when the Mauritian government approaches the Chinese government to fund the construction of these support infrastructures. Therefore, there is no need for Chinese investors to restrict themselves to a zone’s set limitations on space and location.

The rationality behind the strategies applied by Mauritius with regard to JFET is not as reasonable. The timeliness of the tactics adopted by Mauritius confirms that these were deliberate manoeuvres—either motivated by the acquisition of
personal gains by the political and economic elite, or an evidence of poor knowledge at the management of international investment. While evidence to prove the corrupt motivations which partly explain these tactics are anecdotal and whose investigation is beyond the scope of this thesis, what redeems the Mauritian government from accusations of deliberate mismanagement is that these strategies were implemented with the intention of assisting the Chinese developers to quickly deliver a successful zone to Mauritius. The behavioural patterns and strategies exhibited by both Mauritian and Chinese parties, which caused JFET to stagnate, are discussed below.

One of the ways in which the cooperative and developmental objective of the CSEZA can be met is through backward linkages to the local manufacturers. This involves buying raw and intermediate materials from local producers, sub-contracting parts of the manufacturing process to local parties or by transferring new technology and skills to local businesses. Technically, in order to encourage backward linkages, the investor should firstly avoid developing industries in which the local African businesses have already established themselves (especially if it is a sector in which small and medium enterprises thrive). By violating this simple ethic, the Chinese SEZ developers antagonise the host African business community. Not only does this create competition and cuts down the share of national income, but it also diminishes chances of passing on new knowledge and skills to the host country. In Mauritius, the Chinese developers established their own subsidiary travel company called JFET Travel and Tours Ltd. As a tourist destination, travel agency is a service that is largely available in Mauritius. It is a business which is dominated by small entrepreneurs. The setting up of Oriental Group (Mauritius) Industry Co. Ltd within the zone also trampled similar sensitive lines. The local cement producer, United Basalt Products Ltd contested the project (Saminaden, 2009). UBP exists on the island since 1953 and currently shares the Mauritian market only with Lafarge. The arrival of Oriental Group (Mauritius) Industry Co. Ltd, who will also be allowed to sell its products to the local market, threatens to take away a share of national wealth to China (Yajing, 2011).

Another investment behaviour that undermines the progress of the Chinese SEZ is when the Chinese stakeholders of the zone get active in projects, companies
and entities situated outside the zone. Shanxi Tianli Enterprise Group’s involvement in Tianli Spinning (Mauritius) Co. Ltd, Tianli Construction Co. Ltd and Tianli International Trading Co. Ltd, and now Shanxi Coking Coal Group Co. Ltd’s involvement in The (Mauritius) CT. Power Ltd can potentially take away the companies’ attention from JFET. The recent expansion of Tianli Spinning (Mauritius) Co. Ltd into Madagascar and its growing interest in real estate business suggest that this JFET partner might divert the capital it could have invested in JFET to other more lucrative investment opportunities outside the zone. It is highly possible that Shanxi Coking Coal Group Co. Ltd may also shift its focus more onto the power plant project. These assumptions are rooted in the fact that Shanxi Coking Coal Group Co. Ltd specialises in coal, the main product to be used by The (Mauritius) CT. Power Ltd. Moreover, compared to the more financially demanding shareholding position—though less rewarding—it holds in JFET, Shanxi Coking Coal Group Co. Ltd will be less pressured in its involvement with The (Mauritius) CT. Power Ltd since it is only a subordinate associate there. Shanxi Coking Coal Group Co. Ltd will risk lesser inputs in the power plant project but will earn greater profits through the recurrent sales of its services and products.

One of the key elements to China’s way of conducting business in foreign locations is the ample use of SPVs. A special purpose vehicle is defined as:

a legal entity created by a firm (known as the sponsor or originator) by transferring assets to the SPV, to carry out some specific purpose or circumscribed activity, or a series of such transactions. SPVs have no purpose other than the transaction(s) for which they were created, and they can make no substantive decisions; the rules governing them are set down in advance and carefully circumscribe their activities. Indeed, no one works at an SPV and it has no physical location (Gorton and Souleles, 2007).

In the Mauritian zone, the Chinese developers make use of double SPVs. Shanxi JinFei Investment Co. Ltd is the first SPV. It is set up in China and is composed of Shanxi Tianli Enterprise Group, Shanxi Coking Coal Group Co. Ltd and TISCO. It has a fund of USD 80 million for investment in the zone project in Mauritius. Mauritius JinFei Economic and Trade Cooperation Zone Co. Ltd is the second SPV, set under Mauritian jurisdiction. Its shareholding company is Shanxi JinFei Investment Co. Ltd and it has a total fund of USD 10 million. (Figure 4.1 exemplifies this structure.)
Thus, instead of a direct investment, the three ultimate shareholders, i.e. Shanxi Tianli Enterprise Group, Shanxi Coking Coal Co. Ltd and TISCO, built two protective layers of financial instruments in between themselves and the Chinese SEZ in Mauritius.

The reason behind the use of this strategy lies in the different functions respectively assumed by the two SPVs. In financial terms, there is a difference between the two SPVs. Shanxi JinFei Investment Co. Ltd is a non-orphan SPV, i.e. it is owned and controlled directly by the three sponsoring parties (Shanxi Tianli Enterprise Group, Shanxi Coking Coal Co. Ltd and TISCO), allowing them direct control of the decisions and activities of that SPV. As a non-orphan SPV, it has consolidated ties to the on-balance assets of the three sponsoring companies. On its turn, Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd is an orphan SPV. Orphan SPVs are ‘not legally or beneficially owned or controlled by the originator of the securitised assets’ (The Financial Express, 2006). In this case, the originator are Shanxi Tianli Enterprise Group, Shanxi Coking Coal Co. Ltd and TISCO. Nevertheless, the originator for whom the orphan SPV has been established should be able to predict and monitor how the special purpose for which the orphan SPV has been set is being met. An orphan SPV is usually put up in order to serve a single special arrangement pursued by the originator. The assets of the orphan SPV do not appear on the originator’s balance sheets. The Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd assumes this orphan status because of the presence of an intermediate structure lying between it and the three original sponsor companies. Therefore, in relation to Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd, Shanxi JinFei Investment Co. Ltd acts as the trust or fund usually formed in order to manage an orphan SPV for a specific investment purpose, i.e. the construction of the Chinese SEZ in Mauritius.

The use of SPVs in the case of JFET serves various purposes:

(i) The use of double SPVs allows for an easy monitoring of the investment capital going into the Chinese SEZ. It permits a slow phasing-in of capital (here, from the USD 80 million fund of the non-orphan SPV to an immediate investment of only USD 10 million in the orphan SPV). This matches the phase-style development model of SEZs.
Due to the DTAA that Mauritius has with China, the Mauritius-based SPV, Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd, is exempted from the payment of any withholding tax on capital gains acquired from the disposition of Chinese equity. Withholding tax on dividends paid by a company based in Mauritius to China is held at 5 per cent instead of the 20 per cent. Currently, JFET developers are not able to make the most of this arrangement because outbound investment or repatriation of money from Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd and its subsidiary, JFET Travel and Tours, to China is negligible. However, it cannot be ignored that the idea to set up the zone in form of an SPV, incorporated under Mauritian jurisdiction instead of being implemented just as a bilateral project, is with the intention of benefiting from this profitable fiscal regime.

By virtue of their structure and function, SPVs allow for the isolation of financial risks. Thus, Shanxi Tianli Enterprise Group, Shanxi Coking Coal Group Co. Ltd, and TISCO isolate their corporate activities from being affected by this overseas SEZ investment.

Whereas China uses SPVs in abandon, the absence of a similar mechanism applied on behalf of Mauritius to manage its investments carried out in support of JFET partially accounts for the unbalanced losses borne by the latter.

While the Chinese employs these three strategies, the Mauritian party too, has its own set of tactics which further entrench JFET into stagnation and dependency. Below is a discussion of the four manoeuvres.

The case of JFET is abundant with instances where the Mauritian government enacted sudden legal changes in order to accommodate the needs of the Chinese developers. There have also been situations whereby existing legal provisions have been bypassed in order to further JFET’s advantage.

State Lands Act 1945: On 30 July 2009, MOFCOM eventually gave the Chinese developers the permission to proceed with the construction of the zone in Mauritius. Following this, the government of Mauritius altered the State Lands Act 1945 in order to revive the dormant project. An existing provision, Section 6, sub-section (1E) stipulated that existing industrial and commercial leases situated in specific locations and of specific sizes may enter into a new lease
for the land by 30 June 2009. This provision was amended and the date was extended to 30 September 2009. It is obvious that the date was changed because the JFET site fell into one of the listed locations and by 30 June 2009, MOFCOM had not yet ratified the revised proposal for the Chinese SEZ in Mauritius. Moreover, Section 6, sub-section (1F) now reads:

[Where a large investment project is deemed by the Minister, subject to approval by the Cabinet, to be in the economic interest of Mauritius, the annual rent determined in accordance with that subsection shall be reduced by such amount as may be determined by the Minister and any lease may be granted for a period not exceeding 99 years, with the approval of the Minister, subject to approval of Cabinet’ [italics mine].

The italicised part of the clause was only added in July 2009. Records of these various amendments are registered in the Government Gazette of Mauritius, No.69 of 30 July 2009.

(ii) Professional Architects’ Council Act 2011: According to Part 5 Section 24 of the Professional Architects’ Council Act 2011, foreign architects can only partake in the designing of infrastructural projects in Mauritius, if (i) the project is the construction of a government building, (ii) the foreign architect is in a joint venture with a professional architect or firm, (iii) the project is that of the construction of a statutory corporation or government company, (iv) the foreign architect is appointed by the Public Service Commission. Dismissing these regulations, the architectural contract for JFET was granted to the Chinese company, Artech. Similarly, the design of the warehouse on the JFET site has been conceptualised by the Design Institute of TISCO, and that of the latest building under construction on the site has been done by China Metallurgical Engineering Technology Co. Ltd. Both are entirely Chinese companies.

(iii) Lease agreement between the state of Mauritius and JFET: The Government of Mauritius has overlooked all the legal stipulations it signed up to in the lease contract with the Mauritius JinFei Trade and Cooperation Zone Co. Ltd, which provides it ground to notify, pressurise or cancel the land lease for the still-stagnant project. The agreement contains defined exit strategies which the Government of Mauritius may use if it wishes to retrieve the land in case the
developers fail to develop the plot as per the specified construction schedule. According to the construction schedule, the development of the Chinese SEZ was to be done in two phases: phase one starts in September 2009 and would end in September 2012, and phase two would begin in September 2010 and be completed by September 2016.

As per these clauses, with only one warehouse completed by May 2013, the Government of Mauritius could either have served notice to the developers and legally granted them an extension, or re-appropriated the expanse of undeveloped land. Abiding by Section 1 (a) of Article 15, a case can even be made for cancellation of the lease. Nevertheless, until date, the Mauritian government has not taken any known legal action against the developers, thus rendering the lease contract redundant (See Annex 3 for lease agreement).

Yet another noticeable feature of the JFET establishment procedures is the leniency with which the company registration authorities treat the Mauritius JinFei Economic Trade Cooperation Zone Co. Ltd. The zone company did not have to abide by the requirement of having two resident directors when incorporating the business in Mauritius. Of the three directors of the company, only Zhou Yong is a resident of the country. In comparison, when Tianli Spinning (Mauritius) Co. Ltd registered in 2000, it nominated two Mauritian resident directors, Mr Ng Kwet Shing and Mr Lindsay Unt Wan, along with two directors from China. Secondly, the District Council of Pamplemousses and Rivière du Rempart, the regional authority which has been entrusted with the responsibility to maintain the on-site and off-site infrastructure at JFET has only been given the first and last page of the Framework Agreement of the zone. It is on the sole basis of these two pages that the authority has to identify the spaces and tasks falling under its aegis. This is, obviously, contrary to the usual procedures.

Throughout the JFET project, the Chinese developers keep a low profile and interact minimally with the Mauritian public and media. Most of the time, it is the Mauritian ministers and government authorities who relay information regarding the zone project. Nonetheless, the information that the Mauritian party has been feeding to the public is infested with inconsistencies; in terms of dates, details of
the development plan, amounts of investment, number of local jobs to be created and others. Though it can be argued that, given the propensity of the SEZ model to change according to the fiscal climate, such an incoherent dissemination of information is expected, there are also instances whereby Mauritian ministers have presented different versions of the same story at the same or consecutive parliamentary sessions. Different versions of JFET’s composition and implementation details have been alternatively presented after every couple of months. Key queries have been evaded and the recorded official dates of certain activities do not synchronise with the overall flow of events of the zone.

The main examples are the misleading information regarding (i) the size of the JFET plot written in the lease contract and the unmatched expanse of land which has been acquired for the purpose of the zone, and (ii) the involvement of CADFund as a shareholding partner in JFET. The director of CADFund denied any participation in the JFET project. According to Dongya (interviewed in 2011), JFET is commercially a non-viable project for CADFund. Another example is the government’s denial about having already identified a plot for the Chinese SEZ when it was simultaneously conducting studies for the displacement of planters of the Riche-Terre and Terre-Rouge. Likewise, members of the government chose to ignore the various queries from the opposition party about the date at which the ‘letter of intent’ for the setting up of the zone was issued to Tianli (Mauritius, Parliament. 2007, 10 and 17 April; Mauritius, Parliament. 2007, 7 May). The poorly coordinated actions of the government are also apparent through the sequence in which notifications for increase and decrease in rental fee were sent to the farmers even after studies for their displacement had been conducted. It is to be noted that only shortly afterwards, the farmers were eventually issued a vacation order. Based on data quoted by ministers at parliamentary sessions and in interviews, Table 5.1 displays some examples of jarring discrepancies littering JFET’s agenda. The data in bold are the new activities added at that point of time.
<table>
<thead>
<tr>
<th>Due to start</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 June 2007 and will be over in 5 years</td>
<td>This year</td>
<td>16 Sept 2009 and will be over in 8 years (i.e. 2017)</td>
<td>Phase 1 ending in Sept 2012 and Phase 2 ending in Dec 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i.e. 2012)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FDI Expected</th>
<th>USD 500 million</th>
<th>USD 687 million</th>
<th>PNQ 12 May 2009: USD 700 million</th>
<th>USD 750 million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>PNQ 20 Oct 2009: USD 856.2 million</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Same PNQ as above (20 Oct 2009):</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>USD 750 million.</td>
<td></td>
</tr>
</tbody>
</table>

| Components                               | Light assembly, processing, manufacturing, food processing, tourism souvenirs manufacture, home appliances, garment, residential headquarters for expatriate workers, service facility to provide support services, logistics, common warehousing facilities, shopping facilities, exhibition halls, business center, staff dormitory | Garments, knitting, pharmaceuticals, building materials, packaging materials, domestic electrical appliances assembly, mobile phones, electrical light equipment, sea food processing, toys manufacture, commercial complex, community services, a 300 bed hospital, headquarters and administration of firms operating in Africa, business services, residential area for zone employees, 3 international hotels, an international training centre including language training and general upgrading of skills, convention centre, exhibition halls | Light engineering, freepport, logistics, warehousing facility, business services, training institutes, information zone, renewable energy |

*Table 5.1: Inconsistencies and Modifications in Different Aspects of JFET*  
Source: Author
<table>
<thead>
<tr>
<th>Year</th>
<th>Phase 1</th>
<th>Sino Africa Fund Tower, Sino-Africa Purchase Centre</th>
<th>Export Benefits</th>
<th>Rental</th>
<th>Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td></td>
<td>Hall.</td>
<td>USD 200 million expected annually once completed</td>
<td>50% increase in rental after 20 initial years – then after every 10 years the rental will increase by 50%</td>
<td>Wanted to open to non-Chinese companies initially (at the insistence of the government of Mauritius)</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td>USD 300 million expected annually</td>
<td>Rent will increase by 50% every 15 years instead of after every 10 years</td>
<td>Only for Chinese companies allowed – no Mauritians</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td>Oct 2009: Government claims that Chinese wanted only companies from China but government of Mauritius convinced them to open to other foreign countries.</td>
<td>Companies from China and other countries allowed – no Mauritians</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td>Open to Mauritian companies whose directors are of foreign origins and to foreign firms.</td>
<td></td>
</tr>
</tbody>
</table>
Even though it can be argued that analysts should not be too rigid about the changes which are bound to happen to the Chinese SEZ plan over time, it is different when the project has been legally validated based on a specific development plan. Not only do these erratic figures and information undermine the validity of JFET in the eye of the public, but, in the case of Mauritius, it also provides ground for the opposition party to condemn this project initiated by the current government. The uncertainty about the foundational facts of a foreign investment project of this magnitude signals that the Mauritian government is investing public money and land in a project it knows very little about or is potentially hiding considerable unaccounted corrupt practices. On the side of the Chinese developers, while modifications during the deployment of the zone is a normal practice (forming part of rolling investment strategy aiming to maximise initial income in the zone), constant major changes prior to the start of the Chinese SEZ—that too in regard to policy premises such as the target investor groups—reflects a reticence and amateurship in managing the project.

According to its Constitution, Mauritius is made up of four principal ethnic groupings: (i) Hindus (including Tamils, Telegus, Marathis) (ii) Muslims (iii) Sino-Mauritians (iv) General Population (composed of Creoles—of African origin and Franco/Anglo Mauritians). Though Mauritian authorities stopped collecting data along ethnic lines in the 1970s, an analysis of other sources of qualitative data (such as investment and trade patterns) informs us about the existing economic and political demarcations across communities. With a present demographic structure consisting of 68 per cent of Indian descent (Hindus and Muslims), 27 per cent of African descent, 3 per cent of Chinese descent and 2 per cent of Franco-Mauritians, the Mauritian government favours investment from the diasporic host countries of Mauritians according to two factors. Either it is the demographic weightage of the community in Mauritius (thus determining whether it forms a potential electoral bank), or the economic power that the community holds in Mauritius (therefore posing as a potential source of funding for political parties), which, to a large extent, decides from which source country that investment will be favoured.

Successive Mauritian governments have to follow these defined lines of political and economic functionality of the respective demographic segments if they
are to remain in power and be able to fund their planned national developmental objectives. Consequently, it is often by acting upon these functions of the different ethnic groups that issues of salient political impact such as state-level foreign investment projects are decided. While the Mauritian government does not actively explore opportunities of investment from the African continent—largely because the Creole community is neither a numerically dominating population nor a significant economic force (and also because the Creole community does not identify to the African communities)—it is partial to investment coming from India, which is home to 68 per cent of its population. This explains how the request by Patel Realty India Ltd to allow the construction of Neotown on similar conditions to those granted to the Chinese developers was readily approved. Likewise, the Binani Cement Factory (Mauritius) Ltd project was pitted against the Oriental Group (Mauritius) Co. Ltd. By thus inviting serious competition to the efforts of the Chinese investors, only for the sake of ethnic partiality in order to eventually secure a strong electoral voting based among the Indo-Mauritian population, the Mauritian government undermines the JFET project.106

A quick glance at the strategies respectively applied by the Chinese and Mauritian parties reveals that the nature and impact of each set is different. On one hand, the three tactics employed by the Chinese not only permit the CSEZA developers to amass greater extraneous gains from their association to Mauritius, but also insures the capital they are investing in the zone venture. On the other hand, the manoeuvres of the Mauritian party serve the contrary purpose. They are detrimental to both the island government’s capital investment in the zone venture and to its political goodwill. These strategies of Mauritius can therefore be qualified as acts of creative destruction.

Impact of JFET
The utilisation of these grand strategies in the establishment of JFET, generates impact of correspondingly grand scale onto the Mauritian economy, politics and society. While impacts of specific nature (such as the displacement, loss of livelihood of the Riche-Terre and Terre-Rouge planters), and the additional expenses disbursed from public funds have already been documented in earlier
chapters, there is a need to shed light on the impact that JFET has on sectors and concerns which reside and function beyond the immediate physical territory and composition of JFET. By this, we refer to the effect that the Chinese zone project has on the national development objectives and key assets of Mauritius.

As a Sub-Saharan African island with no natural resources and a skewed reliance on its human capital and geographic position, the national objectives of Mauritius compose of standard elements generally endorsed by economies which depend on its external relations. These are: employment, dissemination of skills, technology, know-how, R&D, backward linkages to local manufacturers, increase in foreign exchange income, among others. In regard to the key assets of Mauritius which are affected by the zone project, the major losses faced are in terms of the money invested in support of the zone and the land leased to the developers. Given that ‘wealth’ as a national asset can only be analysed in quantitative ways (an exercise which has already been carried out in chapter 5), only the ‘land’ dynamic of the Chinese SEZ in Mauritius remains to be accounted for. This section emphasises on a local contextualisation of JFET’s impact for two reasons: firstly, it places the magnitude of the Chinese SEZ’s impact into perspective; and secondly, as the Chinese SEZ establishment impacts onto national components, these national objectives and assets can act as detectors to identify any failing or progressing CSEZA project.

1. Impact of JFET on the National Development Objectives

The three national development objectives that JFET affects the most are:

(i) **Backward linkages:** JFET’s stated areas of investment will overlap with the high income generating industries of the domestic trade area of Mauritius.

<table>
<thead>
<tr>
<th>Table 5.2 Domestic Areas generating high GDP and overlapping JinFei Investment Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Compiled from Central Statistics Office Quarterly (2010c) and Parliamentary Questions Sessions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main Industries contributing to GDP growth in Mauritius 2010</th>
<th>Areas of Investment in JFET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing (Garment, processed fish, beverages, watches, clocks, toys, optical goods, jewellery, travel goods, handbags, textile yarns, fabrics and made up articles, pearls,</td>
<td>Garment manufacture, souvenir manufacturing, food processing</td>
</tr>
</tbody>
</table>
As obvious from the two lists in Table 5.2, the products and services of the zone will overlap with the lucrative industries of the domestic trade area. This will create strenuous competition over markets. Moreover, with similar activities taking place in both the Chinese SEZ and the domestic trade area, there will be no exchanges of know-how, skills and technology. The Chinese will be unwilling to share their trade and technology secrets with their Mauritian competitors. Prospects for cooperation appear meagre.

(ii) Employment creation: In Mauritius, the issue of interest is the number of jobs JFET will create for the local community. Since its inception, the number of prospective jobs announced has been incongruent. In 2008, Mauritian authorities estimated the creation of 7,500 jobs, and in 2010, the number rose to 35,000, only to be countered by a figure of 5,000 jobs quoted by the Chief Executive Officer of the project (Mauritius, Parliament. 2010, 22 June; Barbé, 2010). While at various times, the Chinese government and zone promoters have denied plans to bring Chinese labour to work in JFET, the inclusion of a staff dormitory in the zone plan indicates that the zone will, in fact, be welcoming foreign labour. We already have a preview of this trend as the employees working at the only factory presently on the site, are Chinese and Bangladeshis.
The importation of Chinese workers may be explained through the fact that often, Chinese businesses prefer dealing with labour from their own country because of their coinciding sensibilities, work culture and for the ease of communication. This need for a Chinese workforce acquainted to the ways of work of the Chinese investors is necessary for the developers since the zone will have to submit to general Mauritian labour laws (Interview with Rama, 2010). 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 a generous treatment of workers. Therefore, with a subservient workforce from China, upon which they can easily exercise their authority, the Chinese investors at JFET may find it easier to internally negotiate an adherence to the strict Mauritian labour rules and regulations.

Nonetheless, we cannot discount possibilities of conflict that may emerge through the implementation of two different labour ethics. A paper by the International Confederation of Free Trade Unions on EPZs describes a sample of such a clash. It relates an event where 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 [USD 6.5 to 9.7]. 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. (Perman et al, 2004, p. 43)

If the presence of Chinese labourers can be explained through the preference of Chinese investors to deal with a labour force which have familiar understandings of work ethics, the enrolment of Bangladeshi workers in the manufacturing plant in JFET is quizzical. Why Bangladeshis instead of Mauritians? This is not the first time that foreign labour has been imported to take over jobs that could technically go to Mauritians. Figures from the Ministry of Labour, Industrial Relations and Employment reveal that between 2002 and 2010, the number of foreign workers in the country increased from 17,000 to 22,000. This influx of foreign labour is principally contained within

> the number of firms in the textile and clothing sector fell by 7% while the number of jobs fell by 17%. The irony is that the unemployed are now reluctant to work in this sector, which has led to firms relying on imported labour. For instance, by December 2004, the level of employment in the sector was recorded at 67,249 workers with slightly more than 20% of whom were expatriates.

The employable Mauritian generation is no more interested in manufacturing. Other job sectors such as call centers and the service industry are more appealing. Given that most of the companies to settle in JFET are expected to be from the manufacturing sector, it is unlikely that local Mauritians would be willing to work there. Be it due to JFET’s preference for more subservient foreign workers or because of its unattractive employment opportunities, the Chinese SEZ will not help reduce unemployment in the country.

(iii) **Foreign exchange income:** The current trade relationship shared by Mauritius and China is highly imbalanced. A ministerial document prepared for the Seventh Sino-Mauritian Joint Commission (2007) noted that between 1996 to 2006, imports from China increased at annual average rate of 14 per cent. Table 5.3 below denotes this increase and also highlights the trade deficit that Mauritius suffers in its exchanges with China.

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports to China</strong></td>
<td>630,000</td>
<td>930,000</td>
<td>1.3</td>
<td>8.4</td>
<td>6.3</td>
<td>5.2</td>
<td>5.6</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Imports from China</strong></td>
<td>96.9</td>
<td>124.5</td>
<td>124.2</td>
<td>164.2</td>
<td>166</td>
<td>212</td>
<td>274.9</td>
<td>299.6</td>
</tr>
<tr>
<td><strong>Trade Balance</strong></td>
<td>-96.3</td>
<td>-123.6</td>
<td>-122.9</td>
<td>-155.8</td>
<td>-159</td>
<td>-206.8</td>
<td>-268.4</td>
<td>-294.7</td>
</tr>
</tbody>
</table>

Data from 2009 reveals that Mauritian imports from China amounted to USD 539.9 million. Therefore, over just three years, imports from China have increased by 80 per cent. On the other hand, Mauritian exports to China in
In 2008, Mauritian exports to China had been USD 579,710.14. Therefore, between 2006-2009, Mauritian exports to China had reduced by 96 per cent. Figure 5.1 and 5.2 indicate that this trend will persist. (Note the absence of China among the major export destinations of Mauritius).

In light of the current trade imbalance that marks the exchange between Mauritius and China, the JFET project will further negatively impact the domestic accumulation of trade income of the island. This is because the companies operating from within the zone will compete for the same markets targeted by local Mauritian producers. Already, local Mauritian companies are
struggling against cheaper Chinese imported products that have flooded the market. They will now face added pressure to match up to the predictably lower production costs and selling price of Chinese enterprises. Meanwhile, JFET investors will secure a larger share of profits and repatriate the profits to their headquarters in China at no cost. They are unlikely to reinvest their earnings in the development of, or in value-added projects in Mauritius. It is possible that they will even confine profits within the Chinese realm. Given the culture of cluster manufacturing in Chinese production methods, it is likely that Chinese investors from the zone will (i) cooperate among themselves to produce the different parts of a product, (ii) will import parts of the product from China, and (iii) will seek linkages with Chinese companies established outside the zone, in order to increase their competitiveness. The resultant low cost of production will allow them to quote competitive prices in the market and take away part of the export income and re-investment that local enterprises initially brought to the Mauritian economy.

2. Impact of JFET on National Assets

Chapter 4 concluded that one of the principal features which determines whether the CSEZA is contributive to development or exploitative, is the way the land under which the CSEZA is constructed is managed. However, chapter 4 only limited its treatment of the land-aspect of the CSEZA to an analysis of the internal usage of the plot, i.e. the division of land usage between residential and commercial activities. It also skirted concerns of the additional expenses that the appropriation of land for the CSEZA generates. What has nevertheless escaped evaluation is the impact that the appropriation of a plot of land for the purpose of a CSEZA has in context of the existing national land distribution and usage of the host African country.

As discussed earlier in Chapter 2, though an integrally land-exploitative concept, the host communities adopting the CSEZA model can overcome its ingrained land expropriating particularities by proper contextualisation. This is possible if the host country adopts the appropriate legal provisions, and also if the host country customises the CSEZA land usage in accordance to the already prevalent domestic land use scene. If the situation of land-based industry in the
host country is further compromised after land is appropriated for the CSEZA, and if the land acquisition process is not accompanied by rules and regulations safeguarding the interest of the national community, the CSEZA can immediately be classified as an exploitative venture. However, most governments fail to harmonise their existing land usage equation with that required by the CSEZA. As a result, the land impingement aspect of the zone project is magnified.

At first glance, JFET’s impact on the Mauritian land distribution scene does not trigger much reaction: a dormant 211 hectares (or 202.4 hectares) of land does not appear of much consequence—even less, if it is compared to China’s own expansive ghost-towns. Nor should the displacement of 58 erstwhile active planters who have been compensated (though inadequately) be a matter of national distress. But it is the context within which this land appropriation happens that does make JFET a cause of national distress. The failure of the Government of Mauritius to match JFET’s land requirement to its current geographical, political and economic context establishes the destructive impact of the Chinese SEZ venture on the country’s prospects.

The total surface area of Mauritius is 186,475 hectares, of which sugarcane, livestock and other crops cover 41.5 per cent. Less than one per cent of the 41.5 per cent is dedicated to ‘other crops’, i.e. fruits and vegetables (Mauritius Sugar Industry Research Institute, 2010). Riche-Terre (whose English transliteration is ‘Fertile Soil’) is one of the regions where a large share of these vegetables and fruits were cultivated. Eric Mangar, head of Mouvement pour l’Autosuffisance Alimentaire, commented in an interview to L’Express on 4 April 2011:

The farmers of Riche-Terre produced and supplied at least 20 tonnes 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.

After the farmers were ousted from the site, the island lost one of its most productive vegetable cultivations.

In 2002, Mauritius introduced the Integrated Resort Scheme (IRS): ‘a project for the development and sale of luxurious residential units to foreigners’ (BOI,
These projects are developed on freehold land exceeding 10 hectares and each unit is priced to a minimum of USD 500,000. This scheme was followed by the Real Estate Scheme (RES) in 2007. RES allows small landowners to develop and sell residences to non-citizens. It is developed on freehold land sized between 0.34 to 10 hectares. Presently, there are 12 IRS projects, 10 of which cover a total of 860.85 hectares, and 50 RES projects of a minimum of 0.34 hectare each (Hospitality and Property Development in Mauritius, 2013a & b). The IRS and RES schemes, accompanied by a multiplication of hotel projects, have led to the privatisation of a large part of the Mauritian coastline. The two schemes have also caused land prices to increase. As a result, a lot of these villas have not been able to secure buyers. In a survey by the newspaper Le Défi on 19 January 2013, Mauritian real estate and construction businesses agree that there is a saturation of real estate activity in Mauritius. This may potentially lead to a crisis of the sector soon. Referring to the recent liquidation of Port Chambly RES project, they warn of the emergence of ghost towns in Mauritius—a prospect that an island of the size of Mauritius cannot afford (Vilbrin, 2013).

The implementation of an integrally land-abusive CSEZA concept, combined with a disregard for the need to harmonise the land-requirement of the venture with the existing land-use scenario, predict that Mauritius will face consequences similar to those faced by the Chinese and Indian communities. Nevertheless, due to the difference in the size of the countries, the impact that this land mismanagement has on Mauritius is starker. Hence, in light of its impacts on the national development objectives and national assets, JFET can be described as the culmination of land-based economic mismanagement in Mauritius.

**Summation**

This chapter explained how the use of strategies (which the Chinese and Mauritians deploy in small doses over time) percolate through the various layers separating the immediate physical and business components directly associated to JFET and compromise the indirectly positioned national developmental goals and national assets of the country. In the case of Mauritius—whose main asset compromised in the Chinese SEZ equation is land—this chapter shows how the conceptual blueprint
of the CSEZA, together with a failure to tailor this essentially Chinese conceptualisation according to the local land use scenario, condemns the CSEZA project. Interestingly, the strategies and impacts that JFET experiences is a prototype that can be transposed to the other six CSEZAs. More or less similar results would be noted. (Analogously telling aspects of the other six CSEZAs have already been documented in chapter 4. For e.g. companies seeking to expand activities beyond the boundaries of the Ethiopian Chinese SEZ, and Egypt’s renunciation of its land strategically located at the Suez canal) However, given the size of the island and its compactness, these manoeuvres are more easily identifiable in Mauritius than in the other countries. This chapter prepares for the next deliberation whereby the structural magnanimity of the influence of JFET will be assessed in light of its ability to diffuse an aura of dependency on the various segments connected to it.
Chapter 7

Connecting Back to JFET

Chapter Statement

The purpose of this chapter is to show how JFET reinforces the case for a dependency theory prism of the CSEZA. It draws summations out of JFET’s case and identifies patterns may be applicable to the remaining six CSEZA. This chapter starts by establishing the parallels between the CSEZA’s theoretical bearings and the real actors and actions which form the zone. It investigates the equation that China and Africa share in the context of the CSEZA. It then goes on to confirm the metropolis-satellite nature of the interaction between China and Mauritius. As this chapters matches JFET’s details to the quintessential elements of Dependency Theory, it outlines the distinctiveness with which the newly concocted CSEZAs not only reproduce traditional dependency, but also nail the subordinate parties in deeper and more complicated dependency relations. The chapter concludes with a discussion that Frank’s Dependency Theory, in its known form, cannot analyse the CSEZA as it exists. As it identifies new instruments used in this novel interaction of dependency, and shows how CSEZAs have the potential to make a permanent satellite out of certain sections of the African host countries, this chapter contributes to a renovation of the Dependency Theory.

China: Metropolis or Satellite?

In order to better explain the applicability of Dependency Theory to the study of CSEZAs, we need to match the features of the ideology to those of the entity, i.e., identify the metropolises and the peripheries in CSEZAs. As demonstrated in Figure 2.3, the CSEZA involves an interactive set of five metropolis-satellite dependencies. Each level is made up of various mixes of state and non-state actors. Aside of its internal dependency divisions, the fact that China is macrocosmically the main initiator and beneficiary of these SEZs in Africa suggests that China is key to the explanation of the emergence of this new type of zone.
According to Frank (1968, p. 70) world metropolises are nations (or sectors) which have historically never been underdeveloped and only might have been through phases of undevelopment. They are entities of the world system which experienced independent development in pre-colonial times. As per this criterion, China is not one of the world metropolises. Starting with the Treaty of Nanjing in 1842, China had been successively subjugated to impositions from the British Empire, Japan, and from other European actors.\textsuperscript{115} There are many historical examples which confirm China’s non-world metropolis status: it was forced to open its ports to foreign settlers and trade by USA; it loss its territories such as Hong Kong and Taiwan; and eventually, it had to adopt the Open Door policy imposed by the USA. These are clear instances of the exploitation and extraction of surplus that China has had to undergo as a satellite to the already developed world metropolises. In fact, Frank (1978) himself dismissed the positioning of China as a world metropolis. This came in the form of his response to Lippit’s \textit{The Development of Underdevelopment in China} (1978). Lippit argued that China underwent a process of underdevelopment in between 1270 and 1949. From being highly developed and home to several inventions, by the late 1940s, China’s ‘entire modern sector accounted for some 7% of Gross Domestic Product’ (Lippit, p. 254). He ascribes the responsibility of this underdevelopment to China itself and discards the possibility that the imperialist behaviour of colonial nations had influenced this situation. In his answer to Lippit, Frank stated:

after 1636 [...] and until our days [1978], China has not been at the center of world economic, political, and cultural development and has occupied a singular intermediary role between the Western powers on the one side and their Asian colonies and junior partners on the other [...]. Even in the classical imperialist period of the nineteenth and twentieth centuries China's semicolonial economic position in the world was peculiar and almost unique among those then suffering the development of underdevelopment, in that unlike other such "Third World" countries (which had a consistent merchandise export surplus) China had a merchandise import surplus with the developed countries of Europe derived from her entreport trade position between the colonial powers and their colonies elsewhere in Asia (Frank, 1978, pp. 348-49).

It is important to note here that the allusion to an intermediary role does not mean that China is a semi-peripheral country. Wallerstein (1976) sees semi-peripheral countries as a distinct set of nations, occupying a space in the capitalist world
structure within which core and periphery countries would not be able to function, given their attributes in relation to the global division of labour.\textsuperscript{116} Semi-periphery, for World System Theorists, is a fixed category in which once a country fits, it functions only as per the duties and scope of action permitted to semi-peripheries—unless it reaches a point where the semi-peripheral country steps up to join the core countries. This upward mobility can only occur under two scenarios:

(i) The semi-peripheral state ‘garner[s] a heavy portion of the collective advantage of the semi-periphery as a whole to itself in particular; that is, a semi-peripheral country rising to core status does so, not merely at the expense of some or all core powers, but also at the expense of other semi-peripheral powers’ (Wallerstein, 1976, p. 466), or

(ii) Through socialism, whereby the semi-peripheral state ‘transform[s] the system as a whole rather than profit from it’ (ibid.).

Wallerstein’s analysis of semi-peripheral countries also stresses that a change in production activities does not necessarily signify a shift across levels:

Countries have not moved, nor are any now moving, from being primarily exporters of low-wage products to being substantial exporters of high-wage products as well as being their own major customer for these high-wage products. Rather, some move from the former pattern to that of having a higher-wage sector which produces part of what is consumed on the internal market but is still in a dependent relationship for the other part of national consumption. The essential difference between the semi-peripheral country that is Brazil or South Africa today and the semi-peripheral country that is North Korea or Czechoslovakia is probably less in the economic role each plays in the world economy than in the political role each plays in conflicts among core countries and the direction of their exported surplus value (ibid. 1974, p. 8).

By this logic, for Wallerstein, China remains a semi-peripheral country. But recent conflicting discourses about the rise or limitations of China, and whether the role of the Western powers will therefore be modified, suggest that the situation of China in the global scenario is definitely more elusive than fixedly intermediary.

To avoid accusations of arbitrariness, we will use Snyder and Kick’s method to locate China’s position in the world system. In 1979, Snyder and Kick published a work in which they gave empirical justification to countries’ ‘structural positions in the world system and the dynamic relations among them’ (p. 1096). Using trade
flows, military interventions, diplomatic exchanges and conjoint treaty memberships as indicators, this blockmodel analysis establishes nine ‘statuses’, each different in the value of their performance on the four international transactionary aspects. Bollen (1983, p. 474) summarises the study and reveals that in general, the core has more power and authority, both economically as well as militarily. It is a diversified economy and is industrialised. It occupies high positions in international organisations. Core nations tend to give out more foreign aid than they are likely to absorb. According to these criteria of measurement, China at the time, fell into the peripheral blocks.

However, if the blockmodel analysis is carried out now, China will reflect characteristics of both core and periphery simultaneously, albeit vis-à-vis different nations. It takes up the tasks of either metropolis or satellite depending on whom it is interacting with, through which medium, and possibly for which end. Its role as a metropolis comes forth in the following equations:

(i) Outsourcing manufacturing and light engineering production to countries such as Bangladesh, Brazil and Ethiopia, and focusing on high technology products and R & D sectors, allow China to shift to a higher wage bracket which aids its self-development. On the other hand, the devolution of the low skilled tasks to other countries propels the underdevelopment of those peripheral economies.

(ii) Expropriation of surplus economic value from countries of the Latin American, Asian and African regions through the above devolution of activities and the repatriation of capital that follows.

Altogether with the outsourcing of traditional sector activities, an outflow of investment to foreign destinations (especially to countries with which it has DTAAs)\(^{117}\), the provision of technical developmental assistance in the form of infrastructure,\(^ {118}\) and the establishment of Chinese SEZs abroad, bestows China with the substance of a metropolis.

Nevertheless, it also remains a satellite in relation to the world metropolises and the institutions endorsed by them, notably the Bretton Woods organisations. In 1979, China realised that it needed to implement an Open Door policy and bring in FDI in order to be able to fund its Four Modernisations program. At the time, given its level of development, it could only be a satellite to the world metropolises. The same
subordination still exists today. This can be seen in relation to China’s membership to the WTO in 2001. Wang, S. (2000) discusses the many ways in which China is set to reinforce its subordination and underdevelopment by joining the WTO.\(^{119}\) As he defines the winning and losing parties of this deal, the active underdevelopment of China at the expense of American and European development is foreseeable:

Whereas China gains no new access to the US market, the United States, and for that matter, other countries, will secure market access to whole areas of the Chinese economy to which they were previously denied, once China becomes a WTO member state.\(^{120}\) and,

Who stands to lose once China becomes a WTO member? Farmers and workers are most likely to suffer negative consequences from the deal in the form of lost jobs and downward pressure on wages. The WTO membership requires China to dismantle its remaining import barriers. This will entail painful domestic restructuring and adjustment because these barriers have been used primarily to protect state-owned industries and farmers (Wang, S., 2000, pp. 394-45).

As China still adjusts to its membership of the WTO, it constantly feels the pressure of the world metropolises. It has been dragged to WTO’s Dispute Settlement Mechanism for 30 cases (the complainants of which are leaders of the world capitalist system—USA, EU, Japan, Canada). It also faces the pressure to compromise upon its ideological principle of non-interference. For example, it was forced to play by the rules of the established world order by intervening in the Darfur crisis.\(^{121}\)

Advocates of a rising China may find the description of China as peripheral incongruent with evidences of areas in which China is even ahead of America. However, they cannot deny that as it integrates the neoliberal world market, China relies on the legitimisation of the Washington-led capitalist world structure. The implementation of the home-grown socialist model by China in the shape of the Great Leap Forward proved destructive and it was only as the country geared towards capitalist integration that China witnessed its first phase of development. Since the Open Door policy, China acknowledges that it cannot progress by remaining at the margins of the liberal market. Its incorporation within the global trade system provided China with FDI and an access to the markets of bigger consumer nations. Thus, China experienced unprecedented economic and social advancement. This growth gained momentum as the community of powerful states...
accepted China’s accession to the WTO. As at date, China still lingers at the periphery of the western-led world structure as investors from the core exploit its resources and gather profits while sections of the Chinese population continue to suffer from land and food shortages (Yaguang, 2011). China, nevertheless, continues to work towards securing the legitimacy from its superior (in authority and power to dictate world regulations and code of behaviour) core so as to keep benefitting from the market access and FDI.

Hence, China’s present reality rallies more with Frank’s suppositions. Given that it is definitely not among the world metropolises, nor is it strictly a peripheral country, and instead fits more into a shifting middle role, China is perfectly shaped to adopt the twin roles of metropolis and satellite permitted within a dependency framework.

**African Satellites**

There is a widespread belief that irrespective of their richness in natural resources, African countries are essentially satellites to most of the world’s structures. Starting from their histories of colonisation to what is projected by the more recent discourses of neo-colonisation, African countries are the ones which have been exploited by world metropolises. Their surplus economic value has always been extracted; be it by European powers, the US, India, or China. In an adaptation of Frank’s Dependency Theory and the concept of underdevelopment to the African context, Rodney (1973) wrote about the position of African economies:

African economies are integrated into the very structure of the developed capitalist economies; and they are integrated in a manner that is unfavourable to Africa and ensures that Africa is dependent on the big capitalist countries (1973, p. 43).

He is categorical that European metropolises developed by underdeveloping African countries through an expropriation of their surpluses. Wallerstein also equated African countries to the periphery. His criteria for the identification of peripheral states in a capitalist economy are those countries in the capitalist division of labour who nurture ‘low-profit, low-technology, low-wage, less diversified production...’(1976, p. 462).
This general consensus among development theorists makes it undeniable that African countries are international satellites. Therefore, as a Sub-Saharan African country, Mauritius is also a satellite within the global capitalist system. This characteristic of Mauritius as a satellite is reinforced by the fact that the island is entirely economically dependent on externally-sourced capital and investment. However, we need to keep in mind that, as per Frank’s ideas, although an African country is a satellite, the African state still remains a domestic metropolis in comparison to its internal subordinate sections whose surplus value it extracts.

**Chinese Special Economic Zones in Africa and Dependency Theory**

The awareness that the Chinese SEZ in Mauritius hardly contributes positively to the development of the island pushes us to question the broader repercussions of this malfunctioning model of development: What does the failure of JFET signify for Mauritius; for the remaining African countries hosting CSEZAs; and for China, when considered within the global framework? A theoretical assessment of this unbalanced investment venture can answer this question. A theoretical reading will elucidate the nature of the relationship between Mauritius and China when exercised through the Chinese SEZ. It will evaluate the impact of the CSEZA model if replicated elsewhere. But most importantly, it will help academics trace the effects that the establishment of a CSEZA has on those indirectly connected global dynamics which do not figure prominently when JFET is studied in the restricted context of the Mauritian territorial boundaries and abstract Sino-African policy framework. By this it is meant that, the impact of CSEZAs on existing global mechanisms—such as international power structures or globally endorsed developmental strategies and knowledge—will be assessed. In this process, this chapter establishes whether the CSEZA, in its current form, can be a model of development or not. If not, what are the elements of the model which stop it from becoming one.

As China receives legitimacy from the capitalist system, it manifests this global integration in its own distinct fashion through SEZs in Africa. It channels its international acceptance by building SEZs on its own terms and for its own benefits. In short, while it interacts subordinately with the capitalist OECD community, China
projects its own subordination onto African nations through SEZs and becomes their metropolis. Figure 2.5 follows this process of assimilating and disseminating dependency in which China evolves and subsequently creates the CSEZAs.
Figure 2.5: Dependency Context and the Creation of Chinese SEZs in Africa
Source: Author
But is China aiming to actively expropriate surplus from the African states as in a typical core-periphery relation? Maswana (2009), and Blázquez-Lidoy, Rodríguez and Santiso (2006) reject this assumption. Blázquez-Lidoy et al., note that there are indications that over the long term, China will extend more opportunities for trade to African countries. Maswana insists that the Chinese approach is a genuine development model based on mutual benefit. Unlike previous coercive neoliberal development endeavours, China recognises the cultural, political, regional and national affinities of its African hosts. It customises its ties to successfully produce synchronised action between the development needs of each African partner and demands of the existing global capitalist structure.

Although China is sending profit-seeking firms that behave capitalistically in Africa, there is no evidence that China is trying to set up a clientelist club like the infamous French Francafrique network. In addition, Chinese leaders have repeatedly said that their aid program is not a form of charity but is based on “mutual benefit” (Maswana, 2009, p. 81, italics original).

Indeed, China is neither emulating the francophone network, nor is it trying to establish its ideological hold on the African states. Its strategy differs from that of other metropolises which try to establish liberal democracy by imposing neoliberal practices which permit the core to have a permanent rule over the periphery. China comparatively displays more consideration in its creation of CSEZAs. It establishes its CSEZAs regardless of the nature of the regime of the host country and does not impose any political conditionalities in relation to the project. Nonetheless, largely due to a failure at contextualisation, the impact of entrenching its partner African states in dependency is the same. This exploitation of the periphery by China is therefore probably unintentional.

China has the endorsement of the host African states throughout the establishment and implementation process of the CSEZAs. This is because it does not push the African states for comprehensive adherence or even participation in its socialist ideology or measures. The permanence of domination and subordination that is apparent under neoliberal routes of dependency is absent from China’s way of exercising appropriative relations. This is because China’s encroachment takes a temporal and spatially limited form which is visible to the eye. It is therefore assumed to be monitorable. The representation of its
dependency relations in a temporal spatial form makes Chinese exercises more acceptable as the African parties have the option of non-engagement.

Usually, the dependency of satellites is in relation to capitalist-oriented metropolises. But in light of these zones, the host African nations become dependent on a socialist exercise of capitalism. The socialist appeal of this exploitation diverts attention from its more harmful features of capitalist appropriations. Luckily for China, its exercise of domination onto the subordinate African host countries benefits from the larger capitalist settings (such as the reduced role of the state; reduced role of trade unions enforced through SAPs and NEPAD), already established by the Western metropolises. These make it easier for China to set up businesses and generate profit in Africa without being held in contempt for active exploitation. However, by limiting the boundaries of its activities to within the CSEZA territory, China aims to contain its profits while simultaneously exploiting African resources. What it terms as ‘mutual development’ is, in reality, limited development pursued through a detachable SEZ space that can be moved, if need arises. Nevertheless, China shuffles this aspect of CSEZAs backstage and rhetorically justifies the limitation of its activities within the boundaries of the zone as being due to its ethical commitment to non-interference. The CSEZA is presented as the only area of concession that it requires from the African host country in order to deliver ‘mutual development’. All these unconventional dependency features of the CSEZA reveal a nonchalance in the behaviour of China as it tries its hand at new economic instruments. Thus, China exercises dependency with a twist. This twist that China gives to dependency exercises mandates the application of a revised Dependency Theory, instead of Frank’s traditional version, in order to explain CSEZAs.

In 2006, Mbeki warned African states: ‘be wary of neo-colonisation in the form of China’ (BBC, 2006). Some may argue against this understanding of China’s global role in that China’s demeanour in Africa does not match that of colonisers: China does not use force; there is no political repression of the colonised state; no attempt to wipe out the existing political norms and cultures; and no infiltration of its own people in the high administrative ranks of the state. While these give African countries reasons to be relieved, Randall and Theobald (1998, p. 12) remind
us that the process of colonisation differs according to ‘the colonising power and the nature of the pre-existing society’. They reminisce about to the Asian experience of colonisation.

However, colonial behaviour is also a response to the host society. Here, the real contrast is between Asia, where existing societies were already so long established, densely populated, complex and resilient that colonisers had in some degree to accommodate and build upon them...’ (ibid.)

Chinese manoeuvres are replicating these patterns. Decades after independence, most of the African states have found a political footing and established their political cultures (democratic or undemocratic) and social and cultural norms. China knows that the only way it can access these states is by accepting their respective political and normative ways and by building upon them through aid, trade, and in more concrete terms, through CSEZAs. Such a move would be more acceptable to the African countries than dictating completely new structures to them, and on new terms.

Cardoso and Faletto (1979, pp. xix, 69–71) fleetingly mention the role played by spatial constructs in reinforcing dependency relations between metropolises and satellites. They argue that the ‘enclave economy’ allows FDI to take over domestic production activities, exploit local labour and resources while altogether enjoying concessions and subsidies. It only gives back a nominal profit to the periphery, in terms of wages and taxes. Eventually, foreign investors push local businesses out of the market with their low production costs. To Caporaso (1978, p. 18), this enacts a ‘structural distortion’ process whereby ‘the local economy is structured to meet the needs of the foreign sector’. CSEZAs are treading the similar basic lines.

Although Dependency Theory never came up with a definite solution to the perpetual problem of dependency due to their belief in the ineffaceability of capitalism, Cardoso and Faletto (1979) have expressed subdued support to Frank’s suggestion of socialism as a possible alternative. However, the failures of communism at development, and the unpopularity of Marxist thoughts, undermined the pursuit of such a remedy. Despite the general denial that socialism is the solution to dependency relations, to some extent, the CSEZA is doing exactly this for China! The CSEZA is itself the product of a combination of capitalism and
socialist elements. While the motivation (profit-making through competition in the international market) and instruments (FDI) are capitalist, the implementation mode is socialist in flavour (subsidised and highly government-controlled investments, SOEs venture out together). China, therefore, evades prospects of under-development in its relations with OECD countries and seeks its own development by remaining within the boundaries of capitalism but by these developmental attempts in a socialist fashion. In so doing, it is its solitary escape from dependency that China pursues! Those peripheral African states, who are hosting these capitalist-socialist enclaves, do not overcome their dependency through these CSEZAs because of its enclave-form and also because, by promoting the development of their Chinese metropolis, the African hosts maintain their own peripherality.

Critics quote data on African economic growth and argue that there is no underdevelopment being carried out by China. Maswana identifies eight aspects of a bilateral relationship which determine whether the two countries relate on an equal platform or as a metropolis and satellite (2009, pp. 78 - 82):

(i) **Export composition**: The exportation of primary commodities and importation of capital goods designate a relationship of domination and subordination.

(ii) **Investment ownership**: The involvement of SOEs indicates towards non-exploitative investment relations as compared to the appropriative activities of private companies.

(iii) **Power relationship (cooperation type)**: This refers to whether the actors cooperate or whether their relationship is solely one-way.

(iv) **Technology and labour**: A transfer of technology from the investor country to the host, and an extension of job opportunities to its local population is an indication of equitable exchange.

(v) **Superstructure (political)/ideology**: A relationship which evolves unbridled by conditionalities and interferences is one in which dependency is most likely to be absent.

(vi) **Cultural ascendancy (elite links)**: This refers to whether one state interferes in the local politics of the other and attempts to influence the local elites.
(vii) **Financial monetary dominance**: This alludes to signs of one state’s intervention in the other’s monetary policy or an insistence to carry out trade in a specific currency.

(viii) **Perception of the African market**: Whether the African market is considered as a terrain of opportunity or a liability is a deterministic feature. Maswana concludes that the Chinese-African relationship does not resemble that of a metropolis-satellite. However, although he proves that there is no dependency, he does not prove that there is no underdevelopment. Underdevelopment, here, does not refer to the failure of making the maximum use of resources. Rather it implies stalling the acquisition of new resources. If the same study is replicated with regard to the Sino-African relationship under the CSEZAs, we reach a different conclusion than Maswana. Table 2.1 evaluates the seven CSEZA projects according to Maswana’s dependency criteria and establishes that the Chinese zones are carriers of dependency.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Compositi on</td>
<td>Primary commodit y exports &amp; Capital goods import</td>
<td>Capital goods import (equipmen t &amp; constructi on materials at rebate prices)</td>
<td>Capital goods import (equipmen t &amp; constructi on materials at rebate prices)</td>
<td>Capital goods import (equipmen t &amp; constructi on materials at rebate prices)</td>
<td>Primary commodit y export (cooper) &amp; Capital goods import (equipmen t &amp; constructi on materials at rebate prices)</td>
<td>Capital goods import (equipmen t &amp; constructi on materials at rebate prices)</td>
<td>Capital goods import (equipmen t &amp; constructi on materials at rebate prices)</td>
<td>Capital goods import (equipmen t &amp; constructi on materials at rebate prices)</td>
</tr>
<tr>
<td>Investmen t Ownership</td>
<td>Mainly Private Enterprises</td>
<td>Mainly SOEs (developer &amp; private enterprise) (investor)</td>
<td>Mainly SOEs (developer &amp; private enterprise) (investor)</td>
<td>Mainly SOEs (developer &amp; private enterprise) (investor)</td>
<td>Mainly SOEs (developer &amp; private enterprise) (investor)</td>
<td>Mainly SOEs (developer &amp; private enterprise) (investor)</td>
<td>Mainly SOEs (developer &amp; private enterprise) (investor)</td>
<td>Mainly SOEs (developer &amp; private enterprise) (investor)</td>
</tr>
<tr>
<td>Power Relations/ Cooperati on Types</td>
<td>Unequal subordinat ion (North-South)</td>
<td>South- South Coopera ti on between unequals</td>
<td>South- South Coopera ti on between unequals</td>
<td>South- South Coopera ti on between unequals</td>
<td>South- South Coopera ti on between unequals</td>
<td>South- South Coopera ti on between unequals</td>
<td>South- South Coopera ti on between unequals</td>
<td>South- South Coopera ti on between unequals</td>
</tr>
<tr>
<td>Technolog y &amp; Labour</td>
<td>Limited in house training</td>
<td>Limited local employme nt &amp; in- house training</td>
<td>Limited local employme nt &amp; in- house training</td>
<td>Local employme nt &amp; in- house training</td>
<td>Limited in house training</td>
<td>Limited in house training</td>
<td>Limited in house training</td>
<td>Limited local employme nt &amp; in- house training</td>
</tr>
<tr>
<td>Superstructure (political) / Ideology</td>
<td>Interferenc es &amp; conditional ities</td>
<td>Commonal ities &amp; less pressure</td>
<td>Commonal ities &amp; less pressure</td>
<td>Commonal ities &amp; less pressure</td>
<td>Commonal ities &amp; less pressure</td>
<td>Commonal ities &amp; less pressure</td>
<td>Commonal ities &amp; less pressure</td>
<td>Commonal ities &amp; less pressure</td>
</tr>
<tr>
<td>Cultural Ascendanc y (elite links)</td>
<td>Strong</td>
<td>Growing</td>
<td>Growing</td>
<td>Growing</td>
<td>Growing</td>
<td>Growing</td>
<td>Growing</td>
<td>Growing</td>
</tr>
<tr>
<td>Financial Monetary Dominanc e</td>
<td>High (PEG/defac to dollarisatio n)</td>
<td>Increasing loans &amp; grants received from China</td>
<td>Increasing loans &amp; grants received from China</td>
<td>Increasing loans &amp; grants received from China</td>
<td>Increasing loans &amp; grants received from China</td>
<td>Increasing loans &amp; grants received from China</td>
<td>Increasing loans &amp; grants received from China</td>
<td>Increasing loans &amp; grants received from China</td>
</tr>
</tbody>
</table>

Table 2.1: Dependency Features of CSEZAs
Source: Adapted from Maswana, 2009
China-Mauritius: Metropolis-Satellite Relationship

In the context of the global capitalist hierarchy of power, China stands as a satellite to the world metropolises. But, at the same time, it is a metropolis to most African nations. In its turn, Mauritius is a satellite to China. As we establish the general lines along which China and Mauritius fit into Dependency Theory’s structural denominations, we shall contemplate the dependent nature of the relations shared by the two actors in light of the CSEZA.

China and Mauritius share a long diplomatic history which started in 1972. The island supported the one-China policy. Since then, the interchange between the two countries has grown. Usually, China plays the role of the benefactor and Mauritius is the receiving state. In a briefing paper produced by MOFEE, we gather the key interchanges that mark the relationship of the two countries (n.d):

(i) *First Sino-Mauritian Joint Commission, 1985*: China provided an interest free loan of USD 5.6 million over a period of five years (July 1985 – June 1990) to Mauritius. This was in addition to a low interest commodity credit of USD 800,000 for the period from 1 July 1985 to 30 June 1986. This commodity credit allowed Mauritius to purchase Chinese commodities and other goods. 123

(ii) *Second Session of the Sino-Mauritian Joint Commission, 1987*: No further economic commitment was made by China since the previous loans were still unutilised.

(iii) *Third Session of the Sino-Mauritian Joint Commission, 1990*: China provided a general commodity grant of USD 160,000, 124 and an interest free loan of USD 3.2 million to Mauritius.

(iv) *Fourth Session of the Sino-Mauritian Joint Commission, 1995*: China provided a grant of USD 160,000 to Mauritius.

(v) *Fifth Session of the Sino-Mauritian Joint Commission, 1999*: China provided a grant of USD 800,000 to Mauritius in the form of agricultural and medical equipment, along with an interest free loan of USD 3.2 million. The EXIM Bank of China committed to co-finance an infrastructural project at the cost of USD 2.4 million, in the form of a loan repayable over 12 years at the interest rate of 4 per cent per annum. EXIM Bank of China furthermore provided a loan of USD 16 million at 4 per cent interest per annum over 12 years to Mauritius.
Sixth Session of the Sino-Mauritian Joint Commission, 2002: The Sino-Mauritian Agreement on Economic Technological Cooperation, Sino-Mauritian Agreement on Educational Cooperation were signed. A Memorandum of Understanding on Cooperation between the Supreme People’s Procuratorate of the People’s Republic of China and the Ministry of Justice and Human Rights of the Republic of Mauritius was also ratified.

A glance at the key diplomatic exchanges between Mauritius and China over the years is enough to define their position vis-à-vis each other. Not only does China stand as a major source of funding for the domestic projects of the Mauritian government, but sometimes, by using ‘commodity credits’ as a medium to disburse loans, China further entrenches Mauritian reliance on its financial support. Commodity credits forces Mauritius to use only Chinese materials in the specific project. This reduces the ability of the Mauritian government to explore more competitive options. This dependency of Mauritius upon China recurs in every sector within which the two actors are involved. The Chinese SEZ project is no exception.

The Expected Dependency Equation

If we apply Frank’s principles to the context of JFET, the Chinese-Mauritian equation would be assume the following form:

Level 1: China assumes the role of the metropolis vis-à-vis Mauritius who is the satellite.

Level 2: The Mauritian state, together with China (represented by the Shanxi SOE stakeholders) combine to become the metropolis of JFET. Through JFET, China also becomes the metropolis of the evacuated farmers. They will derive developmental value and profit out of the activities of the zone, at the expense of the national periphery (the Mauritian people).

Figure 6.1 displays these expected dependency exchanges. Thus, China and the Mauritian state, through JFET, exploit the farmers as its metropolises. JFET, then, symbolically stands as a metropolis to the farmers. The evacuated farmers form the ultimate satellite of this equation. Frank’s Dependency Theory is accepting of relations of domination and subordination exercised across denominations of varied nature. Therefore, it makes space for the incorporation of structural actors such as
the Chinese and Mauritian states, JFET as a geographic entity, and individuals, in the form of the farmers, in a single dependency network.

As per traditional Dependency Theory, the schema of economic exploitation and subordination is usually simple and direct. But in this case, we have to acknowledge that the actors involved in the Chinese SEZ in Mauritius do not adhere to straightforward traditional dependency tendencies. Instead, JFET actors form two sets of overlapping dependency relations. The scenario is such that one structurally indirect actor cuts across intermediate levels to reach below and intervene directly in order to exploit a subordinate level which is already being exploited by its own immediate superior metropolis. Eventually, there are strata which face double or even triple-sourced dependencies. Those two sets of overlapping dependency relations are:

(i) **China-JFET**: China acts as the metropolis of the Mauritian state, and is also a direct metropolis of JFET which technically (as per geography, and political,
economic, and legal jurisdiction) should be a satellite of the Mauritian state only.

(ii) **China-Farmers:** China is also the metropolis of the Mauritian farmers who have been displaced to make space for the Chinese SEZ project. Although it crosses through two levels of dependency (the Mauritian state and JFET), the direct connection between China and the farmers is exploitative purely because JFET is a 100 per cent Chinese-owned project, and also, the Chinese party has not compensated the farmers in any way for the displacement.

While JFET undergoes double exploitation under both China and the Mauritian state, the farmers experience exploitation from three levels, i.e. from China, the Mauritian state and JFET. The fact that China’s status as a metropolis percolates through all levels, and that, along with Mauritius, China is expected to be the direct metropolis of the sub-national JFET and of the farmers, is justified by the following reasons:

(i) **China-JFET:** China has been adamant that the CSEZAs are cooperative and mutually beneficial developmental ventures. By this definition, both countries should be able to exploit JFET and appropriate its surplus economic value in order to fund their respective development. Therefore, the group of displaced farmers is the immediate level whose underdevelopment the CSEZA is to expedite.

(ii) **China-Farmers:** Like the Mauritian state, China too stands as a metropolis vis-à-vis the farmers. This is because although the zone is situated on Mauritain land, that the Mauritian government has invested in JFET in the form of infrastructure, and was responsible for displacing the farmers, China remains the sole shareholder of JFET. Therefore, by this fiscal logic, most (if not all) of the profits of the zone would go to its direct patron, its metropolis, i.e. China. It should be noted that the position of the farmers has allegorical value which evokes the public assets compromised in course of this zone project. The underdevelopment of the farmers represents the underdevelopment of the Mauritian economy as a whole.

Keeping in mind the new formats in which exploitation and subordination are practiced here, and with the variety in the ‘types’ of actors involved in this transnational connection, the above dependency arrangement is one that theorists
adhering to Frank’s Dependency Theory would anticipate to see in JFET. But while this is the expectation we built as per set theoretical norms, the reality of the relations of dependency which pervade the case of the Chinese SEZ in Mauritius is different. Whereas a departure from the conventional Dependency Theory might be interpreted by critics as grounds to discredit the application of this theoretical perspective to the study of CSEZAs, the section that follows demonstrates how these alterations within the dependency framework only push the actors involved (i.e. China, the Mauritian state, JFET, and the farmers) to reinforce symbiotic appropriation-subordination and development-underdevelopment relations in this capitalist climate. This therefore simultaneously advocates for an updated version of Frank’s Dependency Theory.

The Actual Dependency Exercise

Enough years have passed for us to be able to identify the direction in which the Chinese SEZ project in Mauritius is going, and to assess the power equation amongst the actors. Each actor’s role, as per dependency premises, will hereunder be defined.

China, represented by its SOEs from Shanxi, is the patron and developer of the zone. The Chinese companies are 100 per cent shareholders of JFET. They are supposed to fund all the on-site infrastructure of JFET. The Chinese developers are the ones to recruit the investors for the zone, and handle the administration and development of the zone affairs. Conferred Mauritian status, the JFET company functions as a private entity and has no accountability to the host Mauritian government. China will occupy the plot of land for a period of 99 years and has been allowed to pledge its rights to Mauritian or foreign banks. As part of the DTAA that Mauritius has with China, the stakeholders who manage JFET are allowed to repatriate their capital, dividends and profit to China, free of any tax regimentation. Some Chinese developers have even been given Mauritian citizenship, allowing them to carry out their activities without being subject to monitoring by the Mauritian state in their capacity as foreign investors. As soon as the Chinese SEZ venture transited from being just a project plan on a plot of land into JFET, the company, China no more needed to transit through the local authority of the Mauritian government. It could connect to the zone by altogether bypassing the Mauritian state.
The Mauritian state has no equity stake in JFET. It has leased the land to the Chinese developers for 99 years and has also granted them the right to pledge the land to foreign banks. The Mauritian state holds no role in the administration of the zone affairs. Its responsibilities are limited to: providing the land, off-site infrastructure, passports to the investors, and rights of local incorporation to investing parties. Investors and companies who have been naturalised as Mauritian have the right to function unhindered. In short, the Mauritian government has completely removed itself from any potential direct involvement in JFET and has revoked its authority over the 211 hectares (or 202.4 hectares) at Riche-Terre for 99 years. Its exploitation of its own internal sub-national entity, i.e. the Chinese SEZ area, prevailed only up until the site was being cleared and the farmers were displaced. Once that was completed, the role of the Mauritian state as a metropolis to that space—now taken over by JFET, the company—ended. It would be fair to describe the intervention of the Mauritian state in JFET, in the former’s capacity as a metropolis, as being limited only until the planning and site preparation period.

Before becoming JFET, the zone area was only a plot of land within the Mauritian territory which was occupied by local farmers. Up till the point when it was a mere plot of land chosen as the site to build the Chinese SEZ, the Riche-Terre plot was the space of the Mauritian government. The Mauritian state exercised its authority to terminate cultivation on the land and evacuated the occupant farmers. However, as soon as the land was written off to the Chinese developers in the form of an asset of the JFET company, the equation changed. As it gained added-value in its prospective ability to generate high revenue, the plot switched from being a satellite of the Mauritian state to become a metropolis of the Mauritian state. This is because Mauritius was depending on high returns and FDI inflow from that zone in order to fund its domestic development, and also to garner domestic political goodwill. Nevertheless, for China, JFET remains a satellite. This is mostly due to its overseas location, through which China will be able to extract surplus value at the expense of the Mauritian state (through land, displaced farmers and expenditure on off-site infrastructure).

Regardless of the phase through which the Chinese SEZ in Mauritius was under, the farmers of Riche-Terre maintained a constant position as the ultimate satellite.
As they were evacuated from their land in order to accommodate the Chinese SEZ developers, the farmers were at the mercy of the Mauritian state which assumed the position of their metropolis. However, the fact that the Chinese developers themselves chose the site and replaced the farmers also makes JFET the metropolis of the displaced planters’ community. However, contrary to anticipation, China is able to efface itself from being directly exploitative towards the latter. China’s direct positioning as a metropolis of the farmers is evaded by the fact that (i) China contractually delegated the responsibility of all the off-site infrastructure provision to the Mauritian state—comprising of all the arrangements for the land, and (ii) China chooses to exercise its role in relation to JFET only in term of its status as the JFET developers, and not as the bilateral government partner of the Chinese SEZ project in Mauritius.

The integration of the ‘farmers’—a human composite—as a stratum of dependency among these spatial denominations is in line with the afore-discussed shifting nature of the Chinese SEZ—initially as a plot of land and eventually as a company. The status of the farmers too becomes subject to changing natures as JFET switches from a spatial status and gains corporate status. As long as the farmers occupied the plot and were under the process of being evacuated, they were a human composite, in relation to the Riche-Terre land which then stood as a geographical entity. However, as the Riche-Terre plot assumes a corporate guise under JFET, the company, (which will stay for 99 years), the 211 hectares (202.4 hectares) of land is divorced from its spatial status. Instead, this spatial status is transferred onto the farmers, i.e. individuals, who, due to their representativeness of (i) the site’s previous identity and function as a plot of land rather than as a company and (ii) the site’s underdevelopment from being a previously developmental piece of land (a development value that the farmers had conferred to the land by cultivating it), get equated to the spatial value of the exploited site. The farmers therefore equate to the exploitation of the developmental value of the land under JFET.

As per the roles defined above, it would be fair to say that in light of JFET, the relationship of dependency between China and Mauritius went through two distinct phases. Phase one covered the period of preparation for the Chinese SEZ project, and the furnishing of all the support amenities that would aid the zone. During this phase,
the zone was only a plot of land. Phase two started when all off-site infrastructures were set for the zone and it remained for the Chinese developers to begin the on-site construction and development. At this point, the zone gained the status of an asset transferred to the name of JFET, the private company. Figure 6.2 and 6.3 show how the relationship amongst the relevant entities changed as the Chinese SEZ project unfolded over these two different phases.
Figure 6.2: Phase One Dependency
Source: Author

Figure 6.3: Phase Two Dependency
Source: Author
A. Phase One Dependency
The hierarchy of dependency which prevailed at the initial stage of the project was quite straightforward. At level one, China, who holds the conceptual blueprint of the Chinese SEZ and is the one to inject capital into the project, was the metropolis to the Mauritian state. It was the latter’s land and preferential business framework that China needed to access in order to produce the planned profitable developmental goods. At level two, acting as per the requirements of the Chinese developers, the Mauritian state assumed an appropriative stance towards its own local entity, i.e. the Riche-Terre plot. It disadvantageously utilised the land which supplied the local market with substantial stocks of food crop. At level three, the Mauritian state assumed the position of a metropolis, and decided to privilege national development through FDI at the expense of its own public’s rights. Through the Riche-Terre plot (here acting as the surplus value object), the Mauritian state exploited the developmental value of the land and the farmers by evacuating them. The latter, thereby became the satellites of the Mauritian state. (It is from this point onwards that the farmers take upon the spatial status).

During this first phase, the relations between the levels flowed from the top to the bottom, with China posing as the ultimate metropolis and the farmers as the ultimate satellite. The intermediate Mauritian state strata alternated between the roles of the metropolis and satellite, depending on whom it was addressing. One intermediate stratum whose status remained largely unchanged was that of the Riche-Terre plot. We note that at level three, the metropolis to the farmers was the Mauritian state, rather than the Riche-Terre plot. The Riche-Terre plot cannot be counted as a metropolis of its immediate subordinate level (i.e. the farmers) because it lacked the substance to be an exploiter. Furthermore, as a stratum, it did not serve a subjective agenda. Instead, at that stage, the Riche-Terre plot was only a medium of exploitation.

B. Phase Two Dependency
Given the current deadlocked condition of the Chinese SEZ project, phase two does not have a complete independent identity yet. At present, it can only be referred to as the period which follows the already completed planning and establishment of off-
site infrastructure. This is because the development and activities that should make up phase two are yet to begin. Nevertheless, as the closure of phase one (which was entirely the responsibility of the Mauritian state) sets the scene for its unfolding, phase two completely transforms the dependency equations prevailing in the case of the Chinese SEZ in Mauritius. As China no more functionally needs the Mauritian state, which has completed its contractual commitments towards the zone (arranging for the plot and its long term lease, providing offsite infrastructure, getting all the required environmental and impact assessment clearances, and so on), it bypasses the Mauritian state in level one. Neither does China need to further exploit the Mauritian state for any form of profitable extraction, nor does it need to keep the Mauritian state in subordinate control for the latter to act as per China’s interest. This marginal role assumed by the Mauritian state is further reinforced by the fact that Mauritius does not hold any shareholding power in JFET. As the sole stakeholder of JFET, China has legal rights over all profits and capital generated by JFET, even though the Mauritian government too has invested extensively in the zone in terms of land and off-site infrastructure.

Instead of having both China and Mauritius as metropolises to JFET (as stipulated in Figure 6.1) and sharing the surplus value produced by the zone between them, the real equation clearly designates China’s moves to wipe out the role of the Mauritian government as a metropolis to its own internal zone once JFET is functional. In this scenario, JFET becomes the direct satellite of China. This is because it is from this particular space (which has been granted Mauritian status through the company’s local incorporation and from the privileges the Mauritian government has granted to the zone) that China will accrue a profitable commercial experience which is technically meant to be shared with Mauritius.

At level two, JFET is the automatic metropolis to the satellite community of displaced farmers. Contrary to phase one where the Riche-Terre plot had no purpose or substance to exploit its subordinates, under its corporate status, JFET has an agenda to further; one which thrives on the underdevelopment of the farmers. But the metropolis status of JFET does not end with the subordination of its immediate inferior level. At level three, JFET exercises its superior extraction capacity onto even the Mauritian state. As it occupies strategically positioned state land for 99 years and
benefits from several other incentives—all without any legal commitment to share its profits with the Mauritian community—JFET holds the Mauritian government, and hence the national economy as a satellite. The Mauritian state can only rely on the goodwill and abilities of the developers to produce the promised development for the island. After being ignored throughout activities in phase two, the one equation under which the Mauritian state retains the power of a metropolis, is the one it shares with the displaced farmers at level four. As mentioned earlier, its positioning as the rhetorical spokesperson of the zone and its contractual agreement implicating its responsibility to vacate the plot, make the Mauritian state a de facto constant metropolis of the farmers. Along with it, the Mauritian state also becomes the metropolis of the erstwhile developmental value of the Riche-Terre plot of when it was an agricultural space.

The two phases of dependency relations that the Chinese SEZ project in Mauritius experience are dotted with idiosyncratic features. In phase one, it is clear that the Riche-Terre plot is mainly employed as an agent of dependency. Positioned as a satellite to the Mauritian state, the plot is used as an instrument to displace the farmers. Nevertheless, in phase two, this same plot of land assumes the role of metropolis towards two strata: the farmers, and the Mauritian state. From an agent of dependency, the Riche-Terre space transforms into an independent structural denomination as it gains commercial value. On the whole, phase two reflects the skewed dependency equation that JFET establishes between China and Mauritius. Under this equation, the interaction between China and the Mauritian government is maintained only through a rhetorical diplomatic ephemera (which is why it cannot be structurally reproduced in the diagram), and the overall underdevelopment of Mauritius is further reinforced. This time Mauritian underdevelopment is not only exercised by external actors, but also by an entity internal to its local system, i.e. JFET. The subordination and underdevelopment of Mauritius in the interactions in phase two is perpetuated in three distinct ways.

(i) Firstly, the Mauritian state, having acted as an efficient facilitator of the project throughout phase one, legally detaches itself from involvement in JFET and steps aside to allow China to have free access to the zone. This permits China to completely bypass the Mauritian state apparatus.
(ii) Secondly, the Mauritian state stands at the mercy of the Chinese developers to deliver the goods that the Mauritian government has promised to its own public. JFET, as a space distinctively managed by the Chinese, holds the power to legitimise the accountability and leadership potential of the Mauritian government vis-à-vis the Mauritian public. That too in a climate whereby public trust in the project is waning. This undermines the political capital of the Mauritian leaders.

(iii) Thirdly, as the Chinese SEZ remains undeveloped, the termination of Richie-Terre’s developmental contribution in terms its food production capacity is only brought back into perspective. The Mauritian state finds its capacity to command as a metropolis dwindle as it suffers from underdevelopment through the exploitation of national wealth for the benefit of JFET, and is subordinated even in relation to its own sub-national geographic space. The public legitimacy and electoral support, on the basis of which the democratic Mauritian government rules, is compromised. Consequently, the potential of the Mauritian government to continue to expropriate profits created by its local sections is threatened. This indicates that in the event of further development of JFET, the Mauritian state will be even more marginalised: by the foreign investors who settle in JFET, and also by the local Mauritians who may concretise this marginalisation of the government by withdrawing their electoral support to the ruling party.

Commonalities between the New Manifestation of Dependency versus Old Dependency Premises

Clearly, the Chinese SEZ in Mauritius introduces new configurations of dependency relations. These new configurations do not have a linear flow across and within states but get contorted and structural denominations do not necessarily maintain similar roles vis-à-vis recurrent actors throughout time. What allows the Chinese SEZ project to do so? In order to be able to identify the new modalities which help to reinforce simultaneous development and underdevelopment within the Chinese SEZ scenario in Mauritius, an identification of the corresponding premises between Frank’s initial
theory and its adaptation by the new zone format is needed. Table 6.1 applies itself to this comparative task.

Table 6.1 Traditional Dependency Premises and Converging JFET

<table>
<thead>
<tr>
<th>Frank’s Dependency Premise</th>
<th>Converging JFET Dependency Premise</th>
</tr>
</thead>
</table>
| Satellite-metropolis relations exist across all economic, political and social compositions, even within states. | JFET induces a variety of satellite-metropolis interactions:  
- A hierarchy exercised between China and Mauritius whereby the disparity is founded on economic dynamics.  
- A hierarchy of spaces exercised between the Mauritian state and its own internal area (as the Riche-Terre plot and as JFET). This dissection is founded on conjoint geographic and economic dynamics.  
- A hierarchy of communities existing between the Mauritian state and the farmers. This is a division of social compositions. |

| National satellites pump back the economic surplus of their local satellites to the world metropolis. The world metropolises take advantage of this to stimulate their own development. | Neither is China a world metropolis, nor does the Mauritian state pump back economic surplus to China. Therefore, this supposition does not find adherence in the JFET case.  
Nevertheless, the anticipated ‘ends’ of development and underdevelopment are achieved, though with a twist in the dependency procedures. The distinctiveness of this relationship is that the Mauritian state does not pump back surplus value that it has accumulated from its local satellites to China. Instead, the Mauritian state contains the surplus within itself but makes it inaccessible to the larger domestic domain or to itself.  
Consequently, we do not have a world metropolis stimulating its own growth after having assimilated surpluses from the subordinate national satellite, and thereby causing the underdevelopment of that national satellite. What we have in the case of JFET is: a direct stimulation of the underdevelopment of the national satellite by itself. The Mauritian state does not require the development of a superior metropolis to be the catalyst of its underdevelopment. It itself, is its own catalyst of immediate underdevelopment. Still, as the contextual metropolis of the Mauritian state, China profits from this underdevelopment to enrich itself. This twisted route to the same end is possible through the zone format of JFET, which acts as the agent furthering dependency relations. |
Frank’s Dependency Premise | Converging IFET Dependency Premise
---|---
**Underdevelopment and development are part of the same process.** | While this should be valid for each level of the metropolis-satellite interactions existing within this scenario, in the case of JFET, underdevelopment is contained within the two levels which are distinctively Mauritian (Mauritian state and farmers), and development becomes the prerogative of the two Chinese spaces (China and JFET). Therefore, the Chinese SEZ project allows China (the metropolis) to directly develop a local metropolis (JFET), and thereby turn the national metropolis (Mauritian state) into a satellite, which in turn, carries on the exploitation of its own local satellite (farmers). Consequently, rather than the conventionally alternating occurrence of development and underdevelopment which exists in Dependency Theory, the sequence of developmental impacts in this particular dependency scenario is unique as it takes the following shape:

Development → Development → Underdevelopment → Underdevelopment

![Diagram of Development and Underdevelopment in CSEZA](Source: Author)

**The development of world metropolises (which do not function as satellites to other entities) limit the development of subordinate national metropolises by the latter’s function as satellites.** | This premise is not applicable to this case because China is not a world metropolis.

**When the metropolis overcomes its crises and re-establishes investment** | As China seeks new ways to make the most of the global platform of trade, investment and commerce to which it
and commercial links which re-incorporate the satellites in the system, or when the metropolis seeks to extend its reach to regions of the system which were previously left-out, the internal development and industrialisation of those isolated regions are halted or is led towards frustration rather than autonomy.

There is a decline in the export demand for the products and in the production capacity of large farming estates of satellite regions.

now has unhindered access since its integration in the WTO, it deploys CSEZAs in an attempt to generate profit by aiding African development. Thus, its zones take upon the responsibility to develop regions previously commercially cut-off (i.e. Riche-Terre). The impact that China has on the targeted local region is one of underdevelopment and, as presupposed by Frank, it halts industrialisation and amplifies frustration.

This aptly fits onto the case of the displaced Riche-Terre farmers who used to contribute substantially to the vegetable supply of the island. The annihilation of this cultivation space has affected the food security situation of Mauritius.

Dependency Updated

Most of the particularities of the Chinese SEZ in Mauritius adhere to the parameters that Frank used in order to identify and define a dependency equation. Nevertheless, there are slight divergences in the way these dependent relationships are exercised which elicits an upgrading of the Dependency Theory. The section below identifies the premises of CSEZA action and functionality which Dependency Theory, as it is, does not allow us to analyse. In so doing, it also suggests the new premises which Dependency Theory must integrate among its concerns. These are the new variables that it should take into account, and the new structures of dependency relations. These need not be as symmetrical as anticipated by Frank in 1967.

(i) In his key works, Frank lists a number of global dynamics throughout which metropolis-satellite relations exist. His list comprises of economic, political and social structures. He also refers to local rural–urban hierarchies which, nonetheless, remain economically and socially laden. One dynamic through which dependency relations are performed in the case of JFET—which Frank does not consider—is the ‘geographic’ structure which also mediates relationships of exploitation and subordination. The role of a geographic structure in acting as a relevant carrier of metropolis-satellite relationship is clearly demonstrated by JFET. As a property of the Mauritian state, and lying within its national boundaries, logically the Chinese zone should have been subordinated to the Mauritian state. But this is not the case. As it exists in the
shape of a bounded zone, JFET becomes an independent geographic entity and surmounts the only bond of subordination it could have shared with the Mauritian state. Taking leverage of this geographic separatism, JFET is able to compete with the Mauritian state on an economic basis. It even makes the latter its satellite.

(ii) When Frank coined the notions of ‘metropolis’ and ‘satellite’ in order to describe interactions within the capitalist system, it was understood that, as per the functions of these segments, interactions across the world platform will take place in duality: if there is a metropolis, then a satellite must follow; if there is the exploiter, then the exploited must follow. But for the Chinese SEZ in Mauritius, the situation is somewhat different. China, the metropolis, is followed by JFET, the metropolis. Again, it is by dint of JFET’s geographic separation that, despite JFET’s umbilical link to the Mauritian state, China interacts directly with the zone by altogether bypassing the need to directly underdevelop the Mauritian state. China is able to do so because the economic and social surplus value extracted from the Mauritian satellite sections have already been invested in the JFET zone (under the brief phase one). Therefore, it is easier and diplomatically safer for China to bypass another act of active exploitation of the national Mauritian satellite and instead directly engage in the development of JFET. Similarly, the underdevelopment of the Mauritian state is immediately followed by underdevelopment of the farmers. Again, this is possible because of the geographic separatism of the intermediate metropolis level, i.e. JFET which should have been situated in between the Mauritian state and its farmers. Nevertheless, JFET’s role as an intervening level, which played the national Mauritian state and the local farmers against each other, was restricted to the point till JFET was a plot of land integral to the internal structure of the national satellite. As it achieves its geographic and economic independence in form of the a Chinese SEZ, JFET removes itself from being part of internal Mauritian structures.

(iii) Traditional dependency believes that the exploitation of a satellite can only end if the satellite distances itself from the metropolis. However, the relationship shared by China and Mauritius, in this case, suggests otherwise. In phase two,
the distance between China and Mauritius is obvious. There is no direct interaction between the two. But contrary to Frank’s idea, this does not entail a termination of Mauritius’s underdevelopment. Frank does not account for the possibility that though keeping a distance from the metropolis, through appropriately structured FDI, the metropolis can create a local metropolis within the target national satellite.

(iv) Patron China is able to skip the Mauritian state in its dealings with the zone not only because of JFET’s geographical separatism within Mauritian boundaries. This elusive transaction is further aided by the fact that JFET, set up as an SPV company under Mauritian jurisdiction, also has the power to remain economically disjointed from the authority of the Mauritian state. Thus, as it is bypassed during both the in-coming and out-going dealings of China with JFET, the status of Mauritius as a national satellite is reinforced. It witnesses its underdevelopment at the expense of the development of Chinese entities settled on its own land and using its own assets.

(v) While the way in which a Chinese SEZ can propel underdevelopment within a satellite country has lengthily been discussed throughout this work, the role of FDI as a new instrument of dependency needs to be elaborated. Frank does not deliberate much about what an upgrade of financial instruments within the capitalist system might mean for the alternating, yet overlapping, metropolis/development-satellite/underdevelopment dichotomies. Touted as one of the major sources of capital in the modern day capitalist system, there is a high degree of competition among states in order to attract FDI. Not only does FDI imply an inflow of capital, but it is also a source of immediate development through backward and forward linkages, job creation, infrastructure, export income, and so on. Hence, in order to secure FDI, countries are forced to provide incentives and preferences. These preferences are usually to the detriment of their own economic objectives, and also at the expense of local producers and businesses. Consequently, by welcoming FDI, economies within the capitalist system willingly subscribe themselves to the status of satellites. They even go to the extent of underdeveloping themselves and their subordinate local entities in order to serve the FDI-exporting metropolis whom
they perceived as a messiah of development. Therefore, along with the creation of a separate geographic space of metropolitan nature within the satellite (in the form of the Chinese SEZ), the unbalanced Mauritian reliance on FDI makes the country a self-underdeveloping satellite par excellence.

Geographic seperatism through the CSEZA format; economic seperatism through instruments such as SPVs; the underdeveloping aspects of FDI; and, an asymmetrical exercise of exploitation and subordination stand as this thesis’s contribution to the updating and upgrading of the ideas behind Frank’s traditional dependency thinking. However, rather than alienating the concept of CSEZAs from Dependency Theory, the above observations only strengthen the links between this new phenomenon and the theoretical perspective. Be it through convoluted routes, this capitalist expression of a nominally socialist state loyally carries out the development and underdevelopment of China and Mauritius respectively.

**Summation**

It is noticeable that throughout both phases of dependency, China and Mauritius, who are supposed to be partners in this novel cooperative development venture, are positioned on extreme footings. Moreover, while at one time, Mauritius is the satellite of China, at the other China reduces Mauritius to a non-entity within its own territory. The subordination of the island state reaches the extent at which it has to give in to the appropriative upper hand of its own sub-national space. Surely this is not a cooperative venture. And if it is, then surely JFET is not a carrier of development. The most apt way to describe JFET, as per the above observations and understanding, would be as an agent of dependency.

JFET has become a liability to the Mauritian government. It has extracted money out of the Mauritian government in the name of developmental investment. But since there has not been any development, there is no investment return. By occupying fertile land (which erstwhile provided food to the country in the best location next to the harbour) for 99 years, JFET has definitely extracted the surplus value of the assets and public funds of the Mauritian state. The redundant position to which the Mauritian national satellite is rendered following the comprehensive assimilation of JFET as China’s territory, is perhaps unprecedented. The symbiotic
relationship of development shared by the patron (China) and its extension (JFET), make them relate to the Mauritian national satellite only in a defaulted fashion. They connect to the Mauritian state on the basis of an asset transfer, incentive packages, and off-site infrastructural provisions that Mauritius earlier made in regard to JFET. Thus, by exercising capitalism (hence, relations of exploitation and subordination) through ostensibly socialists actors, (i.e. state-owned enterprises) and by implanting its economic might in a geographically separate space within the territorial boundaries of an already subordinated economic entity, (i.e Mauritius), China reduces the possibility of Mauritius to act as the metropolis to those sections within its own territory whose economic surplus are being appropriated through JFET.

Whether this dependency equation is identically reproduced in the context of the other six CSEZAs is a question that can only be answered after thoroughly researching each of them. This is beyond the scope of this thesis. Nevertheless, one feature which undoubtedly would be replicated across each of them is the geographic separation induced by the zone-form of the CSEZA, which also leads to a high degree of economic separatism. Those CSEZAs in which the host African state is not a shareholder of the zone will experience more acute subordination. CSEZAs (or possibly any other zone form of state-directed foreign investment) hold the capacity to hinder the development of the host country and expedite its underdevelopment. Thus, the case of the Chinese SEZ in Mauritius is only an indication of the ability of new forms of capitalist exercises to create permanent satellites—not only by pushing the state to underdevelop its own local entities, as anticipated by Frank, but also by rendering the state-level satellites redundant and dependent on their own local assets which have been appropriated by foreign parties.
Chapter 8

Conclusion

Acknowledging JFET-driven Underdevelopment

The information gathered on JFET evoked in this thesis hold considerable implications for Mauritius. The inconsistencies and miscalculations littering the evolution of the project partly explain why the Mauritian government insists on the confidentiality of the framework and lease agreements. The presence of adjacent projects, companies and entities suggests that the Mauritian government has mixed the Chinese SEZ project with ulterior pursuits. The additional investments that the Mauritian state has injected into JFET also carry important fiscal consequences for the country’s budget. Additionally, the confrontational position that the Government of Mauritius assumes vis-à-vis its own public in regard to this project undermines the political capital of the current ruling party. It highlights an aura of opaqueness around the foreign transactions of the state. Rather than developing the island, the way in which the zone project has been managed has prevented the Mauritian economy from deriving otherwise possible developmental benefits from the assets it bequeathed to the Chinese developers.

This thesis is critical of the competition that the Chinese companies established under JFET (for e.g. JFET Travel & Tours Ltd, Oriental Construction (Mauritius) Co. Ltd, and more recently Goldox Construction Ltd) give to the local companies. This is because, as explicated in Chapter 1, ‘cooperation’ and ‘mutual development’ were heralded as the objectives of this zone endeavour. Although the advent of Chinese companies will present Mauritian consumers with more competitive prices and choices, because (i) they operate in the same sector dominated by local manufacturers, (ii) are able to repatriate their profits, capital and dividends to China for free, and (iii) are additionally provided land and utilities services to support this competition, the JFET companies take away from the national income. They hardly serve the mutual cooperation purpose for which the CSEZAs were established. If competitive Chinese presence in the domestic market was what was being sought, such activity could have taken place—and already is
taking place—in the larger domestic trade area. Supporting competitive Chinese enterprises in a contained area near the harbour by putting costly public assets to their service (at the expense of farmers who had been helping the national food security sustenance), and moreover allowing these Chinese enterprises to compete with local manufacturers, is definitely a strategy for underdevelopment, not development!

For long, Mauritius has been praised as a developmental state model and an example of good governance on the continent. Its has attained the status of an investment role model for its African counterparts—to the extent that under BOI’s Africa Centre of Excellence, Mauritius now offers advisory and partnership services to foreign investors seeking to invest on the continent (Victor, 2013). While the increasing visibility of Mauritius on the international as well as regional investment platform holds promises for the Mauritian economy and local manufacturers seeking to expand into Africa, the experience of the Chinese SEZ in Mauritius spreads scepticism over the ability of the Mauritian government to extract profitability out of these opportunities. Its willingness to part from huge shares of its already limited resources; an ignorance (feigned or real) of financial instruments; a lack of interest in evaluating the potential of foreign investors before enrolling them on such big investment projects; lack of monitoring of these projects; an inability to negotiate as per its local context; a keenness to modify laws for the profit of specific investors; a reticence to put up adequate policy frameworks to regulate zonal forms of investments; red-taping over issues of public interest and possibly even corrupt practices—all of these put to doubt the aptitude of the Mauritian state to manage its own investments, let alone advising its counterparts.

As for the role played by China in this scenario, we cannot ignore the pro-activeness of China in trying to resuscitate these unpopular CSEZAs across Africa. It has relented to renegotiation with Nigeria over LFTZ. Nonetheless, the choice of its actors to which it delegates the task of reviving the CSEZAs is poor. After an official commitment announced on a global platform at FOCAC 2006; the signature of bilateral agreements with the respective African host countries; and the deployment of initial investments in the CSEZAs, the Chinese party cannot go back on its word. Meanwhile, the zone developers are identifying ways in which to make
the most of this access to African assets and governmental support that they acquire. The journey of Mauritius JinFei Economic and Trade Cooperation Zone Co. Ltd shows how African mismanagement, combined with Chinese creative business strategies, and the failure of both to customise the model to fit the local African affinities, transform a potential development model into a concessionary space.

The detrimental impacts that JFET has on Mauritius are nonetheless not carried onto the relationship shared by Mauritius and China. Even if the zone project has not attracted Chinese investors, the larger Mauritian domestic trade area continues to thrive with the presence of Chinese enterprises. In July 2013, a Chinese private consortium was given the green light to implement an IRS project over 344 hectares on the island (L’Express, 2013). Chinese expertise has been sought for waste disposal and solar energy productions. Chinese construction companies such as SinoHydro continue to be allocated infrastructural projects. The Mauritian ambassador to China summarised the unaffected interchange between the two countries in an interview on 12 July 2013.

The high reputation we enjoy is further enhanced by the fact that Mauritius has not defaulted on any reimbursement of loans it has taken, on the payment of interest on these loans or been in such a situation that of its accord, China has had to write off its debts. The assistance received in terms of infrastructure, buildings or in other fields has been constant. (Curpen, 2013)

Regarding recent investment exchanges, he says

[w]hat has already been done so far has been the promotion of the offshore facilities with its extensive fiscal system Mauritius has put into place. But this will have to wait for the going of the Chinese private sector to Africa. During the recent visit of the Vice Prime Minister and Minister of Finance, together with the Board of Investment to China important and useful contacts have been made to attract Chinese shipping companies to use the port of Port Louis after the liberalization of the bunkering sector for the shipping industry, our port being one of the few viable and efficient African ports. (ibid.)

This unchanged positive interaction between Mauritius and China despite the stagnating CSEZA clarifies that, indeed, CSEZAs are in no way the determinant representative of Chinese engagement with African partners. Neither do the shortcomings of these zones imply that all Chinese cooperative endeavours with African countries are problematic, nor will their positive contribution promise a
similar experience across other Chinese projects. What the CSEZAs nonetheless represent is how knowledge of the roles of each of the actors involved, and of the way in which a project unfolds, can provide a less extremist understanding of the role of China on the African continent. The study of CSEZAs encourages Africanists to not only investigate the demeanours and actions of the Chinese in African countries but also get an insight into the responsiveness of African actors to the Chinese. When viewed through the prism of CSEZAs, Africa is as complicit as China in its own exploitation.

**Contribution of the Thesis**

Academia tends to treat CSEZAs as purely empirical events. Over the seven years since their inception, these zones have been subjected to so many controversies that researchers were almost compelled to focus on unravelling the substance of these accusations. By collating data which elucidate either the exploitative or developmental features of the CSEZAs, scholars have attempted to find an answer to the recurrent question about the nature of China’s role on the African continent. As most adjacent literatures reviewed in Chapter 2 indicate, the recurrent question in China-Africa studies in regard to CSEZAs is: will these CSEZAs confirm that China exploits its African partners or does it propose an alternative route to development? However, in a rush to find the answer to this global concern, authors who have penned about CSEZAs skipped the preliminary studies which would have granted them an accurate answer to their query. The initial need to understand the CSEZA concept, its theoretical and methodological bearings—all research elements which respond to the global relevance of the CSEZA—have been overlooked. This thesis provides the response to these overlooked research items. It asks the right questions in the right order: What is a CSEZA? How different or similar is it to other forms of zones? Why are some CSEZAs more successful than others? How do the actors and events connected to JFET explain its current status? Has JFET contributed to the development of Mauritius or not? What is the contribution of the Mauritian case study to the theoretical understanding of CSEZAs? The responses that this thesis provides to the above questions empower academia to establish a globally applicable understanding of CSEZAs. It moreover helps policymakers to identify the
areas where they have fallen short in their administration of these zones and therefore, what they need to rectify. Additionally, the importance of the local in enabling the successful implementation of a foreign economic model which has been discussed and recommended in the literature review section in Chapter 2, is also taken up in this thesis. The specificities of the case of JFET whereby the CSEZA’s components did not match the existing context and capabilities of Mauritius, is demonstrative of the extent to which failure at local customisation can undermine the developmental capacity of the CSEZA model. This therefore strongly advocates for a localisation of global models.

1. The Methodology
As Dependency Theory contextualises the CSEZA beyond the domestic and within the global realm, the exploratory journey of this new zone form needs to be complemented by an adequate methodology. Studies of this new pilot zone form cannot rely on the restrictive scope of methods applied to the study of EPZs and SEZs. The later zone forms are essentially domestic endeavours. They are created, established and influenced by domestic factors. On the other hand, the CSEZA is a transnational venture and needs a methodology which comprehensively explores its internal dynamics as well as the external factors which influence its existence and actions. A focus on domestic indicators is insufficient. There is a need to account for the international pressures and actors at play in the CSEZA scenario. Thus, along with the spatial diffusion approach which confirm the transnational nature of CSEZAs, this thesis identifies a trio set of indicators, composed of the host and patron governments, the private sectors of each, and the international realm as the methodology to study CSEZAs.

2. The CSEZA Success Formula
Though this thesis focuses on JFET as the worst-case example of a CSEZA, it nevertheless also includes a study of the six other CSEZAs. Together, these seven CSEZAs illustrate the varied problematic of a CSEZA. From the commonalities identified across the seven CSEZAs, we are able to extract patterns which explain why some CSEZAs are more successful than their comrades. Indeed, the presence
of SOEs, the shareholding composition, and the experience and specialisation of the zone developers come out as the three determinants of good or bad CSEZA experiences. Thus, this thesis establishes the pre-requirements for successful CSEZAs. Future CSEZA projects are guaranteed a higher rate of success if they follow these basic recommendations. Along with these success-inducing ingredients of CSEZAs, this thesis also identifies features which undermine the deliverability of CSEZAs. These are the overarching presence of Chinese SOEs and the failure of host-country customisation—both of which respectively evoke the activism or passivism displayed by the two partner countries of the CSEZA venture.

3. Dependency Redefined

The absence of a theoretical prism in the study of CSEZAs causes the CSEZA to be read as an insular entity. Its relevance to the global arena and to other actors who do not directly part-take in the CSEZA composition has not been assessed. This deficiency resulted in the inability of scholars to hypothesise about the impact that CSEZAs can have on global interactions. As CSEZAs are strictly studied in their domestic context, the innovative policy procedures and strategies that they employ and which provide a learning experience to other countries could learn, are ignored. Most importantly, by denying the CSEZA a theoretical identity, academia keeps away this ambitious pilot development project—which is equally endorsed by the China and the African host countries—from rectifying its shortcomings and delivering a more equitable zone-based developmental experience. Therefore, the association of Dependency Theory to the CSEZA is as much as a suggestion for reform as a critique of it.

At first glance, the association of Dependency Theory to a phenomenon involving African actors may be seen as passé. It may be assumed that this association is based on stereotypical beliefs that the continent relies on preferences from ex-colonial masters and on the resource-exploitation abilities of new ‘developing country’ partners in an unbalanced way. Surely, in a world where neoliberal market practices have seeped into the most distant places, the idea that some countries still live in subordination to others is exaggerated. Does this thesis mistake interdependence for dependence? The answer is no. The most obvious
evidence of this is the proof provided in this thesis of how China derives benefit from the CSEZA even though it is still stagnant. China pockets these benefits at the expense of the extensive input and frustrated hopes of its African partners. Most definitely, each aspect of the zone is pervaded by relationships of dependency whereby development of metropolises happen at the expense of the underdevelopment of its satellites.

As it currently stands, the global capitalist structure is inherently hierarchical. It is characterised by numerous and different configurations of dependency. There are relations of domination and subordination between countries at the international level, between economic classes and communities within a nation and so on. Over years, the relation of dependency between each of these configurations has been channelled through distinct processes: initially through colonisation, and subsequently through the spread of neoliberal practices. This thesis shows that the advent of the CSEZA model has brought innovation to these conventional dependency practices. It departs from traditional understandings of dependency and refines Frank’s perspective to interpret what I identify as being the new instruments of dependency.

The CSEZA transgresses the structural boundaries which dictate relationships of dependency as exercised under the neoliberal global capitalist structure. In a dependency situation defined solely by neoliberal structures, each segment is aware of who its metropolis and satellite are, and from that, it derives an understanding of the role it should accordingly assume. In light of this knowledge, each metropolis is able to calculate how much it should take away from its subordinate satellite in order to be able to sustain itself after its own superior level has expropriated its surplus value. Thus, each strata situated in subordination to the world metropolis prepares adequate strategies against the probability of suffering from acute underdevelopment. The complex configuration of the CSEZA, formed by state, private and community actors, challenges this organised devolution of the production process which characterise the current system. Dependency here is not exercised over alternating levels, as in Frank’s drawings. Through a spatial diffusion approach, China conveniently strides over certain strata and reaches out to those
segments internal to the host African countries which are of its interest. Dependency relations start to develop between actors of different nature.

While Cardoso and Faletto propose domestically-based ‘enclave economies’ as one way of exercising dependency, this thesis asserts the ability of trans-national enclave economies to do the same—or worse! This thesis proves how dependency does not necessarily have to transfer the surplus it has extracted from its own local satellites to the world metropolis. It can fuel the development of the world metropolis by containing it within the CSEZAs. And eventually, a world metropolis can subdue a national satellite into becoming a comprehensive satellite economy to a specific small space internal to its own locality.

Dependency Theory also accommodates geographic space (i.e. land) as an entity which can be exploited—or be an exploiter itself. The CSEZA model proposes that the development and underdevelopment dichotomy is not exclusively the by-product of economic pursuits whereby the surplus value of the satellite is extracted by the metropolis. A relationship of dependency also thrives when a metropolis marks its own presence within the jurisdiction of its satellite—in this case, by claiming a plot of land. Similar relationships of dependency are also established when a skewed shareholding configuration prevails in the CSEZAs companies. Merely by virtue of its established majority shareholding in a project set on the territory of the supposedly ‘partner’ metropolis, China affirms its ultimate metropolis status. As the CSEZA model fuses neoliberal practices with unprecedented principles of geographic and economic separatism exercised by one country within the territory of another, the domination that China commands over Mauritius is absolute.

The CSEZA dependency experience evaluated in the thesis accommodates new economic, foreign policy and FDI practices in the modalities of the Dependency Theory. In so doing, it encourages the dependency perspective to shift its mode of identification of dependency relations from a strict focus on traditional structural and procedural determinants of dependency and instead see the outcome of dependency, i.e. development and underdevelopment, as indicators of the prevalence of relationships of dependent nature.
Post Scriptum

I noted some movement during my last research visit to the JFET site in May 2013. Two new buildings were under construction. One was the business centre of Mauritius JinFei Economic Trade and Cooperation Zone. The building was over 1.27 hectares and was scheduled for completion by 25 August 2013. The contractor of the project is Tianli Construction Co. Ltd, the designer is China Metallurgical Engineering Technology Co. Ltd, and the supervision is being carried out by Shanxi Zhenyi Construction Supervision Co. Ltd. The value of the contract is USD 13 million. The second building was situated at the far end of the zone, bordering on the Baie du Tombeau Road. There were no indications about the nature of the second building. Going by Jaulim’s report (2013), the building is possibly a block of flats intended for the JFET investors.

The Riche-Terre Road, adjoined to JFET, which connects the M2 to Baie du Tombeau Road is still undergoing construction. The contract for the construction of that road has been awarded to SinoHydro, a Chinese SOE specialising in hydropower engineering and construction. The company was incorporated in Mauritius as SinoHydro Corporation (Mauritius) Ltd on 21 June 2011. According to recent parliamentary updates, the allocation of this contract to SinoHydro is contended. The opposition party describes Sinohydro as a dubious company since in 2012, SinoHydro had failed to provide documents which could prove its financial credibility in order to undertake the construction tender of an additional lane along the M1 from Ruisseau Creole to the Place d’Armes, after which the tender was reallocated to a Mauritian company. There have also been incessant delays in other projects managed by SinoHydro. For example, in the widening of M1 motorway from Colville Deverell bridge to Grewals, and also in the canal works at Arnuand diversion. The former project has been particularly contentious. Colas Maurice Ltd contested the allocation of the contract to SinoHydro on the basis that the correct selection procedures were not followed. The opposition party refers to the blacklisting of SinoHydro from countries such as Botswana, Malaysia, Namibia and Lesotho, and qualifies SinoHydro as a ‘monument of corruption’ (Mauritius, Parliament. 2013, 28 May).
It was also in the news that in July 2012, a Chinese company called China Kingho Energy Group Co. Ltd had officially proposed the construction of a 2 x 55 MW coal-fired power plant project to the Mauritian government. In this regard, the opposition questioned government on whether the JFET site is the location chosen for this venture. To this, the Deputy Prime Minister replied ‘[b]ut, it is much more than a coal-fired power plant. The project of Kingho and JinFei is much more than that, but they have gone through the BOI and have not come to my Ministry or to CEB yet’ (Mauritius, Parliament. 2013, 14 May). To this response, representatives of the opposition recalled a statement made by a minister two months earlier:

I am informed that a Chinese company namely, China Kingho Energy Group Co. Ltd (CKEG) has submitted a proposal to the Board of Investment to develop, invest, construct and operate a coal-fired power plant in Mauritius and that the JinFei park has been identified as one of the possible locations’ (Mauritius, Parliament. 2013, 26 March).

Another occurrence relevant to JFET which has been noted is an advertisement from Goldox Construction Ltd, the only functional company located at JFET to date. Although earlier during the year, officers at Goldox communicated that they were engaged in the manufacture of aluminium and steel window and door frames for the local market, only a couple of months later, Goldox Construction Ltd was publicising its expertise in construction works. Describing itself as a building and civil engineering contractor, the company announced that it carries out the construction of villas, bungalows, commercial and industrial buildings. This sudden shift of activities motivated my research into the background of Goldox. Goldox was incorporated in Mauritius under the name Goldox Enterprise Ltd in April 2009 and it practiced trade activities. The company’s registered address was Beau-Bassin. The sole shareholder was Ding Furen from Jiangsu, China. The company’s name changed to Goldox Constructions Ltd on 19 February 2010 and Ding Hong (Qinghe, China) is its current majority shareholder. The company was based in L’Escalier, in the south of Mauritius, before it moved to the JFET site on 26 July 2012.
These four snapshots of recent events surrounding JFET illustrate different aspects of dependency. A hesitant start with the construction of a business centre and a block of flats four years after the zone was re-launched under new shareholders, are obvious efforts to salvage the project and keep the diplomatic commitment to the Mauritian government. Goldox’s journey across different locations in the country from 2009 to 2012 is strong evidence that the JFET developers are trying to get Chinese investors already functioning in the larger Mauritian domestic trade area to shift their activities within the zone since they are not being able to attract new foreign investors to the zone. The fact that Goldox Construction Ltd has been permitted to target the Mauritian market as buyers for its window, doorframes and construction services, entrenches JFET’s exercise of dependency.\textsuperscript{132} As for the role played by SinoHydro in this entire scenario, its growing acquisition of government construction contracts since 2011 is indicative of post-JFET exploitative effects.

The involvement of the Shanxi government in JFET has opened Mauritius to various other Chinese SOEs. It is with the diplomatic leverage of the CSEZA in Mauritius that SOEs such as SinoHydro are able to bag construction works in Mauritius; especially the tender of those construction works which are relevant to the zone. The opaqueness in which SinoHydro and CT Power (Mauritius) Ltd were awarded contracts despite their failure to match the requirements criteria sheds light onto the extent to which the Mauritian government is a corrupt and willing partner of this dependency-enforcing juggernaut.
The most interesting development in JFET remains the emergence of China Kingho Energy Group Co. Ltd and the way in which the Government of Mauritius is managing its controversial presence on the investment scene. From the exchange between the opposition and government which took place in parliament on 14 May 2013, it is evident that the Government of Mauritius wants to camouflage the intention and plans of China Kingho and its link to JFET. The choice of words of the minister is operative as he says ‘...it is *much more than a coal-fired power plant*. The project of Kingho and JinFei is *much more* than that’ [italics mine]. A simple question begs to be asked: what can there be more to a coal-fired power plant project proposal than the intention to produce electricity? In the wake of a power crisis in Mauritius, the chain of events that unrolls in regard to the powerplants generates suspicion. The storyline is as follows: the Mauritian government objected to JFET’s initial suggestion to construct a solar powerplant in the zone. Instead, it permitted CT Power (Mauritius) Ltd to produce coal-based electricity. CT Power (Mauritius) Ltd then roped in Shanxi Coking Coal as a major associate. Later on, Shanxi Coking Coal withdraws from the project. CT Power (Mauritius) Ltd faces public opposition over its project in Mauritius and meanwhile China Kingho comes forth with a proposal for a similar coal-powered plant whose intended location is JFET. After this exposé, we can only agree with the minister that indeed, there is definitely *more* to the project! As these actors are new to the scene and the issue has undergone little progress, it is too early to investigate the intentions behind their activities. Nevertheless, there is one certainty: the direction that the powerplant project has taken, and the disorganised fashion in which the Mauritian government handles these various investment proposals is likely to push the island to incur further losses.

The inclusion of SinoHydro and China Kingho here, in the context of JFET, lies in line with the methodological path chosen in chapter 5 whereby the activities of projects, entities, and companies associated to the zone project through various tributaries are incorporated in JFET’s chronological account in order to identify the dynamics of and hindrances to the zone’s development. However, as these two companies are new to the Mauritian scene, their impact on JFET can only be hypothesised and not adequately measured. While this thesis has been researched
and written in complete awareness that all Chinese businesses conducted in a
country are not necessarily interlinked, and that the presence of Chinese SOEs in a
project does not automatically imply a direct engagement of the Chinese
government in that specific venture, in the case of Mauritius, it is the exactitudes of
the Chinese companies involved that challenges this common understanding.

The first and main premise which legitimises this interlinking of Chinese
companies in Mauritius, and of these Chinese companies to the Chinese
government, is the basic fact the CSEZA is a Chinese bilateral endeavour launched,
supported and sponsored by the Chinese government, which has delegated the
responsibility to develop the zone to its SOEs from Shanxi, in partnership with
private company Shanxi Tianli Enterprise Group. However, the presence of SOEs in a
Chinese governmental project does not automatically equate to confirmation that
the Chinese central government has an intimate involvement in the management of
the project. Several authors have documented the relationship between Chinese
SOEs and the central government. On one hand we have scholars such as Woetzel
(2008) who suggest that Chinese SOEs work independently of the central
government, on the other, we have studies by Zhaoxi (2009) who claims that: ‘a
large number of Chinese enterprises operating internationally are SOEs or holding
companies with the state as the biggest shareholder, the administrative influence
on their decision-making process and management system does not create the best
conditions to compete efficiently with private foreign MNCs’ (Zhaoxi, 2009, p. 70).
The extent to which either of these observations is a reliable assessment of the
relationship between the central Chinese government and its provincial SOEs rests
beyond the scope of this thesis. In the specific case of the Shanxi-based coal
producing SOEs, one simple event confirms that the activities of Shanxi Coking Coal
has the direct ratification of the central government is the centralisation of the coal-
mining industry in Shanxi which happened in 2009. Thus, through their
administrative and financial connection (which this thesis supports with evidence),
the inherent presence and responsibility of the Chinese state in the CSEZA is
established. However, in cases where the activities of the Chinese SOEs present in
Mauritius are not linked to each other, the Mauritian government displays strong
activism and propensity in forcefully forming a connection between them in order
to extract leverage, and especially financial support, from the Chinese government. This is notable in the government’s attempt to rope in the EXIM Bank of China to finance the construction of the Terre-Rouge-Verdun link road and the allocation of the contract for the Riche-Terre Road to SinoHydro. In so doing, the Mauritian government is instrumental in enacting its own underdevelopment at the hands of China.

The stance that the host African countries, especially Mauritius, adopt in the face of this exploitative treatment resulting from the geographic and economic separatism exercised through CSEZA, can easily be described as self-deprecating. The examples of Nigeria, which renegotiated the terms of the LFTZ, and Ethiopia which revised its policy framework to guarantee a better monitoring of the impact of EIZ on its domestic economy, are overshadowed by the inactivity of the hosts in the remaining five CSEZAs. Mauritius, as representative of an extreme case, goes to the extent of facilitating its own underdevelopment by employing strategies which incessantly reproduce dependency. After an acquisition of spatial and economic autonomy in Mauritius in the form of JFET and through the latter’s capacity to act independently as a foreign private company, China bypasses the Mauritian government and enforces JFET in a direct expression of dependency. As a result of being ignored by China on the way in and out of the Mauritian jurisdiction while interacting with JFET and its more profitable adjacent businesses, the Mauritian government, local economy and the public end up as dependencies of the 211 hectares of land now under the administration of China for the next 96 years. This reality cannot be hidden by rhetoric advancing notions of ‘mutual benefit’, ‘win-win situations’ or ‘cooperation’.

As we compare the initial aim of the CSEZA project (which basked under the legitimising rhetoric of cooperation and mutual development) to the dependency-entrenching experience that has been delivered by these zones seven years later, we note the CSEZA’s vain attempt to combine ‘cooperation’ and ‘dependency’. The CSEZA markedly epitomises China’s ambitious plan to harmonise several such dichotomies and create a winning formula for development; one that is more appealing to the developing African countries than that which is otherwise offered to them by proponents of purist neoliberalism. CSEZAs hereby seek to merge
cooperation with dependency, socialism with neoliberal capitalism, and Chinese socialist capitalism with African particularism. Though it is a commendable effort on the part of China and has attracted African interest, it is the spatial format in which China implements this project that somewhat foils its efforts. As it tries to diffuse cooperation, Chinese socialist capitalism exercised through an enclosed Chinese SEZ space situated within an African country—which, on its turn, is macrocosmically characterised by subordination, neoliberal capitalism and African particularism—the walls of the CSEZA prove to be too impermeable.
Brautigam and Xiaoyang (2011, in Farole, 70) affirm that the zones are part of China’s ‘going global’ strategy. They enumerate the ways in which these zones enable China to go global: create the demand for Chinese goods; cheat the export limitations existing on Chinese products; allow upgrade and restructuration at home; assist small and medium enterprises in expanding overseas; and export China’s developmental strategy to countries needing a higher development level. Horta (2010), too, makes a reprise of the global capitalist pressures as one of the reasons behind the CSEZAs as she evokes the need for China to diversify its markets, secure resources, and restructure domestically in order to ascend the value chain.

For a comprehensive description of the objectives of FOCAC, see Taylor, 2011.

The term ‘economic and trade cooperation zones’ purely denotes the function that these zones are meant to carry out. The technical and popular name by which they are otherwise referred is Chinese Special Economic Zones in Africa.

While media reports numerous cases of land grab by Arab countries in Africa (see, The Economist, 2009), there are studies which state that these projects have almost never actualised. See, Woertz.

The Suzhou Industrial Park was launched in 1994 as a cooperative zone project by the Chinese and Singaporean governments. It involved Chinese state-owned enterprises, along with national, provincial and municipal level companies. The Chinese consortium held 35 per cent of the shares of the zone company. The remaining 65 per cent were held by the Singaporean consortium which consisted of government bodies such as the Economic Development Board and the Jurong Town Corporation. However, in 1999, the percentage of share ownership was inverted. The Singaporean initiator of the zone, Lee Kuan Yew blamed Suzhou New District Industrial Park—the rival zone project backed by the Chinese local government and constructed near Suzhou Industrial Park—for the setback suffered by the latter project. The New York Times reported him as having commented that Suzhou municipal government was ‘using us to get investors in, and when investors came in, they said: ‘You come to my park, it’s cheaper’’ (Richardson, 1999).

Farole demarcates Chinese SEZs by calling them ‘wide area zones’. The only difference he sees between the encompassing category of SEZs and China’s wide area zones is their size and content. Yet, wide-area zones are not exclusive to China (2011, pp. 30 - 39).

Halfway through 2011, the technical designation of the Mauritian Ministry of Finance changed from Ministry of Finance and Economic Empowerment (MOFEE) to Ministry of Finance and Economic Development (MOFED). MOFED is the current terminology.

The total voting power of the G7 countries as part of total IMF voting quota is 44.3 per cent. USA holds 16.7 per cent of the 44.3 per cent. At the World Bank, America holds 15.4 per cent of the total percentage of voting power.


Gwin evokes how the subjective concerns of the US, the major contributor to the World Bank, took over the real purpose of the Bank during the Cold War. American allies such as Indonesia gained favourable treatment despite their non-compliance to various of the requirements for aid eligibility at the World Bank.

PFI is an initiative of OECD countries, in partnership with expertise from non-OECD countries and international organisations. It lists 10 requirements for governments to follow if they want to create an environment which is favourable to private investment.

BATNA is a term coined by Fisher and Ury in 1983. It refers to ‘the only standard which can protect you both from accepting terms that are too unfavourable and from rejecting terms it would be in your interest to accept.’ See, Fisher and Ury (2011).

It is difficult to establish the interaction between, for e.g. the host African government (a state entity which is traditionally perceived as pursuing public good) and the Chinese private investors (a set of non-state entities usually pursuing profit maximisation) as their dynamics of cooperation differ. The exchanges happening between them are not of the same nature: Chinese private
investors are giving jobs and development (social capital) to the host African state, while the host African state gives the Chinese private investors indirect financial capital through subsidies and incentives. The complexity of the situation is enhanced by the fact that by nature, subsidies and incentive packages are indirect benefits that are often exempted instead of paid. They have no accurately measurable value. Therefore, the value of the benefit given or received is often unknown or inadequately comparable.

Prior to the Open Door Policy, China’s current budget deficit surged to more than 17 billion yuan (Galbraith and Lu, 2000).

Bull defines balance of power in reference to Vattel’s words. It is ‘a state of affairs such that no power is in a position where it is preponderant and can lay down the law to others’ (Vattel, 1977, cited in Bull, 2002, p. 97).

Bandwagoning refers to the act of a weaker state allying with a stronger state.

No First Rule is the commitment by subscribed nuclear-powered nations, not to use their nuclear power as a weapon unless as a response to nuclear attack by another entity.

To date, America has successfully monitored China’s trade behaviour: e.g. In 2004, on value-added tax on integrated circuits; in 2006, on measures affecting imports of automobile parts; in 2010, on importation and distribution of copyright products and several others.

Democratic Peace Theory supposes that liberal democratic states do not go to war with each other.

This argument is supported by World Bank’s findings that Shenzhen and other SEZs hold ‘talent meetings’ in order to attract foreign expertise. They offer funding opportunities to those interested in working for them during the course of their post-doctoral research. Such SEZ activities hinder a maximised derivation of FDI by the local host community. See, Zeng (2010).

The Allied Nations are those countries who grouped to counter Hitler’s Germany and its allies. The Allied Nations was led by the US, UK and the Soviet Union. This conglomeration went on to become the foundation of the United Nations in 1945.

Economic nationalism is based on an agreement between the public and private sector of a nation, to comprehensively shift control of the economic power, labour, and capital control from any domestically present foreign companies to the national government.

Wallerstein’s World System Theory’s foundational premise is that: a global division of labour defines the present world capitalism system. This division of labour divides the world into core, semi-periphery and periphery.

Rostow’s (1960) five stages:

(i) Traditional Society: no economic growth due to an absence of science and technology.

(ii) Preconditions to take-off: Manufacturing activities and capital mobilisation begin. Limited numbers of sectors are targeted.

(iii) Take-off: Sector-based growth turns into holistic national economic growth. Investment of national income is required at this stage.

(iv) Maturity: Technology creates growth. The economy diversifies and new areas of investment come up while older sectors stagnate. Increased investment of national income is required at this stage.

(v) High Mass Consumption: Citizens seek more luxury goods.

The Alliance for Progress was an endeavour launched by the US in 1961 with the intention of assisting Latin American countries in their economic advancement.

For an account of how ISI entrenched the differences between classes in Perón’s Argentina see, Smith, William. (1991, pp. 26 – 32).

This diagram is a pictorial representation of the description provided by Frank in *Capitalism and Underdevelopment in Latin America*. In Frank’s words: ‘As a photograph of the world taken at a point in time, this model consists of a world metropolis (today the United States) and its governing class,
and its national and international satellites and their leaders—national satellites like the Southern states of the United States, and international satellites like São Paulo. Since São Paulo is a national metropolis in its own right, the model consists further of its satellites: the provincial metropolises, like Recife or Belo Horizonte, and their regional and local satellites in turn. That is, taking a photograph of a slice of the world we get a whole chain of metropolises and satellites, which runs from the world metropolis down to the hacienda or rural merchant who are satellites of the local commercial metropolitan center but who in their turn have peasants as their satellites’ (1967, pp. 146 – 47).

28 Evans developed the triple alliance theory. According to him, ‘foreign capital, now operating locally, shares with local capital, both private and state-controlled, an interest in the further development of local industry. This is not to deny that there is a differentiation of local and foreign capital within the industrial structure; it is only to say that conflicts of interest are now more subtle’ (Evans, 1979, p. 9 – 10). Evans evokes the regulatory role of the Brazilian state through a discussion of Petrobras, who assumed monopoly of the Brazilian market in 1974 by ousting foreign companies like Union Carbide and Petroquímica União who were expecting to take over the market (p. 213). He argues that the priority of both local and the foreign parties is an accumulation of capital—which is possible through a tight control over the income redistribution machinery managed by the state in combination with the creation of machinery generated by MNCs. The role of the ‘local’ is mediatory to this process as it presents MNCs with the option of partnerships which may act as the instrument legitimising the tacit entente between the state and the MNCs.

29 Indications of this trend are:
(i) the absence of comparative CSEZAs, Chinese SEZ studies, and
(ii) in the World Bank’s most comprehensive study of the CSEZAs (2011, p. 83), each of the country case studies is evaluated against an epistemologically undefined criteria of success. The CSEZAs in Nigeria, Ethiopia and Mauritius are assessed individually and are prescribed recommendations specific to their contexts. The general lessons that the report draws at the end completely avoid referring to the technical or policy experiences which supported China in making its own SEZs successful.

30 It is interesting that the delegates visited the Suzhou Industrial Park since it is closer to the bilateral government partnership format upon which CSEZAs are established.

31 WTO does not provide an exact criterion to define the EPZ. The schema of preferential treatments to be provided under EPZs is determined by the provisions outlined in the 1995 Agreement on Subsidies and Countervailing Measures (ASCM). Developing countries which have a gross national product of over USD 1,000 per year and host EPZs, have been affected by the ASCM as they have to eliminate some preferences granted to EPZs by December 2015. Nevertheless, there is consensus on some general features of an EPZ: flexible labour laws, tax exemptions, reduced red tape, above average communication services and infrastructure, subsidised utilities and rental rates, and duty-free imports of raw and intermediate materials.

32 Operation Bootstrap was the name given to the economic development programme implemented in Puerto Rico in the 1950s. It involved the diversification of the economy away from agrarian activities towards a more export-led industrialisation.

33 The Four Modernisations Programme aimed to develop the four main areas of the Chinese economy: agriculture, defence, industry and technology.

34 The Sino-Soviet split happened during the Cold War period. The conflict is said to have been caused by ideological disagreements over interpretations and implementations of Marxism and Leninism, and also due to the increasing emphasis China was putting on its economic and military independence. See Lüthi, Lorenz (2008).

35 Hirschman argues that the lack of entrepreneurship is the principal hindrance to economic growth. He proposes to concentrate investment in projects which promise backward linkages rather than
evenly distributing investment across sectors. Focused investments will create potential for other linked investments and opportunities will trickle down and reach smaller entrepreneurs.

36 Backward linkages are not the forte of EPZs because:
(i) Foreign investor companies refrain from buying materials from local suppliers because the raw materials available there is of low quality.
(ii) Parent firms of the EPZ companies like to retain their international mobility. Therefore, relationships with domestic suppliers are not encouraged.
(iii) Sharing of technological knowledge with the domestic area is seen as producing competition. (Warr, 1989)

37 Although this work acknowledges that EPZs and SEZs are not exclusively government prerogatives and that instances of private EPZs and SEZs do exist, the discussion here is about EPZs and SEZs established by governments. While the focus on public SEZs is in light of this thesis’s treatment of the seven government-backed CSEZAs, the generalising stance vis-à-vis EPZs is to be understood in light of Madani’s (1999) observation that:
(i) ‘The older zones were typically setup and run by the host government’ (p. 16).
(ii) There is an obvious prevalence of public-owned EPZs and SEZs (p. 66).

Therefore, the characteristics of the EPZ and SEZ discussed here are those of publicly-owned enterprises and do not take into account private EPZs and SEZs which have obvious different characteristics.

38 For further examples of policy reforms which were initially introduced in Shenzhen SEZ and were later comprehensively adopted in China, see Zeng (2010, p. 68).

39 There are different formulas for measuring zone success and each researcher have their preferred indicators. For example, Sklair’s (1988) list of indicators include: backward and forward linkages, value-added created within the host country’s jurisdiction, creation of jobs, training of local labour force, and, an equitable distribution of the income generated through the zone. Hers are unconventional indicators. Roberts (1992) presents a more universally-acceptable schema by referring to the five objectives that UNCTAD (1985) identified as being those that governments pursue through EPZs: (i) generating foreign exchange earning, (ii) creating employment, (iii) attract foreign capital and technology, (iv) upgrading labour and management skills, (v) domestic linkages. These five objectives are the indicators to be used in measuring the success of EPZs.

40 Labour training and employment are treated as benefits because untrained labour and the unemployed would have been a cost to the national government.

41 Electricity is a cost or benefit depending on whether the tariff paid exceeds or is lower than the ‘long-run marginal cost (LRMC) of supplying extra power’ (Warr, 1989, p. 80).

42 To Warr, domestic borrowing is a cost because inevitably ‘the domestic output forgone as a result of additional borrowings by (foreign) EPZ firms exceeds the compensation received from them in interest and principal repayments’ (Warr 1989, p. 80). However, he points out that ‘domestic borrowing’ as an indicative feature is redundant if international capital already has open access to the host country's local capital market. In such a case, there is no displacement of local investment because of the EPZ borrowing.

43 Scholars who have integrated new variables which are not accounted for in Warr’s cost-benefit approach, have nonetheless limited themselves to considerations, which again, are only domestic in nature. See, Amirahmadi and Wu (1995).

44 For example, Uganda’s Lake Victoria East Africa Free Trade Zone is a zone developed by a Chinese party. The Chinese government has professed no support to this private endeavour.

45 For a list of the 19 shortlisted projects and those cancelled, see Brautigam and Xiaoyang (2012, pp.6 - 8).
CDB functions as a policy-bank, supporting Chinese investment projects home and abroad. Since 2008, there has been a change in this role and the government is pushing CDB to function as a commercial bank.

EXIM Bank of China’s tasks involve financial assistance to overseas Chinese export, investment and construction projects.

CIECC is directed by the State-owned Assets Supervision and Administration Commission of State Council (SASAC) and ‘has been established to fulfill the requirements of democratic and scientific decision-making for investment projects...’ (CIECC, 2012).

Sinosure is a government body set up in order to assist Chinese exporters by providing them with export insurance services.

There are different accounts of how the Mauritian Chinese SEZ started. A lesser-known version is provided by Liu and Lefèvre (2012, p. 38). They evoke the role of a real estate consultant, Wang Zhigang, who partnered with Shanxi Tianli Enterprise Group to conceptualise an urban management plan in the form of JFET in Mauritius. Their proposal was submitted to MOFCOM and was approved for construction in Mauritius. It also got the consent of the Mauritian government.

Regardless of whether it is the Chinese party who comes up with the CSEZA proposal for a particular African country, or it is the African country who approaches China to host the CSEZA, the sequence in which the actors act in order to initiate the zone does not undermine the logic of the Spatial Diffusion Approach. This is because the essence of the interaction between the two sets of actors remains the same.

Patron of Nanjing Jiangning Economic and Technological Development Zone in China since 1992. It is a national-level high technology zone.

Partnering with the SASAC implies that the central Chinese government has a direct stake in the company or project. See, Price et al. (2007).

Patron of Tianjin Economic-Technological Development Area, China.

In 2004, Jiangling Automobile Group from Nanchang launched a joint venture enterprise called Jiangling Motor Holding Co. Ltd, with the national Chang’an Automobile Group.

The agreement between Nigeria and China was renegotiated, leaving only 3,000 hectares for SEZ development to the Chinese consortium. The rest was opened up to other foreign developers. See, Mthembu-Salter (2009).

The industries to be developed in Mauritius have constantly changed.

The displaced farmers of Lekki present the following grievances: (i) dispossession of their ancestral land and jeopardisation of their means of livelihood, (ii) unconvinced that the land being taken purportedly for the project is not in excess of what it is meant for, (iii) not compensated for past lands acquisition, (iv) land acquired are being resold by agents to individuals for private use.

The Lekki-Epe Expressway has been built in order to service the LFTZ more efficiently. However, the generated violent protests by daily commuters and resident who would have to pay toll-fees to use the route. Lagos government had declined China’s offer to build an alternate unpaid detour road for those not wishing to pay the toll fee, for free.

The agreement was re-negotiated to ascertain that a minimum of 40 per cent of the jobs will go to Nigerians and where skills already available among Nigerians were required, only locals would fill those posts. See, G. Mthembu-Salter (2009, p. 3).

The retinue of security guards at the zone holds a double implication: it might either indicate towards the existence of security threats to the zone or, can have the effect of alienating the local community.

The importation of clinker at duty-free rates from China by cement producers on the zone has impacted existent cement producers in Ethiopia. Already, there has been a decline in the local demand for cement, and the new Chinese cement manufacturers add to the competition. The
competition for the cement market in Ethiopia is so intense that in 2012, the Ethiopian government decided to stop welcoming foreign investment in cement manufacturing.

64 Seven hundred hectares will be devoted to manufacturing while 1,000 hectares is sought for residential development.

65 See, Haglund (2010).

66 Brautigam and Xiaoyang (2011, p. 80) write that ‘[l]egislative reforms in Algeria’s investment regime, passed in early 2009, require foreign investors to form joint ventures with Algerian partners as majority shareholders. This may not be acceptable to the Chinese developers’.

67 In 2010, Egypt-TEDA reported an export income of USD 29 million, and, by 2012, ZCCZ had registered a total sale of USD 4.35 billion.

68 Chinese private firms were prohibited from investing overseas prior to 2003.


70 Competition from private enterprises within China, (in what is now a socialist market economy regulated by policies which equalise market competition such as the 2007 Anti-Monopoly Law) pushes Chinese SOEs to strive harder to succeed. Chinese SOEs also compete among themselves, across the provinces, in order to secure the central government’s fiscal support through stimulus packages, loan defaults etc. This cross-regional competition among SOEs is linked to the inherent competition amongst local governments of the different provinces.

71 Agalega is a two-island Mauritian dependency

72 Reports of Mauritius’ willingness to bequeath its Agalega islands to India first appeared in 2006. In 2012, The Times of India published that, in an attempt to preserve the DTA it has with India, Mauritius has agreed to allow India to use Agalega.

73 The occupation of Diego Garcia by the British and of Tromelin by the French is contested by Mauritius. Mauritius claims ownership of the islands.

74 The Integrated Resort Scheme launched by the government under the aegis of the BOI, promotes the development of luxury villas for sale to foreigners.

75 The zone’s website states that ‘10 square kilometers residential area [will be devoted] to the participated leaders’ (Setc-zone, 2010).

76 There are multiple rumours surrounding JFET which indicate that high ranking officers and administrators of the country have siphoned money, contracts and land using JFET as a cover. An investigation of these rumours is beyond the scope of this thesis.

77 Compared to FDI inflow collections to China in 2011, 2012 has recorded a fall of 9.6 per cent (The World Bank, 2013a).

78 The expatriate quota is the mechanism regulating the employment of foreigners in Nigeria. The aim behind it is to monitor the areas and are terms of expatriate employment, in a way that local Nigerians are prioritised if they have the required skill for the job.

79 A special provision called the Third Country Fabric Derogation grants Sub-Saharan African countries identified as LDCs the freedom to use yarn from a third country in their textile goods and yet qualify for duty-free access to US market.

80 For over the past five years, Mauritius has been ranked first on the Mo Ibrahim Index of Good Governance. The indicators are: safety and rule of law, participation and human rights, sustainable economic opportunity and human development.

81 The Doing Business survey by the International Finance Corporation ranked Mauritius as 23rd in the world and first among the African countries in 2012. This leading position in Africa on this index has been withheld by Mauritius since 2008; a period during which it also retained a foothold among the top 25 countries in the world for Doing Business.

82 The inclusion of this dimension when assessing the advancement of the CSEZA is inspired by the case of the China-Singapore Suzhou Industrial Park.
Although TISCO, Shanxi Coking Coal and Shanxi Tianli Group invested USD 80 million in Shanxi JinFei Investment Co. Ltd for it to use in the development of the SEZ in Mauritius, only USD 10 million was injected in Mauritius JinFei Economic and Trade Cooperation Zone Co Ltd at the time of the latter’s registration.

84 Gao Zhiyi is an employee at TISCO.

85 An Export Enterprise Certificate is allocated to a company under the Export Enterprise Scheme. With this certificate, the enterprise is allowed a 20 years tax relief period, among other incentives.

86 Online records of CT Power Holding Ltd show a different address and its registered activities are mining, power production, book printing and book-binding.

87 A briefing paper at the Ministry of Housing and Lands (Mauritius) stipulates: “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) which have already have the mechanism for the required services to be provided”.

88 A consecutive mention of two quotes on the same topic is essential because while the 2008 declaration of Sithanen was based on the initial agreement signed between the government of Mauritius and the Chinese party, the reiteration of the same conditions by Jugnaught in 2011 confirms that the conditions remained the same in the new agreement signed in 2009.

89 Though the total budget sanctioned for JFET is said to be USD 23.8 million, the sum of the earmarked amount for each of the state ratified infrastructural project ratified by the state already exceed the budget by USD 2.4 million.

90 USD 79.36 million is a shared cost: it is partly a loan from Agence Française de Dévelopement and part by the Mauritian government.

91 The estimated cost of the project is USD 4 million. Since the project is still under feasibility testing, the calculation for additional cost borne by the Mauritian government will not take this amount into account.

92 Beijing Construction Engineering Group Co. Ltd was initially denied the contract in 2008 on basis of its inflated bid (Mauritius, Parliament. 2009, 28 April).

93 Approximate route according to the detours specified in RDA Annual Report 2005-2006 (p. 11).

94 The unit applied by Mauritius here is perch. 1 perch = 0.0025 hectare. Because the number of perch we are dealing with here is minimal, and therefore will not be representative in hectares, I will use a smaller unit for smaller expanse of land: square meters (m²). 1 perch= 25 m² = 0.0025 hectare.

95 The payment to the Riche-Terre planters was provided in form of USD 3850 per arpent. The demarcating unit is kept as 0.4 hectare (1 arpent) throughout as opposed to 1 hectare (2.47 arpent) because each of the 121 planters occupied 1 arpent.

96 Option B: USD 1,143 per 0.4 hectare per year for the period of July 2007 to August 2015, totaling up to USD 8,879.

97 From the boundary lying south of Rue des Aigles at a distance of 74m measured south along Baie du Tombeau Road (B29) to junction of Japonais Road with Pointe aux Piments Mon Choisy Coast Road.

98 This calculation is on the basis that the JFET site is beyond 81.21m from the high water mark of Zone D. Therefore, according to Schedule 2 Part 2 1 (b), it would have benefitted from a 25 per cent rebate of the prescribed rent of USD 11,428 per 0.4 hectare per year.

99 Original Text: ‘le Premier ministre Navin Ramgoolam émet des réserves et réclame des éclaircissements sur certains points du projet Tianli . La raison ? L’ampleur du projet, que le gouvernement avait minimisée jusqu’alors. En sus des activités de production industrielle, l
Mauritius Tianli Economic and Trade Corporation Zone (MTET) annonce des activités touristiques: la construction de deux hôtels, dont un sur la côte dans la région de Baie-du-Tombeau, cause des inquiétudes. Le gouvernement n’avait pas prévu céder à Tianli un segment du littoral.

100 CADFund denied being a stakeholder of the Chinese SEZ in Mauritius (Interview with Dongya, 2011).

101 The president of the Riche Terre Mixed Farming Cooperative Society (Interview, 2011) explained that they refrained from any explanation to the Court as their legal aid had advised them that their plea stood more chances of being accepted by the government if it did not become a legal strife.

102 The report calculated the additional support cost coming from FSF and AREU in terms of: land preparation (USD 802); upgrade of irrigation network (USD 802); fertilisers and seeds (USD 320); and fencing (USD 1,925).

103 The share of national income is compromised here because while local manufacturers keep their profits in Mauritius itself and usually reinvest the money locally, profits earned by Chinese companies will be remitted to China, especially since Mauritius agreed to a zero per cent charge on repatriation of profits.

104 A similar occurrence was noted in relation to the Ethiopian SEZ shareholders, whereby the CSEZ developer—Jiangsu Qiyuan Group Co Ltd—with the support of CADFund, set up the Ethiopian East Cement Share company within the zone in 2006. This is despite the fact that Ethiopia already has enough cement plants to supply for the demands of the local market and that local producers have only recently started exporting cement.

105 The Mauritian government opposed the proposed of JFET developers to install a solar power plant in the zone.

106 For a more detailed discussion of this aspect of the Mauritian investment practices, see Cowaloosur, 2014.

107 Souvenir manufacturing in JinFei will create difficulties for local souvenir manufacturers who consist mostly of women and laid-off workers. Organisations like National Women Entrepreneur Council (NWEC) and Small and Medium Enterprises Development Authority have specialised schemes encouraging unemployed and laid-off workers to opt for such low cost businesses. NWEC currently registers 240 handicraft manufacturers.

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

109 Mauritian exportation to China is mostly composed of: frozen fish, copper waste and scrap.

110 Mauritian imports from China comprise of: cotton fabrics and weaves, cellular phones, parts and accessories of machines, yarn, bars, rods, input/output units of computers and aluminium.

111 Ruan and Zhang (2008, p.2-3) define Chinese-style clusters as being ‘a production system involving numerous enterprises in a certain location engaged in producing a wide range of stages.’ With reference to the Zhongguancun High-Tech cluster, Zhou elucidates the impinging aspects of Chinese cluster manufacturing. According to the author, clusters allow 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 create a network hence more client contacts.

112 Ghost towns refer to China’s elaborate urban development projects which lie deserted. See, Banerji and Jackson (2012).

113 Translated as Movement for Self-sustaining Food Security

114 Original: ‘Les agriculteurs de Riche-Terre produisaient et fournissaient 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.’
Under Qing dynasty, China had to give in to British imperial pressure after the First and Second Opium Wars. Instead of restricting foreign trade to the Canton port, it was forced to open up more of its ports to allow foreign traders to settle and execute trade.

According to Wallerstein (1974, p.2), the key features of a semi-periphery are: 1. It differs from core and periphery in the kinds of products it exports, its wage levels, and profit margins. While core and periphery countries have more to gain from a balanced trade, the semi-periphery countries are better-off if they reduce external trade because they can garner more profits by securing their own home market to consume the home products. 2. The semi-peripheral countries seek active control of both their internal and international market as they cannot rely on only one to bring them profit.

For example, an injection of Chinese investment into the Zambian mining sector positions China as a metropolis in this equation (Zambia holds a DTA with China). Through its Zambian-based companies, Chinese private and SOEs may acquire natural resources at reduced cost, at the expense of the local Zambian mining companies who could otherwise have exported the minerals to China at market rate. Countries with which China holds DTAs are particularly conducive to reinforcing China’s status as a metropolis as the fiscal arrangement allows a tax-free repatriation of profits, capital and dividends to China.

China secures a position of metropolis vis-à-vis Africa through infrastructural aid in the following way: China gives out infrastructural developmental assistance to Africa in kind rather than in cash. As described by Davies et al. (2008), the process is carried out through a method of Export Buyer Credits. This method implies that the foreign borrowing party is given a long-term credit account through which it can purchase Chinese construction materials. As the website of the responsible body, the EXIM Bank of China, outlines, ‘Export Buyer’s Credit is mainly extended to finance exports of Chinese products, technologies and services as well as overseas construction projects that can facilitate Chinese exports of equipment, construction machinery, materials, technical and managerial expertise, and labor services’. It is clear from the words on the website that what China aims for here is, subjective development at the expense of peripheral underdevelopment.

Shaoguang Wang discounts one of the few obvious advantages which China benefits from its inclusion in the WTO: the acquisition of a permanent Most Favourite Nation (MFN) status from US. However, US has been renewing China’s MFN status on a yearly basis for the past 15 years and it was unlikely that it would have ended it regardless of whether China joined the WTO or not.

This observation follows from the words of the US Secretary of Agriculture and of Bill Clinton. While the US Secretary of Agriculture said that China got ‘[a]bsolutely nothing’ out of its membership to the WTO, Clinton observed that ‘China makes one way concessions to open its markets to American goods, services, and farm products ... while the United States makes no new market access commitments’ at all (Wang, 2000, p. 393).

In May 2006, UN Security Council decided to send peacekeeping troops to Darfur in order to relieve the African Union troops. China, who had been opposing the deployment of troops to Darfur, eventually gave in to UN’s decision. This compliance by China came due to incessant pressure from Western actors (e.g. US-based Save Darfur Coalition) to boycott the 2008 Beijing Olympics in case China did not intervene in Darfur. As a result, China found itself compromising on its ideological stance and its established economic goodwill in Sudan. Similarly, in 2012, US and the European states, through the UN, endorsed the deployment of economic and trade sanctions on Sudan and South Sudan with the aim of restraining conflict for oil border and oil revenue issues. However, China, with the support of Russia, opposed this proposition of the UN since it has good trade relations with both Sudan and South Sudan, and is the major producer, exporter and importer of their oil. But China could not hold on against US and Europe for long as it gave in because the later nominated the African Union to take the forefront in resolving the South Sudan-Sudan border issues.
In October 2010, China and Mauritius agreed to a Renminbi Trade Settlement Solution enabling Chinese companies in Mauritius or local traders trading with China, to effectuate their transactions in Renminbi through the Hong Kong and Shanghai Bank Corporation (HSBC). See, HSBC (2010).

At the 3rd session in 1990, this low interest commodity loan of USD 800,000 was made into an interest free loan.

This loan involved the provision of sports equipment, sewing machines, typewriters and expendables by China.

Commodity credits is where the lender provides goods or services to the borrower, and the borrower is due to pay back to the lender, in terms of money or goods, the amount equivalent to the goods or services initially provided by the lender.

Note: China is here treated as a metropolis entity in its entirety—without granting Chinese government the role of the metropolis and the investing companies that of satellites. This is because the Shanxi companies developing JFET are mainly SOEs hence technically equalling the metropolis in status and abilities vis-à-vis foreigners. Moreover, since the scene unrolls in Mauritius, it is the Mauritian context which is the focus.

Tianli Spinning (Mauritius) Co. Ltd, the only private company involved, is discounted here as it is the minority partner in the project.

Even if Mauritius becomes legally eligible to resume possession of the land because it remains undeveloped, there is high possibility that the land might already be under the control of a foreign bank, pledged by the Chinese developers for loan purposes.

This explains the absence of an arrow connecting China and the Mauritian state level in Figure 6.3.

The geographical hierarchy between the Mauritian state and the Riche-Terre plot is based on the fact that the Riche Terre plot is only a portion of the whole which is made up by the Mauritian state. As for the economic hierarchy, this refers to the economic disparity which posits JFET as the superior of the Mauritian state due to its ability to generate economic gains at the expense of the latter.

Reference is here being made to actions in phase two as it is the dynamics and structuration of this particular phase (rather than the temporal phase one) that will prevail for the rest of the time that the zone exist in Mauritius.

Mauritius has a number of able local construction companies. E.g. General Construction, Gamma Civic, PAD Co.Ltd, Rehm Grinaker, Allied Builders, Bhunjun Group, Ireko, Bolah Jeetun etc.
Bibliography

Interviews

Bunwaree, Sheila. (2012) Associate Professor in Sociology at the University of Mauritius, interviewed on 5 January, Mauritius.
Dalais (2011) Director at CIEL Group, interviewed on 28 October, Mauritius.
Dongya, Li. (2011) Managing Director, Risk Management Department, China-Africa Development Fund, interviewed on 28 November, Beijing.
Guo, Zheng. (2011) Associate Professor of Department of Urban Planning and Management, School of Public Administration, Renmin University of China, interviewed on 28 November, Beijing.
Ho Fong, James. (2011) President of Chinese Business Chamber, interviewed on 27 October, Mauritius.
Irrigation Authority. (2012) Chief Engineer, interviewed on 4 September, Mauritius.
Kasenally, Roukaya. (2011) Senior Lecturer in Politics, Media and Mass Communications at the University of Mauritius, interviewed on 23 December, Mauritius.
Nababsing, Prem. (2011) Ex-Director of Board of Investment, Ex-Minister of Foreign Affairs and Deputy Prime Minister, interviewed on 20 October, Mauritius.
Poonoosamy, Ken. (2011) Director of Board of Investment, interviewed on 11 October, Mauritius.
Ramkissoon, J. (2011) Member of Co-mite de Mediation for the Riche-Terre Planters, Director of Food and Agricultural Research Council, interviewed on 26 December, Mauritius.


Wen. (2011) Officer at the Commercial Section, Chinese Embassy in Mauritius, 1 November, Mauritius.

Wong, Danielle. (2011) Director, Mauritius Export processing Zone Association, 11 October, Mauritius.

Xu, Cheggang. (2011) School of Economics and Finance, University of Hong Kong, interviewed on 15 December, Hong Kong.


Legislations

Anti-Monopoly Law 2007, China.

Code Civile Mauricien, Mauritius.


Land Acquisition Act 1894, India.

Land Administration Law, China.

Land Contract in Rural Areas Law, China.

Professional Architects’ Council Act 2011, Mauritius.

SEZ Act 2005, India.

Special Economic Zones Law 83 of 2002, Egypt.


Sugar Industry Efficiency Act 1988, Mauritius.

Parliamentary Debates


———(2007) Debate No. 7 of 17 April.


———(2008) Debate No. 11 of 10 June, Oral Answers to Question.


Other Resources


———(2010b) External Trade 4th Quarter 2010. Available at: 

———(2010c) Digest of Labour Statistics 2010. Available at: 

———(2010d) National Accounts of Mauritius. Available at: 

———(2011) Labour force, Employment and Unemployment based on the results of the Continuous 
Multi Purpose Household Survey – Year 2011. Available at: 

———(2013) Labour Force, Employment and Unemployment, 4th Quarter 2013. Available at: 

Chadwick, J. (2007) Control of Special Purpose Vehicles. Available at: 
http://www.jerseylaw.je/Publications/jerseylawreview/June07/JLR0706_Chadwick.aspx 

(Accessed 30 May 2013).

Michigan State University Press.

Chase-Dunn, Christopher. (1984), 'The World-System Since 1950: What Has Really Changed?’, in 

Chase-Dunn, Christopher. and Peter Grimes. (1995) 'World-Systems Analysis', Annual Review of 
(Accessed 03 March 2013).

à la Chine’, L’Express, 16 September [Online]. Available at: http://www.lexpress.mu/node/76755 
(Accessed 19 April 2013).

—-(2010a) ‘Jin Fei: Les investissements de MT portent la contribution de l’ État à plus de Rs 500 
millions’, L’Express, 23 July [Online]. Available at: http://www.lexpress.mu/node/82037 
(Accessed 19 April 2013).

—-(2010b) ‘L’État débourse Rs 180 millions pour la fourniture d’électricité à JinFei’, L’Express, 20 


[Online]. Available at: http://www.scmp.com/article/979850/angry-villagers-riot-over-land-grab 


(Accessed 30 May 2013).

China Association of Development Zones (2009) China Development Zones. Available at: 


Horta, L. (2010) 'China Building Africa’s Economic Infrastructure: SEZs and Railroads', *China Brief*, 10 (15), July 22. Available at: www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=36661&tx_ttnews%5BbackPid%5D=7 &cHash=f7c2313cc0 (Accessed 14 January 2012).


——— (n.d.) Review of Bilateral Co-operation Brief. Available at the MOFEE library, Port Louis, Mauritius.


Registrar of Companies, Mauritius.


Annex 1: Land Lease 2007 (Nullified)

TRANSCRIPTION
GOVERNMENT OF MAURITIUS

INDUSTRIAL SITE LEASE
AGREEMENT
Between
Government of Mauritius represented by Mr. Suresh Chundre SEEBALLUCK,
Secretary to Cabinet and Head of Civil Service (Authorised Person).

AND

Mauritius Tianli Economic and Trade Cooperation Zone Co. Ltd, incorporated with
the Registrar of Companies on the 04th day of May 2007. Company No. 69685.

The said Company is represented by Mr. Zhang HONGYUN, (Passport No.
), its Chairman.

The Lessor and the Lessee as follows:-

ARTICLE 1 – Lease of land
The Lessor hereby leases to the Lessee a portion of State Land of an extent of
fifty one hectares (51ha or 120 Arpents) described below, which is accepted
by the Lessee.
The said State Land situated at Riche Terre in the district of Pamplemousses
and bounded as follows:-
Towards the North East by surplus of State land on seven lines measuring
respectively ninety four metres and thirty seven centimetres (94.37m), one
hundred and five metres and eighteen centimetres (105.18m), four hundred and
eight metres and sixty six centimetres (408.66m), one hundred and twenty seven
metres and sixty four centimetres (127.64m), one hundred and eighty five metres
and seventeen centimetres (185.17m), three hundred and seventy nine metres
and forty eight centimetres (379.48m) and two hundred and seventy three metres
(273.00m) respectively.

[Signature]
Towards the South East by surplus of State Land on one thousand and sixty
five metres (1065.00m).
Towards the South West by reserves twenty metres (20.00m) wide along Riche
Terre Road on a developed length of eight hundred and six metres (806.00m).
The whole as more fully shown on annexed plan.

ARTICLE 2 – Purpose of lease
The land is leased for the development of an Industrial Estate and other related
activities as may be subsequently approved by the Lessor over an Economic and
Trade Cooperation Zone under the provisions of the Freeport Act 2004.

ARTICLE 3 – Developments on the site
(a) The Lessee shall complete the construction of the industrial building/s and the
installation of its plant/machinery within a period of sixty (60) months as from
twelfth day of July two thousand and seven.
(b) The Lessee shall comply with the provisions of the Outline Scheme and Planning
Policy Guidance in respect of the different categories of activities on site.
(c) If any building is destroyed, the Lessee shall build a new building within a period
of eighteen (18) months from the date of destruction of the existing building.
The period of eighteen (18) months may be extended if the Lessee establishes
that the delay in the reconstruction of the building is caused by ‘force majeure’.
(d) The Lessee shall be responsible for the development of all onsite infrastructures.

ARTICLE 4 – Period of lease
This lease is valid for a term of ninety nine years as from the twelfth day of
July two thousand and seven to expire on the eleventh day of July two
thousand one hundred and six.

ARTICLE 5 – Pledge of leasehold rights
(a) The Lessee may pledge the leasehold rights and/or the building/s and
properties to be built thereon with the Bank of China or any other respectable
Banks in the People’s Republic of China.
(b) Such authorisation given under condition 5(a) above, shall not be construed as giving the creditor Banks the leasehold rights in the property in lieu of the Company without the prior written approval of the Lessor and under such conditions that the Lessor may impose.

ARTICLE 6 – Transfer or assignment of interests in lease

(a) The Lessee shall not transfer the present lease but may however sublet any parcel of the land leased for the purpose set out under Article 2 and subject to the prior approval of the Lessor.

(b) The Lessee may let or sell the building/s and or installation/s standing on the land leased, but will nevertheless be responsible for the payment of the rent of land as specified under Article 7 to Government and for compliance with the terms of the Lease generally.

ARTICLE 7 – Rental and time of payment

The Lessee shall pay in advance at the beginning of each year of the term an annual rent of:-

(i) rupees five thousand one hundred (Rs5100) per annum for period twelfth day of July two thousand and seven to the eleventh day of July two thousand and twelve;

(ii) rupees two million seven hundred and fifty four thousand (Rs2,754,000) per annum for period twelfth day of July two thousand and twelve to the eleventh day of July two thousand and twenty seven;

(iii) rupees four million one hundred and thirty one thousand (Rs4,131,000) per annum for period twelfth day of July two thousand and twenty seven to the eleventh day of July two thousand and thirty seven;

(iv) rupees six million one hundred and ninety six thousand and five hundred (Rs6,196,500) per annum for period twelfth day of July two thousand and thirty seven to the eleventh day of July two thousand and forty seven;

(v) rupees nine million two hundred and ninety four thousand seven hundred and fifty (Rs9,294,750) per annum for period twelfth day of July two thousand and forty seven to the eleventh day of July two thousand and fifty seven;
(vi) rupees thirteen million nine hundred and forty two thousand one hundred and twenty five (Rs13,942,125) per annum for period twelfth day of July two thousand and fifty seven to the eleventh day of July two thousand and sixty seven;

(vii) rupees twenty million nine hundred and thirteen thousand one hundred and eighty seven (Rs20,913,187) per annum for period twelfth day of July two thousand and sixty seven to the eleventh day of July two thousand and seventy seven;

(viii) rupees thirty one million three hundred and sixty nine thousand seven hundred and eighty (Rs31,369,780) per annum for period twelfth day of July two thousand and seventy seven to the eleventh day of July two thousand and eighty seven;

(ix) rupees forty seven million and fifty four thousand six hundred and seventy two (Rs47,054,672) per annum for period twelfth day of July two thousand and eighty seven to the eleventh day of July two thousand and ninety seven;

(x) rupees seventy million five hundred and eighty two thousand and eight (Rs70,582,008) per annum for period twelfth day of July two thousand and ninety seven to the eleventh day of July two thousand and six.

All payment is to be effected into the hands of the Accountant General for the Government of Mauritius at the Cashier's Office, Ministry of Housing and Lands, in Port Louis, no notice of rent becoming due being required.

ARTICLE 8 – Interest payable on rent due

If the rent is not paid within one month after falling due, it shall automatically bear interest at the legal rate as from the date when due.

ARTICLE 9 – Mise en règle

The Lessee shall pay the cost of the mise en règle which may also include the cost of survey.
ARTICLE 10 – Environmental conditions
(a) An EIA license should be applied for and obtained in respect of all scheduled undertakings in the Environment Protection Act 2002 as amended;
(b) The Lessee shall keep the land leased in a neat and tidy condition;
(c) No refuse shall be dumped on the land, but shall be disposed of as directed by the Sanitary Authority;
(d) The Lessee shall dispose of all solid and liquid wastes in such a manner as not to pollute the air or water and not to cause any nuisance;
(e) The Lessee shall not carry out open storage of materials on the site unless specifically approved by the Lessor;
(f) The Lessee shall not without the written authorisation of the Lessor erect, cause or allow to erect advertising posters on the land leased;
(g) The Lessee shall not undertake any such activities which shall cause physical damage directly or indirectly to the environment;
(h) The Lessee shall provide adequate washing and toilet facilities.

ARTICLE 11 – Clear space along boundaries
The Lessee shall keep open and maintain on the land leased a clear track of not less than sixty (60) centimetres wide running along the boundaries of the land leased.

ARTICLE 12 – Failure to clear space along boundaries
If the Lessee fails to keep the clear track provided under Article 11, the Lessor shall cause the boundaries to be cleared and the cost of the clearing shall be recovered from the Lessee.

ARTICLE 13 – Power to enter and view land leased
The Lessor or any person duly authorised by it may enter and view the state of the land leased at all reasonable times.

ARTICLE 14 – Cancellation of lease
The lease is cancelled “de plein droit” and without payment of any compensation if:
(a) The Lessee fails to start the erection of the buildings in connection with the
development referred to in Article 2 within fifteen (15) months from twelfth day
of July two thousand and seven;

(b) The Lessee fails to complete construction works of the buildings up to the plinth
level as per approved plans within three (3) months after the expiry of the initial
period of fifteen (15) months referred to at paragraph (14a) above;

(c) The rent has remained unpaid for more than three (3) months after its falling
due and a forty eight (48) hour notice served upon the Lessee by registered
post, requesting him to pay the rent has remained uncomplied with;

(d) the Lessee fails to comply with any other obligations or conditions of lease.

ARTICLE 15 – Refund of rent paid
In the event of the lease being cancelled under Article 14 (a), (b) and (d), the
Lessee shall not be entitled to a refund of any portion of rent paid in advance.

ARTICLE 16 – Failure to vacate land at termination of lease
Should, at the termination or cancellation of the lease, the Lessee fail to vacate
the land, the Lessor shall be entitled to apply for a writ habere facias
possessionem to resume possession thereof.

ARTICLE 17 – Removal of building and installation on expiry of lease or
resumption of possession
(a) At the expiry of the term of this lease or upon its cancellation under the
provisions of Article 14 of the present lease, the Lessee shall yield up the land
leased nowise deteriorated in value and state as it stands at the date of this
lease without any claim whatever for any indemnity.

(b) On cancellation of the lease and resumption of possession of the land by the
State for any of the reasons specified in Article 14, any construction made by the
Lessee on the land shall become the property of the State.

ARTICLE 18 – Winding up of Lessee Company
In case the company is wound up before the expiry of the lease, this lease will
come to an end on such winding up.
ARTICLE 19 – Insurance of buildings
The Lessee shall insure all buildings/structures and/or installations erected on
the land against fire and cyclone.

ARTICLE 20 – Access Roads
The Lessee shall construct all necessary and adequate roads to service the
buildings and the land leased at its own costs subject to the satisfaction of the
Permanent Secretary of the Ministry of Public Infrastructure, Land Transport and
Shipping.

This Agreement is drawn up in three originals, English Version and three
originals Chinese Version made in good faith at Beijing.

on the 11th day of July two thousand and seven, and closed on
the fourth day of September two thousand and seven.

LESSEE

REGISTRATION
Registered in the Survey Office on
190 03 04 SEP 2007
in Lease Book folio

SURVEYOR
I the undersigned, N. LawEE, Surveyor, Ministry of Housing and Lands, certify that this document is authentic and has been duly collated with the other originals and approved. No marginal corrections which may be handwritten, no words and no figures erased.
True extract from Reg. of Trans. / Ins
Vol: 23, 32, 35
No.: 10, 10
Pages 1 - 10
At the request of

At the date of the
Two thousand and

C.B. No. 211816, 03.07.14, Rs. 200 /

Conservator of Mortgages

REGISTERED AT MAURITIUS
ON THE Twentieth Day Of SEPTMBER One Thousand and Seventeen
TWO THOUSAND AND

FOURTEEN HUNDRED AND SAVY
AT

STAMP DUTY

CONSULTANT OF MORTGAGES

Checked by Ins. Ct. Clerk, B. Vindern
Annex 2: Land Lease Cancellation

Annexure to lease registered in the Survey Office in Lease Book 190 folio 3. By consent of parties and with the approval the Minister of Housing and Lands conveyed at min (353) dated the fourteenth day of September two thousand and nine in File CSLSE/21704/G94/00001V4, the lease entered on the tenth day of July two thousand and seven and closed on the fourth day of September two thousand and seven, the Government of Mauritius has leased to Mauritius Tianll Economic and Trade Cooperation Zone Co. Ltd a portion of State Land of an extent of fifty one hectares (51ha or 120 Arpents) situate at Riche Terre in the district of Pamplemousses for a period of ninety nine years as from the twelfth day of July two thousand and seven to expire on the eleventh day of July two thousand one hundred and six at a rental of rupees five thousand one hundred (Rs5,100) per annum for period twelfth day of July two thousand and seven to the eleventh day of July two thousand and twelve, rupees two million seven hundred and fifty four thousand (Rs2,754,000) per annum for period twelfth day of July two thousand and twelve to the eleventh day of July two thousand and twenty seven, rupees four million one hundred and thirty one thousand (Rs4,131,000) per annum for period twelfth day of July two thousand and twenty seven to the eleventh day of July two thousand and thirty seven, rupees six million one hundred and ninety six thousand and five hundred (Rs6,195,500) per annum for period twelfth day of July two thousand and thirty seven to the eleventh day of July two thousand and forty seven, rupees nine million two hundred and ninety four thousand seven hundred and fifty (Rs9,254,750) per annum for period twelfth day of July two thousand and forty seven to the eleventh day of July two thousand and fifty seven, rupees thirteen million nine hundred and forty two thousand one hundred and twenty five (Rs13,942,125) per annum for period twelfth day of July two thousand and fifty seven to the eleventh day of July two thousand and sixty seven, rupees twenty million nine hundred and thirteen thousand one hundred and eighty seven (Rs20,913,187) per annum for period twelfth day of July two thousand and sixty seven to the eleventh day of July two thousand and seventy seven, rupees thirty one million three hundred and sixty nine thousand seven hundred and eighty (Rs31,369,780) per annum for period
twelfth day of July two thousand and seventy seven to the eleventh day of July two thousand and eighty seven, rupees forty seven million and fifty four thousand six hundred and seventy two (Rs47,054,672) per annum for period twelfth day of July two thousand and eighty seven to the eleventh day of July two thousand and ninety seven and rupees seventy million five hundred and eighty two thousand and eight (Rs70,582,008) per annum for period twelfth day of July two thousand and ninety seven to the eleventh day of July two thousand one hundred and six by a deed registered on the twenty fifth day of September two thousand and seven in Reg. AA702 No. 800B and transcribed on the same day in Volume TB 394 No. 90 is hereby cancelled as from the fifteenth day of September two thousand and nine.

Done in triplicate this 15 SEP 2009

24 SEP 2009

Abdool Nooranee Oozeer
Permanent Secretary

duly delegated by the
Minister of Housing and Lands

for and on behalf of the Lessee

I, the undersigned, Mr. Romain, Acting Principal Surveyor, Ministry of Housing and Lands, certify that this document is an original and has been duly collated with the other originals and approved as marginal corrections which may be handwritten.

Registered and Transcribed at Mauritius on the seventh day of September two thousand and nine received rupees two thousand and two hundred (Rs2,000) at stamp duty fixed duty.

Surveyor

[Signature]

No. 32521

[Stamp]
Annex 3: Land Lease 2009 (Current)

LEASE CONTRACT
Between
State of Mauritius, represented by Mr. Abdool Nooranee OOZEER, Permanent Secretary, Ministry of Housing and Lands and holder of NIC No. O0912550101356. (the Lessor)

AND
Mauritius JinFei Economic Trade and Cooperation Zone Co. Ltd, incorporated with the Registrar of Companies on the 13th day of August 2009. Company No. 089909.
The said Company is represented by Mr XIE LI (Passport No. ), Chief Executive Officer of the Company. (the Lessee)

It is agreed between the Lessor and the Lessee as follows:-

ARTICLE 1 – Lease of land
The Lessor hereby leases to the Lessee a portion of State Land of an extent of two hundred and eleven hectares (211ha or 500 Arpents) described below, which is accepted by the Lessee.
The said State Land situated at Riche Terre in the district of Pamplemousses and bounded as follows:-
Towards the North partly by Baie du Tombeau Road (B29) on a developed length measuring six hundred and ninety one metres and forty six centimetres (691.46m), partly by surplus of State Land on three lines measuring

[Signature]

[Signature]
respectively ninety three metres and fifty two centimetres (93.52m), two hundred and ninety two metres and six centimetres (292.06m) and one hundred and fifty eight metres and fifty eight centimetres (158.58m); partly by Baie du Tombeau Road (B29) on thirty six metres and eighty two centimetres (36.82m), partly by Private Property on seven lines measuring respectively four hundred and thirty four metres and eight centimetres (434.08m), one hundred and five metres (105.00m), sixty two metres and fifty two centimetres (62.52m), thirty one metres and ninety three centimetres (31.93m), forty five metres and forty two centimetres (45.42m), two hundred and ninety five metres and fifty centimetres (295.50m) and two hundred and twenty eight metres and three centimetres (228.03m), partly by Baie du Tombeau Road (B29) on forty eight metres and fifty six centimetres (48.56m), partly by surplus of State Land on three lines measuring respectively one hundred and twenty five metres and eighty centimetres (120.80m), four hundred and twenty five metres and thirty seven centimetres (425.37m) and one hundred and twenty seven metres and fifty seven centimetres (127.57m), partly by Baie du Tombeau Road (B29) on one hundred and twenty five metres and fifty seven centimetres (121.57m), partly by surplus of State Land on five lines measuring respectively sixty five metres and forty one centimetres (60.41m), one hundred and nineteen metres and sixty centimetres (119.60m), twenty three metres and sixty four centimetres (23.64m), seventy four metres and twenty two centimetres (74.22m) and thirty two metres and ninety centimetres (32.90m) and partly by Baie du Tombeau Road (B29) on thirty one metres and two centimetres (31.02m).

Towards the East partly by surplus of State Land with a buffer zone ten metres (10.00m) wide in between along the last five lines on sixteen lines measuring respectively sixty one metres and forty eight centimetres (61.48m), seventeen metres and eighty three centimetres (17.83m), fifty three metres and forty nine centimetres (53.49m), seventy seven metres and eleven centimetres (77.11m), twenty four metres and thirty eight centimetres (24.38m), forty five metres and eleven centimetres (45.11m), eighty seven
metres and ninety three centimetres (87.93m), one hundred and nine metres and thirty five centimetres (109.35m), two hundred and ninety six metres and eleven centimetres (296.11m), eighty two metres and thirty centimetres (82.30m), two hundred and nine metres and fifty five centimetres (209.55m), three hundred and seventy nine metres and forty seven centimetres (379.47m), one hundred and seventy metres and forty two centimetres (170.42m), two hundred and ninety three metres and thirty eight centimetres (293.38m), seventy four metres and sixteen centimetres (74.16m) and one hundred and sixty metres and forty two centimetres (160.42m) and partly by Private Property on fifty eight metres and fifty five centimetres (58.55m).

**Towards the South** partly by road reserves twenty metres (20.00m) wide along Riche Terre Road on three developed lengths of two hundred and fifty three metres and eighty eight centimetres (253.88m), eight hundred and six metres (806.00m) and three hundred and fourteen metres and fifty centimetres (314.50m), partly by surplus of State Land on three lines measuring respectively thirty two metres and thirty one centimetres (32.31m), forty metres and ninety five centimetres (40.95m), and thirty two metres and ninety seven centimetres (32.97m) and partly again by road reserves twenty metres (20.00m) wide along Riche Terre Road on a developed length of eighty four metres and fifty four centimetres (84.54m).

**Towards the West** partly by Private Property on three hundred and forty seven metres and forty centimetres (347.40m) and partly by surplus of State Land on eight lines measuring respectively two hundred and thirty one metres and sixty two centimetres (231.62m), forty three metres (43.00m), one hundred and twenty one metres and thirty seven centimetres (121.37m), forty one metres and ninety six centimetres (41.96m), one hundred and thirty eight metres and fifty seven centimetres (138.57m), one hundred and thirty three metres and twenty nine centimetres (133.29m), one hundred and six metres and thirty seven centimetres (106.37m) and one hundred and eighteen metres and fifty five centimetres (118.55m).
The whole as more fully shown on the plan at Annex I.

ARTICLE 2 – Purpose of lease
The land is leased free from any encumbrances for the purpose of the development of the Economic Trade and Cooperation Zone by the Zone Company in accordance with development guidelines of the Lessor.

ARTICLE 3 – Developments on the site
(a) The Lessee shall complete the construction of the infrastructure and building/s and the installation of its plant/machinery within the time specified in the Construction Schedule annexed to this Contract as Annex II as from sixteenth day of September two thousand and nine.
(b) The Lessee shall comply with the provisions of the Outline Scheme and Planning Policy Guidance in respect of the different categories of activities on site.
(c) The Lessee shall be responsible for the development of all onsite infrastructures within the Cooperation Zone in accordance with the Framework Agreement.

ARTICLE 4 – Period of lease
This lease is valid for a term of ninety nine years as from the sixteenth day of September two thousand and nine to expire on the fifteenth day of September two thousand one hundred and eight.

ARTICLE 5 – Mortgage or inscription of fixed and floating charge of leasehold rights
(a) The Lessee may mortgage or inscribe a fixed and floating charge on the leasehold rights and/or the building/s and properties for the purpose of raising loans with any bank outside Mauritius which are necessary in order for the Lessee to construct and develop the Cooperation Zone.

[Signatures]

307
(b) Subject to approval from the Lessor, any Company operating in the Cooperation Zone may mortgage or inscribe a fixed and floating charge on its leasehold rights and/or buildings and properties for the purpose of raising loans with any bank whether in/or outside Mauritius for its business operations.

(c) The creditor bank shall not be deemed to have obtained the leasehold rights from the lessee or any of the company operating in the Cooperation Zone.

ARTICLE 6 – Transfer or assignment of interests in lease

(a) The Lessee shall not transfer the present lease but may however sublet any parcel of the land leased for the purpose set out under Article 2 and subject to the prior approval of the Lessor.

(b) The Lessee may let (rent) or sell the building/s and or installation/s standing on the land leased, but will nevertheless be responsible for the payment of the rent of land as specified under Article 7 to Government and for compliance with the terms of the Lease generally.

ARTICLE 7 – Rental and time of payment

The Lessee shall pay in advance at the beginning of each year of the term an annual rent of:-

(i) rupees eight million six hundred and forty five thousand and one hundred (Rs8,645,100) per annum for period sixteenth day of September two thousand and nine to the fifteenth day of September two thousand and fourteen;

(ii) rupees eleven million three hundred and ninety four thousand (Rs11,394,000) per annum for period sixteenth day of September two thousand and fourteen to the fifteenth day of September two thousand and twenty four;

(iii) rupees seventeen million and ninety one thousand (Rs17,091,000) per annum for period sixteenth day of September two thousand and twenty four to the fifteenth day of September two thousand and thirty nine;
(v) rupees twenty five million six hundred and thirty six thousand and five hundred (Rs25,636,500) per annum for period sixteenth day of September two thousand and thirty nine to the fifteenth day of September two thousand and fifty four;

(v) rupees thirty eight million four hundred and fifty four thousand and seven hundred and fifty (Rs38,454,750) per annum for period sixteenth day of September two thousand and fifty four to the fifteenth day of September two thousand and sixty nine;

(vi) rupees fifty seven million six hundred and eighty two thousand and one hundred and twenty five (Rs57,682,125) per annum for period sixteenth day of September two thousand and sixty nine to the fifteenth day of September two thousand and eighty four;

(vi) rupees eighty six million five hundred and twenty three thousand and one hundred and eighty eight (Rs86,523,188) per annum for period sixteenth day of September two thousand and eighty four to the fifteenth day of September two thousand and ninety nine; and

(viii) rupees one hundred and twenty nine million seven hundred and eighty four thousand and seven hundred and eighty two (Rs129,784,782) per annum for period sixteenth day of September two thousand and ninety nine to the fifteenth day of September two thousand and one hundred and eight.

All payment is to be effected into the hands of the Accountant General for the Government of Mauritius at the Cashier’s Office, Ministry of Housing and Lands, in Port Louis, no notice of rent becoming due being required.

ARTICLE 8 – Interest payable on rent due
If the rent is not paid within one month after falling due, it shall automatically bear interest at the legal rate as from the date when due.

ARTICLE 9 – Costs related to the Contract
The Lessee shall pay the following costs:
(a) Registration duties;
(b) Transcription duties;
(c) Stamps duty;
(d) Costs of survey.

ARTICLE 10 – Environmental conditions

(a) An EIA license should be applied for and obtained in respect of all scheduled undertakings in the Environment Protection Act 2002 as amended;
(b) The Lessee shall keep the land leased in a neat and tidy condition;
(c) No waste shall be dumped on the land, but shall be disposed of as directed by the Sanitary Authority;
(d) The Lessee shall dispose of all solid and liquid wastes in such a manner as not to pollute the air or water and not to cause any nuisance;
(e) The Lessee shall not carry out open storage of dangerous materials on the site unless specifically approved by the Lessor;
(f) The Lessee may erect, cause or allow to erect advertising posters on the land leased in accordance with the laws of Mauritius;
(g) The Lessee shall not undertake any such activities which shall cause physical damage directly or indirectly to the environment;
(h) The Lessee shall provide adequate washing and toilet facilities.

ARTICLE 11 – Clear space along boundaries

The Lessee shall keep open and maintain on the land leased a clear track of not less than sixty (60) centimetres wide running along the boundaries of the land leased.

ARTICLE 12 – Failure to clear space along boundaries

If the Lessee fails to keep the clear track provided under Article 11, the Lessor shall cause the boundaries to be cleared and the cost of the clearing shall be recovered from the Lessee.
ARTICLE 13 – Power to enter and view land leased

The Lessor or any person duly authorised by it may enter and view the state of the land leased at reasonable times provided the lessee is informed in advance of the day and time of the visit.

ARTICLE 14 – Resumption of land

(a) The Lessee shall construct and develop the Economic Trade and Cooperation Zone within the time specified in the Construction Schedule as per Annex II;

(b) In the event the Lessee is unable to construct and develop the whole of the lease land within the time specified in the Construction Schedule, it shall make representations to the Lessor to extend the period of construction and development, or return back to the Lessor that part of the lease land which has remained undeveloped;

(c) Where the Lessee does not construct and develop any part of the lease land and does not make representations in terms of paragraph 14(b), the Lessee shall, as soon as practicable, return back to the Lessor that part of the lease land which has remained undeveloped;

(d) For the purpose of this Article, "undeveloped" in relation to land, means any bare land on which there is no infrastructure, utilities or buildings and which does not affect other parts of the development of the Economic Trade and Cooperation Zone.

(e) In case of resumption of part of the land the rent shall be revised accordingly.

ARTICLE 15 – Cancellation of lease

(1) The Lessor may cancel the lease where:-

(a) The Lessee fails to start the erection of the buildings in connection with the development referred to in Article 2 within fifteen (15) months from sixteenth day of September two thousand and nine;
(b) The Lessee fails to complete construction works of Phase 1 within the time specified in the Construction Schedule;

(c) The rent has remained unpaid for more than three (3) months after its falling due;

(2) Where the Lessee fails to comply with paragraph (a), (b), (c) or any obligations or conditions of lease, the Lessor shall cause a notice to be served on the Lessee calling upon it to start the construction or pay the rent within a period specified by the Lessor.

(3) If the Lessor is satisfied with the reasons put forward by the Lessee for not carrying out the construction as per the Construction Schedule or paying rent, or complying with the obligations of the Contract, the Lessor may grant such extension of time to the Lessee to comply with the said conditions of the Contract.

(4) Where the Lessee fails to comply with the notice served under paragraph (2) or any extension granted under paragraph (3) the Lessor may terminate the Contract, without prejudice to claiming any rent unpaid.

(5) Where the Lessor terminates the Contract under paragraph (4) above, it may enter into another Contract on such terms and conditions as the parties may agree in respect of the portion of land that has been developed.

(6) Where the Lessor does not terminate the Contract under paragraph 4 above, it may revise the terms and conditions of the Contract.

ARTICLE 16 – Refund of rent paid

In the event of the lease being cancelled under Article 15 (1a), (1b) and (4), the Lessee shall not be entitled to a refund of any portion of rent paid in advance.

ARTICLE 17 – Failure to vacate land at termination of lease

Should, at the termination or cancellation of the lease, the Lessee fails to vacate the land, the Lessor shall be entitled to apply to the Competent Court to resume possession thereof, subject to Article 14.
ARTICLE 18 – Building and Installation on expiry of lease or resumption of possession

(a) At the expiry of the term of this lease, or upon resumption of any part of the land leased under Article 14 or cancellation under Article 15 of this Contract, the Lessee shall yield up the land leased not at all deteriorated in value and state as it stands at the date of this lease without any claim whatever for any indemnity.

(b) On cancellation of the lease and resumption of possession of the land by the State for any of the reasons specified in Article 14, any construction or infrastructure made by the Lessee on the land shall become the property of the State.

ARTICLE 19 – Winding up of Lessee’s Company

In case the company is wound up before the expiry of the lease, this lease will come to an end on such winding up.

ARTICLE 20 – Insurance of buildings

The Lessee shall insure all buildings/structures and/or installations erected on the land against fire and cyclone.

ARTICLE 21 – Access Roads

The Lessee shall construct all necessary and adequate roads within the Economic Trade and Cooperation Zone to service the buildings and the land leased at its own costs subject to the standards of the Ministry of Public Infrastructure, Land Transport and Shipping.

ARTICLE 22 – Disclaimer

The Lessee shall not be liable for any damage caused accidentally to any underground installation or materials found on the land.

\[\text{Signature} \quad \text{Date} \quad \text{Stamp} \]
Article 23 – Governing Law

The law applicable to this Contract shall be the law of the Republic of Mauritius.

Article 24

The Contract shall be read in conjunction with the Framework Agreement signed between Government of the Republic of Mauritius and Shanxi JinFei Investment Company Ltd on sixteenth day of September 2009.

This Contract is drawn up in three originals in English Version and three originals Chinese Version. The English version shall be the final and binding version.

Made in good faith at Riche Terre (Mauritius) on the sixteenth day of September two thousand and nine.

LESSEE

LESSOR

REGISTRATION

Registered in the Survey Office on 16 SEP 2009
in Lease Book folio 64

24 SEP 2009

SURVEYOR
I, the undersigned, M. RAMDUL, Acting Principal Surveyor, Ministry of Housing and Lands, certify that this document is an original and has been duly collated with the other originals and approved no marginal corrections which may be handwritten, no words and no figures erased.

SURVEYOR

£ 1,8100
18,200
24/09/109

£ 1,252,405

True extract from Reg. of Trans. / ins
Vol: 62 No.: 13 Pages 1-2
At the request of
At the date of the
Two thousand and
C.B. No. 5207

Conservator of Mortgages
ON THE TWENTY-FOURTH DAY OF SEPTEMBER
TWO THOUSAND AND NINE

VOL. No. RECEIVED ENTRIES
1,252,405

SHR. 25,000,DOSES 911,000-FIXED DUTY

Conservator of Mortgages

Checked by Ins. CL. Clerk... Check by A.G... V. C.

REGISTRATION AND MORTGAGE OFFICE

315
<table>
<thead>
<tr>
<th>Phase</th>
<th>Start Date</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>September 2009</td>
<td>September 2012</td>
</tr>
<tr>
<td>Phase 2</td>
<td>September 2010</td>
<td>December 2016</td>
</tr>
</tbody>
</table>

True extract from Reg. of Trans. / Int
Vol: Vol. 4429 N. No.: 43 Pages 27-28
At the request of:
At the date of:
Two thousand and
C.R. No. 5136 of 2013 Rs. 1001

Conservator of Mortgages

Checked by Insp. Cl. Clerk A. Vender