SINO-MAURITIAN FTA: A THREAT TO AFRICAN INTEGRATION?

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2021 stands out as an important year for trade policy in Africa. First, the implementation of the African Continental Free Trade Agreement (AfCFTA), signed by 54 of 55 African Union member states and ratified by 31 so far. This agreement seeks to create an estimated US$3tn market and foster intra-African trade over the coming decades. 2021 also marks a major step in China-Africa relations with the China-Mauritius bilateral free-trade agreement (FTA), the first FTA between China and an African state. Among other things, this FTA involves the immediate elimination of customs duties on 7,504 products traded (i.e., a coverage rate of about 93 per cent of trade) between the two countries.

Since the AfCFTA does not include a common external tariff (CET), each African country cannot only decide what duties it will impose on non-AfCFTA goods but can also freely negotiate the design of its future trade agreements with non-AfCFTA partners. Should we fear that the China-Mauritius FTA undermines the integration of African markets? Considering that China is the continent's largest trading partner, scaling up intra-African trade could mean China will lose some of its market for manufactured goods on the continent. Thus, concerns have been built about the China-Mauritius FTA being a Chinese strategy to keep its products entering the African market. This assertion seems to hold no water.

Even if China is Africa's biggest trading partner, Chinese trade with Africa however only represents a small fraction of China's global trade flows. For a volume of US$2.47tn of Chinese commodities exported in 2018, only 4.2% was towards Africa. For the same year, China had imported US$1.65tn worth of commodities that only US$78.3bn are from African countries (4.8% of its imports). Why did it not strategically negotiate a FTA with one of its top-5 African trading partners? For example, on the exporting side, why not South Africa receiving 0.67% of Chinese global export (CGE), Nigeria (0.54% of CGE), Egypt (0.48% of CGE), Algeria (0.32% of CGE), or Kenya (0.21% of CGE)? Why sign an FTA with Mauritius (27th China's exporting partner in Africa) that represents only 0.03% of CGE? Moreover, Mauritius does not count among the top 10 countries within intra-African trade.

These facts show that China's reason(s) behind signing an FTA with Mauritius is (are) more complex than a simple desire to sabotage the intra-African market. So, what would be the Chinese intention behind this FTA with Mauritius? I think that China seeks rather to profit from the future African integrated market. The FTA with Mauritius will help China to guarantee its value and supply chains(in the long term), while making up (short and medium term) the leeway of FTA between Mauritius and United States of America signed in 2016. By signing a FTA with Mauritius, China seeks to further integrate into the African economy and guarantee its supply chains. To pursue its economic growth and development, China must import an increasing quantity of raw materials such as minerals, woods, metals, and especially oils & gas. Moreover, the quick growth of the Chinese middle class (driven by rising wages) and the aging Chinese population will push Chinese companies toward countries (such as African countries) with a cheaper and younger workforce.

Companies are developing value and supply chains by relocating part of their production to these low-cost countries. McKinsey estimates that more than 10,000 Chinese (public and private) companies operate in Africa, of which about a third are in the manufacturing sector. In 2017, China invested more than US$46bn in Africa - comparatively 2 billion more than its investments in 2016 –, and they are mainly concentrated in energy (oil, gas, and power generation), construction, and business.

The Belt and Road Initiative (BRI), initiated by Chinese President Xi Jinping in 2013, could help Chinese companies to efficiently access the African market. This road will facilitate the transport of raw materials or low VA products from the African continent to China. Moreover, based on its geographic proximity, Africa will serve as a production platform for Europe. This project is currently preceded by progressing establishment of a business environment in Africa benefiting start-up Chinese multinationals, for example, the creation by China of special economic zones in six African countries (Algeria, Egypt, Ethiopia, Mauritius, Nigeria, and Zambia).

The geographic position of Mauritius makes this country a natural bridge connecting the continent to the 'Middle Kingdom'. Thus, on the one hand, the Mauritius-China FTA will take advantage of Mauritian manufacturing capacities and raw materials, and on the other hand, it will serve as a gateway to access more African countries. Mauritius is one of the most developed economies on the continent, with a GDP per capita of about US$11,100 in 2019. The country ranked as the first country in terms of ease of doing business in sub-Saharan Africa, and it is the best-integrated African country in international trade (according to the Davos Economic Forum).

Recently, Mauritius has signed bilateral agreements within Africa with governments in Senegal, Ghana, Ivory Coast, and Madagascar to facilitate the establishment of business parks and special economic zones. The Mauritian jurisdiction also offers good security for the domiciliation of foreign companies. Chinese companies can therefore safely domicile their activities here and operate in Africa. Moreover, they could directly benefit from financing from the Bank of China that opened a branch in Mauritius in 2016. According to Mrs. Tong Huihong, the Deputy CEO of Bank of China (Mauritius) Limited, Mauritius already has about 30 Chinese companies, and more than 100 other companies will establish in the country very soon.

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