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Mauritius at the Crossroads

By Siew Meng Tan, Chief Executive Officer of The Hongkong and Shanghai Corporation Limited.

Five years ago Mauritius was facing challenges of a magnitude last seen in the 1960s, when an independent nation was born with seemingly little to offer but sugarcane, beaches and a multi-racial population yearning to succeed. Soaring oil prices threatened to make transportation costs to the archipelago punitive, an end to preferential sugar protocols with the European Community was looming, and Mauritian textile manufacturers faced increasing overseas competition as the WTO dismantled quotas.

To the great credit of the Republic's 1.3 million inhabitants, the "Mauritius Miracle" did not falter. In my view, a key reason for this was Mauritius' ability to position itself as a springboard for trade and investment between Asia - especially India and China - and the fast-growing markets of Africa.

In a landmark agreement this June the leaders of 26 African countries agreed on a tripartite initiative that will ultimately create a free trade area spanning the Common Market for Eastern & Southern Africa, the East African Community and the Southern African Development Community. In the language of business, this development promises easier and cheaper access to markets with a combined GDP of US\$1 trillion and a population of almost 600 million.

For companies doing business with and through Mauritius, this FTA will create huge opportunities. It builds on the government's strategy to strengthen Mauritius's proposition as a natural conduit in the Asia-Africa trade corridor using tools such as a Freeport, a flourishing financial industry and double taxation treaties with major economies including China, India and South Africa. Investment promotion and protection agreements with a number of Asia, African and European countries give investors comfort that their businesses are safe and that any disputes will be resolved swiftly.

HSBC is encouraged by the strategy because it dovetails with our core skills as the leading bank for cross-border connectivity; skills that have been at the heart of our value proposition for 146 years.

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We believe global trade will increase by about 9% a year between 2000 and 2020, and we've built a trade footprint in geographies that account for 83% of cross-border business. By 2050 we forecast China will overtake the U.S. as the world's largest economy, and that South-South trade will gain increasing prominence as growth in Asia, Africa and Latin America outpaces that of the developed North.

To enable customers to benefit from these changes we've made trade services in Chinese Renminbi available on all six continents, we're helping many of our three million SME customers internationalise, and we're aligning our commercial and investment banking services so companies can better mitigate risk amid volatile markets while also seizing opportunities for expansion via mergers or acquisitions.

Through Mauritius, we believe companies can get the best of East and West while retaining direct access to the developed North. The European Union was the Republic's top trading partner last year with a 37.2% share, followed by India and China in second and third place with a combined 21.6%.

Although the rapid development of China and India has been well documented, I think many misconceptions about Africa have still to be dispelled. Africa is not just a commodity story as commonly perceived. In fact, it recorded growth from trade, transportation, manufacturing and telecoms amid the 2009 global recession even as commodity prices plunged.

As food security rises up the global political agenda, it's worth noting that only 10% of the 400 million hectares of arable land between Senegal and South Africa is currently being used to capacity.

Benefitting from an offshore location that was once seen as a barrier, Mauritius is an excellent place to locate international staff and to set up holding companies handling banking and treasury services for subsidiaries serving the African mainland. China has designated the Republic as its Indian Ocean Rim Trading Hub, and the Jin Fei economic zone is an example of physical infrastructure being put in place to support inward investors. Mauritius is also behind overseas economic zone projects in Ghana and Mozambique, as well as a joint initiative with Singapore in Congo-Brazzaville.

Trade is a two-way process that benefits Asia and Africa alike. As the new corporate champions of India and China seek new customers, Africa provides vast scope for sales and partnerships. For Africa, Asia's modernizing industry and burgeoning middle class are supplying increasing demand for traditional produce such as minerals and cotton, but also for non-traditional exports and services such as household consumer goods, food and tourism.

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There will, of course, be new challenges ahead. Tax treaties expire, investment rivals emerge, corporate strategies change and economic problems far away can spread contagion at a breathtaking speed. With GDP forecast to increase again this year, Mauritius has weathered the worst of the last storm. By looking to the engines of tomorrow's growth it will be as well positioned as it can be to shield itself from future downturns while extracting maximum benefit from the shifting tides of economic power.

Notes to editors:

1. The HSBC in Mauritius

Present in Mauritius since 1916, the HSBC has two entities – a branch of the Hongkong and Shanghai Banking Corporation Limited and a local subsidiary, HSBC Bank (Mauritius) Limited. Through its 11 branches, HSBC provides a wide range of products and services, including corporate loans, trade finance, foreign exchange products, online banking, savings, call, current and term accounts, credit cards, investment products, housing loans and personal loans. HSBC is the leader in the offshore sector in Mauritius, offering its clients sophisticated and structured financial products which take advantage of the numerous non-double taxation treaties to which Mauritius is a signatory.

2. The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding and a principal member of the HSBC Group which serves customers worldwide from around 7,500 offices in over 80 countries and territories in Europe, the Asia-Pacific region, North and Latin America, the Middle East and Africa. With assets of US\$2,691 billion at 30 June 2011, HSBC is one of the world's largest banking and financial services organisations.