



From Small Island to Large Ocean State: Mauritius' Geo-Economic Strategy After Chagos

Leveraging an Expanded EEZ and Great-Power Partnerships with the United States, India, China, France and the Region

Introduction

This study examines how Mauritius can convert the 2025 sovereignty settlement over the Chagos Archipelago into a coherent geo-economic strategy befitting a “large ocean state”. It takes as its point of departure the transformation of Mauritius’ spatial endowment – from a land area of roughly 2,040 km² to effective jurisdiction over an Exclusive Economic Zone of about 2.3 million km², including a 640,000 km² marine protected area around Chagos – and asks how this enlarged maritime space can be governed, financed and secured for long-term development. Drawing on IMF Article IV consultations, World Bank and WTO data, UNCLOS jurisprudence, ICJ and ITLOS decisions, UK–Mauritius treaty documents and regional frameworks, the report integrates macroeconomic, legal, environmental and security perspectives. It assesses Mauritius’ position in a fragmenting global economy where the Indian Ocean has become a theatre of great-power competition, and where Diego Garcia is a central node in US and UK force posture. The analysis traces how relationships with the United States, India, China, France, the EU and regional organisations intersect with domestic constraints of high public debt, limited land, climate vulnerability and statistical credibility, and proposes a ten-year roadmap to translate legal gains into sustainable, ocean-centred growth.

Key Findings

- **Mauritius has crossed a structural threshold from “small island” to “large ocean” political economy.**
The ratio of EEZ to land area now exceeds 1,000:1; the ocean already contributes around a tenth of GDP and is the only frontier with the scale to offset land scarcity, climate stress and tightening international tax rules on the financial centre [World Bank 2024; Mauritius Oceanography Institute 2023].
- **The Chagos settlement is simultaneously a decolonisation milestone and a demanding governance test.**
The 2025 Agreement completes, in practice, the decolonisation process triggered by the ICJ advisory opinion and UNGA Resolution 73/295, but it also embeds complex obligations on marine protection, Chagossian rights, joint security management and the long-term operation of Diego Garcia [ICJ 2019; UNGA 2019].
- **Diego Garcia turns security into a geo-economic asset, but also a source of dependency.**
Treaty-linked payments and development grants from the UK, amounting to several percentage points of GDP annually in the early decades, could underpin an “ocean sovereign fund” if ring-fenced and transparently managed; mishandled, they risk soft-budget habits and sharpened scrutiny of governance [House of Lords Library 2025; IMF 2024].
- **India has become Mauritius’ pivotal regional partner, blending diaspora ties with SAGAR-driven security and finance.**
India’s role spans trade, FDI intermediation, defence cooperation and a recent US\$680 million support package for port, security and Chagos MPA monitoring, giving New Delhi significant influence over how Mauritius locates itself within Indo-Pacific security grids [MEA India 2024; Reuters 2025].
- **China’s footprint is material and growing, but must be managed within strict guardrails.**
The China–Mauritius FTA grants near-comprehensive tariff preferences, while loans, the Safe City project and a renminbi swap line signal deeper financial engagement; prospective Belt and Road participation could bring capital for ports, digital infrastructure and green shipping, but raises familiar questions about debt sustainability, data governance and strategic dependence [SAILA 2021; IMF 2024].

- **France and the European Union remain indispensable for climate, regulation and diversification.**
Through Réunion and EU instruments, France and the EU provide climate and blue-economy finance, regulatory models for fisheries and data protection, and a stable tourism and education anchor; they help balance Asian partnerships and support Mauritius' positioning as a credible, rules-based Indian Ocean hub [International Partnerships 2023; France Diplomacy 2024].
- **Regional architectures give Mauritius influence disproportionate to its size – if it uses them strategically.**
Hosting the IOC secretariat and playing leading roles in IORA, SADC, COMESA and the AU's blue-economy agenda enables Mauritius to "multilateralise" choices on fisheries, ports, seabed mining and climate resilience, spreading costs and building norms rather than bargaining alone [African Union 2023; IORA 2024].
- **Domestic governance and statistical integrity are now as important as external diplomacy.**
The 2024 audit revealing mis-stated GDP and debt figures has dented credibility at precisely the moment Mauritius must steward a much larger ocean estate; restoring trust in public data, fiscal anchors and ocean-governance institutions is a prerequisite for attracting long-term blue-economy capital.

Recommendations

- **Treat the ocean as the primary development frontier in all national planning.**
Embed explicit blue-economy targets (share of GDP, exports and employment) in the medium-term expenditure framework, with public investment priorities and spatial planning re-weighted towards ocean-related sectors, coastal resilience and marine science.
- **Establish a National Ocean and Geo-Economics Council at Cabinet level.**
Create a standing body bringing together finance, foreign affairs, defence, blue economy, environment, statistics and Chagossian representatives to align treaty implementation, investment choices and security partnerships under a single strategic lens.
- **Ring-fence a significant share of Diego Garcia–related revenues into an Ocean Sovereign Fund.**
Capitalise a professionally managed fund, with clear rules on saving, stabilisation and investment in intergenerational assets (coastal defences, research, education), to avoid the drift of lease income into recurrent spending and short-term patronage.
- **Design and legislate a Chagos Archipelago Marine Protected Area with Chagossians at its heart.**
Translate scientific evidence and community preferences into a zoning plan that protects biodiversity at global-standard levels while enabling carefully managed resettlement, subsistence fishing and cultural access, under independent ecological oversight.
- **Use security partnerships to deliver dual-use infrastructure and skills rather than narrow basing concessions.**
Prioritise port upgrades, maritime domain awareness systems, search-and-rescue capabilities and cyber-secure digital backbones that serve both allied operations and civilian trade, fisheries management and disaster response.
- **Apply rigorous, origin-neutral screening to all strategic investments, including Chinese and Indian projects.**
Introduce transparent criteria for infrastructure, ICT, port and energy deals, covering debt terms, security implications, environmental standards and data governance, and publish project-level assessments to reinforce public confidence.
- **Leverage France, the EU and multilateral banks to anchor high regulatory and environmental standards.**
Align fisheries, seabed-mining, climate and data-protection regimes with EU and AU norms, and use NDICI, Global Gateway, AfDB and climate funds to co-finance projects that would otherwise be financed on less stringent terms.
- **Re-position the Mauritius International Financial Centre as a clean hub for blue and green finance.**
Build specialist capacity in structuring blue bonds, resilience-linked instruments and blended-finance vehicles for ocean-related investments in Mauritius and the wider region, under robust AML/CFT and tax-transparency frameworks.
- **Publish an annual "Large Ocean State Scorecard" to track progress and manage risk.**
Report a concise set of indicators on ocean health, blue-economy value added, debt and fiscal anchors, port performance, MPA enforcement and Chagossian outcomes, and use them to trigger periodic reviews and course-corrections.

- **Invest in statistical and analytical institutions as core strategic assets.**

Strengthen the independence and technical capacity of Statistics Mauritius and allied research bodies so that future policy rests on reliable data, credible forecasts and honest appraisal of both opportunities and constraints.

Attribution and Funding

This study was produced under a confidential research commission with support from an unnamed institution in the financial domain.