

The Impact of the Chinese Economic Expansion in Namibia: A Case study of retail and construction sectors in Windhoek

Presenters

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Presentation Overview

- Background
- Objectives of the study
- Major findings based on the following respondents:
 - Households
 - Small scale retailers
 - Local vs. Chinese employees (retail)
 - Local vs. Chinese employees (construction)
 - The government
 - Chinese embassy
 - Trade Unions
 - Namibia Chamber of Commerce and Industry (NCCI)

Background

- After Namibia's independence in 1990, the Chinese retail and construction businesses have increased.
- Some individual people and institutions support this increase and some not.

Research Questions

- The principal questions to which this study tries to find an answer are:
- (a) What are the characteristics and the consequences (positive and negative, short-term and long-term) of the Chinese economic expansion into Namibia's commercial and construction sector in particular?
- (b) What has been the local response to the increased Chinese presence?
- (c) What are the policy suggestions in order to, on the one hand, maximise the benefits and on the other hand minimise the costs and negative impacts of the Chinese expansion into the Namibian society?

Objectives of the study

- The purpose of this study is to:
- Investigate the current Namibian policy on Chinese investment and business activities in Namibia; including the granting of resident and work permits for Chinese business people and Chinese workers
- Examine the scope of Chinese business interests in Namibia and their impact on the Namibian economy;
- Examine the reactions of local business on increasing competition by Chinese competitors;
- Examine the views of organised labour (trade unions) on Chinese business and their labour practices in Namibia
- Investigate labour practices of Chinese businesses in Namibia through the eyes of Namibian employees of Chinese businesses
- Examine the local community's views on Chinese businesses in Namibia,

Methodology

- The study was exploratory using qualitative methods.
- It also used a hybrid of data collection that includes face-to-face in-depth interviews and questionnaires.
- Interviews were conducted based on the following population and samples
- Population Census (2001), Windhoek urban area has a total of 223 364 residents (there were 53 428 households, with an average size of 4.2 people per household).
- Owners of the small retail shops around Windhoek = 5
- Managers: Large-scale retail companies (Edgars, Foschini, Pepstores, Truworths, HIFI Corporation and Mr Price) = 7 Markhams,
- Households = 100
- Local Vs. Chinese employees (Comparative – retail) = 50
- Local Vs. Chinese employees (Comparative – construction) = 50
- Government officials (i.e. MTI, Labour Commissioner, Tender Board), 5 =
- Embassy of the P.R. China = 1
- Trade Unions = 3
- Namibia Chamber of Commerce and Industry = 1
- Total Sample= 222

Findings

SMALL RETAILERS

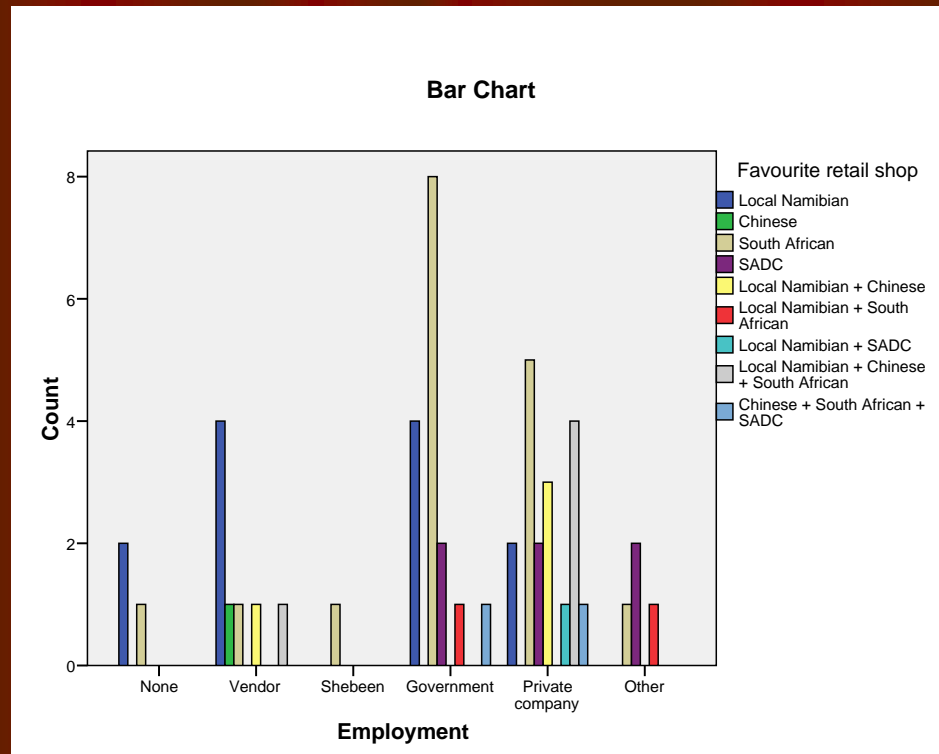
- This study concludes that the current retail battle in Namibia is predominantly between the small scale retail companies and the Chinese rather than with the larger South African retail companies. The following conclusions were drawn from respondents' (owners of small scale retail shops) perceptions:
 - The presence of the Chinese retailers in the country is not acceptable
 - The government is less serious in controlling the influx of the Chinese businesspersons in the country. The local businesses are hardly growing because they are squeezed by the Chinese
 - The Chinese retailers penetrate every inch of the country and the locals are left with no place to retail their goods freely
 - The number of the Chinese nationals is increasing

LARGE-SCALE RETAIL COMPANIES IN WINDHOEK

- **Attitudes towards Chinese retailers in Namibia:**
- Managers of big retail shops in Windhoek acknowledged that the Chinese retailers are good to keep the local business more competitive.
- **Selling of same brands:**
- Retailers across the board sell the same products. For example, the Chinese sell about 80% of the products that Edgars, Truworths, Markhams, Foschini, and Pepstores sell.
- All managers in exception of Pepstore, indicated that, their customers are not the same, because they target middle and high income customers
- **Business Threats Posed by the Chinese Businesses:**
- The only large retail companies badly affected by the Chinese retailers are Pepstores.
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- **Effect of the Chinese Businesses on the Namibian Economy:**
- It is difficult to assess the Chinese contribution to the national economy, because, firstly, they are presumably not listed on the Stock-exchange, secondly, they rarely respect the national laws, thirdly, nobody is sure whether they bank in Namibia or they pay tax or not. If these allegations are justified as the genuine *status quo* then the Chinese business operations in Namibia could be detrimental to the national economy.
- The Chinese also employ many people who were supposed to be unemployed if the Chinese had not been in Namibia.

HOUSEHOLDS

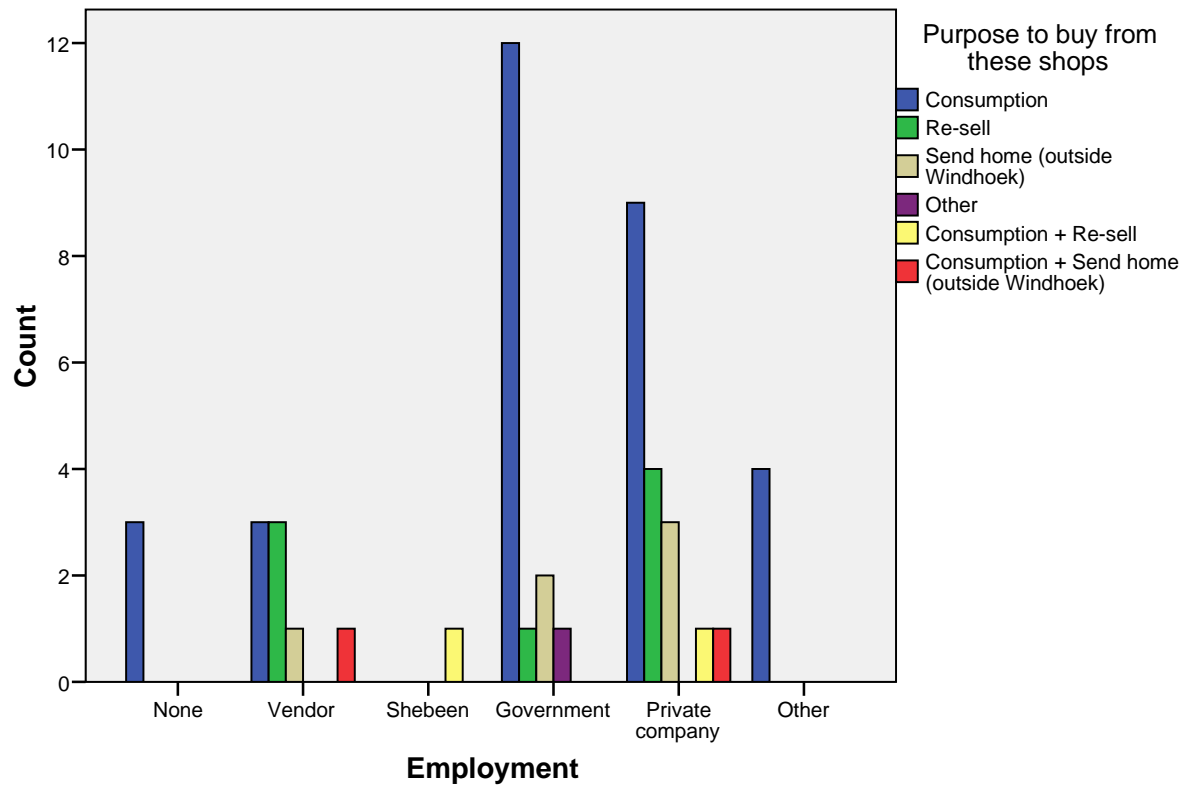
Employment and Favourite Shops:



HOUSEHOLDS

Income and Favourite Shops

Bar Chart



HOUSEHOLDS

Implications of Chinese Businesses in Namibia

- Most respondents were aware of the implications of the Chinese businesses in Africa, SADC and Namibia. The following are the major implications cited:
 - Poor quality of Chinese products
 - Exploitation and disrespect of employees
 - Gradually accessing natural resources, a trend that leads to future exploitations of natural resources
 - Killing of local businesses
 - Money laundering and many people believing that the Chinese are not banking in Namibia
 - Unwillingness to offer permanent jobs
 - They use logos of well known international brands such as Adidas on fake products
 - Population increase

HOUSEHOLDS

- **Namibia's economic benefits from China-Namibia business relations:** About 90% of the respondents indicated that the Chinese businesses are indeed helping Namibia's economy to grow, because the Chinese employ many people
- **Perceptions on Chinese employees:** Almost 100% of the respondents believed that the employees in the Chinese companies are treated unfairly due to:
 - Low salaries
 - No holidays
 - No lunch time
 - No respect of the employees
 - No clear contract with the employees
 - No obedience to the Namibian labour laws
 - Lack off affiliation
 - No pension
 - No permanent jobs

COMPARATIVE DATA LOCAL VS CHINESE EMPLOYEES (RETAIL)

- **Gender:** Significantly, 48.0% females were employed in the local small-scale retail shops compared to 76.0% females in the Chinese retail shops. This indicates that the Chinese retailers employ more women than their local counterparts.
- **Age categories:** All 100% of respondents working in the Chinese retail shops were in the age group of 20-35 compared to 92.0% in the local small-scale retail shops.
- It could be accepted that the Chinese' retail businesses also contributed significantly to the national endeavour of combating unemployment among the youth.
- **Education:** A large percentage of respondents both in the local and the Chinese retailers reached a secondary education level, i.e. 72% for the local and 60% for the Chinese.
- Only 4 of the employees with tertiary education were respondents in the local retailers and 2 of respondents for the Chinese.
- **Language:** 48.0% of respondents in the small-scale local retail shops are conversant in the Oshiwambo language compared to 96% of their Chinese counterparts.
- This implies that the Chinese retailers employ more Oshiwambo speaking than any other ethnic groups.
- **Level of employment:** The local retail employers can have their employees as managers (4.0%), cashiers (64%) as well as shopkeepers (32.0%).
- The Chinese on the hand, all 88% of the respondents indicated to have been employed as shopkeepers and only 12.0% (N=3) of them employed as cashiers.

COMPARATIVE DATA LOCAL VS CHINESE EMPLOYEES (RETAIL)

Cont.

- **Wages:** 76.0% of respondents in the Chinese retail shops have their wages in the range of N\$100-500 per month compared to 44.0% of their local small-scale retailers counterparts.
- 44.0% of the respondents in the local small-scale retailers do have their wages in the range of N\$500-1000, a month, compared to only 16.0% of their Chinese counterparts.
- None of the respondents in the Chinese retailers had a wage in the range of N\$1000-5000 a month as compared to 48.0% of the respondents in the small-scale local retailers.
- The Chinese profit margins based on low prices products may cause this
- **Job Status:** The Chinese retailers have a large number of respondents employed as casual. That is, 68.0% are casual compared to 44.0% of their local counterparts.
- It is cheaper to employ casual employees than permanent employees.
- **Employment conditions:** Only 4.0% of respondents in the local small-scale retailers rated their jobs as unsatisfactory compared to 44.0% of the respondents in the Chinese retailers.
- Most of respondents they are not allowed to speak to their relatives at the workplace
- The language barrier that makes the Chinese employers suspicious of any conversations between their employees and other visitors at their workplace.

COMPARATIVE DATA LOCAL VS CHINESE EMPLOYEES (RETAIL)

- **Employment conditions:** Only 24.0% of respondents in the local small-scale retailers indicated that they were not members of any trade union, social security or medical aid compared to 40.0% of respondents in the Chinese retail shops.
- 64.0% of the respondents in the local small scale retails do have social security memberships compared to a mere 32.0% of their Chinese counterparts.
- None of the respondents in the Chinese retail shops do have memberships of a trade union, social security and medical aid at the same time.
- **Purpose of employment:** About 92.0% of respondents in the Chinese retail shops compared to 44.0 of the local small-scale retails indicated that they only work for survival and it is not their favourite jobs.

CONSTRUCTION INDUSTRY

Comparative Data: Local Businesses Vs Chinese Businesses

- **Wages:** 24.0% of the respondents in the local construction companies as compared to 20.0% of their Chinese counterparts do have wages in the range of N\$100-500 per month.
- Critics to minimum wages indicate that some amount of work prescribed is impossible to finish on indicated time, for example, a labourer to make an excavation of 2 to 7m per day is impossible if the surface is rocky.
- **Gender:** 100% (N=25) of respondents in the Chinese construction companies were male compared to 96% (N=24) in local construction companies. This implies that the construction industry is male-centred.
- **Age categories:** All 92.0% of respondents in the Chinese construction business were in the group of 20-35 compared to 76.0% respondents in the local construction companies.
- **Education:** 80% of respondents in Chinese companies completed primary education and 16% of them secondary education and 4.0% do not have any formal education. In contrast, 28.0% of the respondents in local construction companies completed their primary education and 12.0% of them have tertiary qualifications.
- **Language:** 64.0% of respondents in the local construction companies indicated that Oshiwambo is their first choice of language, followed by 24.0% who preferred Afrikaans speaking compared to workers employed by the Chinese construction business, 96% indicated that Oshiwambo. Indication is that the Chinese construction businesses either prefer to employ more Oshiwambo speaking workers or such workers prefer to Chinese construction companies compared to local ones.

CONSTRUCTION INDUSTRY

Local Businesses Vs Chinese Businesses (cont)

- **Job Status:** Local construction companies, casual employment represented 68% - in the Chinese it is less than 60%.
- **Employment conditions:** Local construction companies - only 28.0% of the respondents are unsatisfied with their employment conditions, compared to 72.0% of the Chinese construction companies.
- **Membership of organised labour and Social Security:** Local construction companies - 80% do not belong to organised labour, 16% belong to a trade union and 4% do have social security membership. Chinese construction business - 56% do not belong to organised labour.
- **Levels of support for Chinese presence:** Local construction companies - 92% indicated that they do not support the Chinese in terms of their contribution to Namibia. The Chinese construction business respondents corresponding percentage is 80%.

KEY INFORMANTS THE GOVERNMENT

- **NAMIBIA INVESTMENT CENTRE**
- The government recognises the positive impact of Chinese businesses on consumer welfare, income distribution and poverty levels.
- There is a minimum wage, especially in the construction sector, but non for employees working in the retailing sector.
- The government supports the presence of the Chinese businesses in Namibia as it equally supports businesses from other countries. There is no justification to oppose the Chinese businesses alone, because that is tantamount to economic xenophobia.

THE GOVERNMENT NAMIBIA INVESTMENT CENTRE (Cont)

- The government also knows that Chinese are penetrating and competing with local SMEs such as by running corner shops, saloons, taxis, it is not fair, but, it is also not right to have the minimum law exclusively for the Chinese.
- The investment policy of the government does not allow that. For example, the Foreign Investment Act No 24 of 1993 (3) (1) stipulates that:
- *Subject to the provisions of this section and the compliance with any formalities or requirements prescribed by any law in relation to the relevant business activity, a foreign national may invest and engage in any business activity in Namibia, which any Namibian may undertake.*
- The Chinese have the right to engage in any businesses activity in the country, unless the Minister finds it incorrect and decides other wise as stipulated in the Foreign Investment Act No 24 of 1993 (3) (4) that:
- *The Minister may, by notice in the Gazette, specify any business or category of business which, in the Minister's opinion, is engaged primarily in the provision of services or the production of goods which can be provided adequately by Namibians...*
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THE GOVERNMENT NAMIBIA INVESTMENT CENTRE (Cont)

- Namibia does not have the manufacturing capacity, hence the local businesspersons only sell products from other countries including China.
- If the Chinese retailers leave Namibia now, the inflation trend will go up due to shortage of commodities.
- The local businesses, especially the SMEs are blocked by obstacles such as the current policies of the financial institutions in Namibia, which are not supporting the local business activities.
- If there is a need for a bakery, but the locals have no money to start with such a project, the government will not have the obligation to block the Chinese who has the money for the project, while expecting the local businessperson to obtain money someday.

THE GOVERNMENT NAMIBIA INVESTMENT CENTRE (Cont)

- The government recognises that the contribution of the Chinese businesses to the Namibian economy is significant.
- At independence only South African companies such as Group Five and Stock & Stock exploited all the construction opportunities in the country. The government had to pay exorbitant price to use them because there was no balanced competition.
- The Speech by the Chinese Embassy (2008) indicates that:
- *"The past year has witnessed rapid growth in bilateral economic and trade cooperation between Namibia and China.*
- *Trade balance between the two countries continues to improve. In the first 7 months of 2008 bilateral trade volume reached 219 million \$US, an increase of 11.4% than last year.*
- *China's export to Namibia was 95 mil \$US, a decrease of 45.7%, and import from Namibia reached 124..4 mil \$US, increasing by 476.8%."*

THE GOVERNMENT ADVISORS - MINISTRY OF TRADE AND INDUSTRY

- There is no cooperation among the indigenous businesspeople to confront new competitors
- In Namibia, SMEs prefer working as individuals or as family businesses without proper strategies of making profits and growth
- Most local small and medium businesspeople do not have skills of pricing goods for profit purposes – in other words it is a turnover issue.
- Their pricing strategy is usually to increase the profit margin unnecessarily that makes their products expensive and reduced the turnover.
- The Chinese on the other hand have their strategies carefully embedded in the profit margin and turnover. They tend to add a small percentage of profits on their products to increase the turnover and to increase their market share.

THE GOVERNMENT

Tender Board

- The Tender Board supports the presence of Chinese business in Namibia because they open the market for increased competition that result in more competitive prices.
- Chinese businesses are competitive in terms of the following:
- - Overall tender pricing are lower because they are 15%-20% cheaper than tenders for similar construction projects
- - Materials and steel are imported from China at much cheaper prices than what is available at the local market, resulting in overall cheaper tender prices
- - Productivity, projects are completed before and on time, which is much better than local construction companies who do not remain in operation during the festive season like Chinese construction companies
- - Completeness of bids received (documentation according to tender specifications) is of a higher standard than local construction companies
- - Technical specifications are on par with South African construction companies and higher than Namibian construction companies
- - Chinese construction businesses do sponsor Namibian students, that is not always the case with local construction companies
- - Competitiveness with every tender, not like some local and South African companies that are only interested in tenders of N\$100 000 and upwards.

THE GOVERNMENT OFFICE OF THE LABOUR COMMISSIONER

- The serious problem causing industrial misunderstanding between the Chinese employers and their Namibian employees is the language.
- The group of individual Chinese who come to Namibia for exploration of business opportunities team up with Namibian job seekers and most of their employees are working for the first time
- Most of the employees in the Chinese businesses are the Oshiwambo speaking and no one knows why so
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- There are practices of employees overworked such as construction work being carried out after sunset, which is contrary to health and safety of the employees (both Chinese and other companies)
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- The Chinese employers do not ask national IDs or birth certificates when they recruit. This results in them employing under-aged children and non-Namibians with no work permits, which is contrary to the Namibian laws.

THE GOVERNMENT OFFICE OF THE LABOUR COMMISSIONER (Cont)

- The intervention from the Office of the Labour Commissioner was also made difficult, because while some people complained about bad employment practices, others begged the Chinese to employ their children as child labour to bring income home.
- It was found that both national and international do not comply with these laws:
 - Affirmative Action
 - Taxation Act, and
 - Social Security Act

- **THE CHINESE EMBASSY**

- There is a lack of a common strategy among the Namibian retailers in the face of international competition.
- The governments of China and Namibia concluded and signed the Reciprocal Agreement on the Protection of Investment in China and Namibia in 2004.
- This agreement laid a solid foundation for the protection of Chinese business in Namibia and the Namibian business in China as well.
- Internationally, the government of the receiving country of the foreign investment, in this case Namibia, has to draft foreign investment guidelines and incentives, introduce and supervise the operation of the foreign investment, collect statistics and calculate the effects that may be brought about, and make the assessment in monetary terms, of its contribution to local economy in other words, the FDI statistics system.
- If any of the Chinese businesspersons does not comply with the Namibian law, it is the responsibility of the Namibian government to deal with them.

TRADE UNIONS

- **Construction Industry Federation (CIF)**
- Chinese businesses show “a total disregard for labour legislation, in particular minimum wages applicable in the construction industry is causing unrest and unemployment in the sector”
- The CIF supports the presence of Chinese companies because “competition is healthy, provided a “level playing field” is guaranteed, i.e. the same conditions and compliance with legislation must apply to all in the tender process”
- The Metal and Allied Namibian Workers Union (MANWU) do have members from Chinese businesses especially from the construction industry and companies that make mattresses are joining the union on a daily basis.
- From the trade union point of view, if, for example, you are paying N\$2.7/h and this payment is made at the end of the day, it cannot alleviate poverty in any way
- The Chinese businesses are reluctant to take permanent employees - they do not allow the Namibians to grow, since there is no skills transfer and no joint ventures.

TRADE UNIONS (Cont)

- **Namibian Wholesale and Retail Workers Union (NWRWU)**
- The Chinese businesspersons prefer their employees paying themselves to trade unions rather than through stop order facilities
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- The membership of the Chinese employees is based on individuals without proper recognition agreement between the union and the Chinese employers
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- The major problem is communication and thus it is difficult to interpret the Namibian laws to the Chinese
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- The Chinese employees are paid fairly meagre allowances and not salaries, which can be reduced when they fail to come to work one day
- The wages that the Chinese pay their employees is not sufficient to impact on poverty. Hence, the status quo is tantamount to unemployment

NAMIBIA CHAMBER OF COMMERCE AND INDUSTRY (NCCI)

- The Chamber supports the presence of Chinese businesses in Namibia for as long as they conduct themselves in a legal and fair manner.
- Chinese businesses have a huge impact on the economy in terms of development and to some extent, competitiveness.
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- The Chinese presence has also caused the closing down of indigenous businesses and fuelled bribery and corruption.
- The problems that Namibia experience in her business relations with China are language (communication) barriers and the offering of bribes.
- The Chamber is aware of the big rejection of Chinese businesses in Namibia by local SMEs.
- The NCCI knows that the “presence of Chinese businesses will not help us resolve poverty and unequal distribution of income.

End

- Discussion