# 1. INTRODUCTION AND BACKGROUND

There are conflicting perspectives on the increase of Chinese business in Africa and in particular in Namibia. This study hypothesized that in Namibia, local communities, political leaders, local business community and workers operate on distinct repertoires, i.e. local communities tend to regard Chinese traders as a most welcomed addition to the local market as providers of affordable goods and services. *Government*, which is a signatory of various bilateral agreements with the People's Republic of China, believes in economic liberalisation and attraction of foreign investment. The local *business community* on the other hand, feels the pinch of market threat by the influx of Chinese businesses in particular in the construction and the retail sector. There are claims of unfair competition by Chinese businesses, in particular with regard to state tenders.

According to this view, Chinese businesses do not have to adhere to the same costly legal provisions as local or South African companies have to, due to political favouritism and alleged corruption benefiting the Chinese. *Organised labour* (trade unions) seems to be concerned by the frequent non-adherence of Chinese businesses to Namibian labour law and affirmative action legislation. There is also evidence that Chinese companies bring along their own low-skilled labour from China, thereby taking away work from Namibians. *Namibian employees of Chinese companies* are expected to compare their situation in terms of pay, working conditions (working hours, annual and compassionate leave, management style etc.), fringe benefits (medical aid, pensions) to their counterparts in other (Namibian and foreign) companies.

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 Chinese economic activity in 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 to Namibia and, on the other hand, minimise the costs and negative impacts of the Chinese expansion into the Namibian society?

## 1.2 Objectives of the study

The purpose of this study is to:

- Investigate the current Namibian policy on Chinese investment and business activities in Namibia
- 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

### 1.3 Methodology

The study will be exploratory using qualitative methods. The study will use a hybrid of data collection that includes face-to-face in-depth interviews and questionnaires. Interviews will be conducted with key informants/stakeholders, selected local construction companies, retail businesses (big and small), workers employed by Chinese companies as well as local residents in a survey approach. For practical purposes the study was confined to Windhoek only.

## 2. BACKGROUND AND CONTEXTS OF THE STUDY

The decade of the 1990s dawned with the end of the Cold War and the beginning of a new order in international relations. The dawning of the twenty-first century extended the transformation with China as a major participant. Africa became more strategic for China's economic and diplomatic focus. From Cape to Cairo, the Chinese shops are growing at a significant rate. Competition between the Chinese and local industries, especially retailers and those in the construction industry, became severe.

For Dobler (2005) local business all over Africa seem unconvinced about the benefits drawn from the Chinese business operations and subsequently, they often see Chinese traders as competitors in difficult markets, and claim that import of cheap Chinese commodities is damaging local production that is usually weak in the first place. The Chinese tend to make use of retailing of consumer commodities imported from China, the business into which most small-scale African business communities usually venture. Unlike other investors, the Chinese businesspeople reach remote African villages. For example, Amosu (2007) expounds that "deep inside the tropical forest of Gabon, 500 miles from the coast, China is going where no other investors dare".

In contrast, Bosten (2006:7) argues that EU and South African contractors also said that they are starting to loose out against the cheaper Chinese contractors especially, in international tenders. This is so, because Chinese international construction companies receive support from government and China's export credit and guarantee agencies - in particular China Export-Import Bank and Sinosure, (Bosshard 2006:1). By implication, Namibian local contractors also are not able to compete with Chinese contractors.

This phenomenon leads to a practical controversy, which Dobler (2005) attaches to a larger one about liberalisation or protection of infant industries in Africa. Seen in this light, China's investment and economic ties with Africa and in particular Namibia, spur more studies.

Hence, this study is structured to examine controversies and benefits evident in current and future China-Africa relations. The main focus is on current economic ties vis-à-vis local competition and consumer behaviour and attitudes within investment-driven African economies. The study used Namibia as a case study and it was conducted in Windhoek.

### 2.1 Background of China-Africa relations

The beginning of China-Africa relations is up to now not clear. However, *Infoplease Encyclopaedia* (2006-2007) marks this beginning from the Bandung Conference, when 29 African and Asian nations met in Bandung, Indonesia in 1955, and where China played a prominent part and strengthened its friendly relations with newly independent African and other Asian nations. This was followed by diplomatic relations between China and Egypt in 1956, Xinhuanet (2006). The first large project of China in Africa was the construction of the 1060 mile Tan-Zam railway linking Zambia to the Tanzanian port of Dar es Salaam, which was completed in 1976 (*Encyclopaedia Britannica* n.d). This cooperation which established China as an alternative partner, expanded and deepened in areas such as politics, trade, culture, education and health especially after the Cold War.

### 2.2 China-African relations: Post-Cold War

For Clapham (n.d) "China's irruption into the Africa scene has been the most dramatic and important factor in the external relations of the continent – perhaps in the development of Africa as a whole – since the end of the Cold War". Evidence in this regard includes as Xinhuanet (ibid) argues the point when in October 1999, then president Jiang Zemin sent letters to heads of states of all African countries that had diplomatic ties with Beijing and even to the then Secretary –General Salim Ahmed Salim of the defunct Organisation of African Union (OAU), proposing convening a Ministerial Conference in Beijing during 2000 promoting Africa-China relations. China then received positive responses.

Consequently, as Amosu (2007) indicates Chinese direct investment in Africa was less than five million dollars a year, in 1991 grew to around US$25 million in 1994, and by 1999 just short of U$100 million. Seven years later, as Amosu, further writes, Wenping director of the African Studies Division in the Chinese Academy of Social Sciences, believes that direct Chinese investment in Africa reached U$1.25 billion in 2006. In support, the BBC News (2006) revealed that "China, which expects annual trade with Africa to total U$100bn by 2010, has long said that it wants its growing trade relationship with Africa to equally benefit both sides".

With the advent of the New Partnership for African Development (NEPAD), China also promised good cooperation and support of this project financially. Hence, the Chinese Embassy in South Africa (2006) reveals that, Prof Mucavele, the CEO of NEPAD Secretariat signed a Memorandum of Understanding on Strengthening Consultation and Cooperation between the Secretariat and the Chinese Follow-up Committee of the Forum on China-Africa Cooperation (FOCAC). Many questions would emerge as a result of growing economic impacts of China's expanding presence. One contentious implication is the context within which NEPAD was formed including those who were involved, i.e. the West and their aspiration. Whether China's close links with African countries would undermine the continental NEPAD strategy of transparency, good governance and peer review initiatives or not is another policy challenge that needs independent investigation. This study examines the extent to which China's presence is supported in the SADC region and in Namibia by the Government, large and small business communities and household consumers.

### 2.3 China Investment in the SADC region

China's interest in Africa has also been felt in the SADC region. Chagutah (2007), for example said, "major electricity generation projects in SADC member countries are being financed by Chinese enterprises as the region looks for ways to escape the energy crunch that has already beset some states". Currently, most of the SADC countries have signed various agreements with China in a quest to increase Sino-Africa economic ties and investment.

Nampa-Reuters (2008:13) quoted Mutati the Zambian Minister of Trade, that fifty Chinese companies plan to invest over US$800 million in a tax free zone in Zambia within the next five years under an agreement that Zambia and China will sign.

In addition, Chagutah (2007) summarised Chinese SADC economic cooperation that:

> The Mozambican government signed a memorandum of understanding with the Export-Import Bank of China for financing the Mepanda Nkua dam and hydroelectric station on the Zambezi River in the province of Tete. The six-year project is estimated at US$2.3 billion and is expected to generate at least 1,200 megawatts. In Zimbabwe, a local firm Ele Resources has entered into a US$1.3 billion joint venture with China Machine-Building Corporation for the construction of three thermal power stations and a coalmine in the Zambezi valley on the border with Zambia. The first of the power plants is expected to be fully operational by the end of 2009. Meanwhile, cooperation between Angola and China is growing as Angola looks for support in its project of national reconstruction while China seeks to secure adequate oil supplies for

> its burgeoning economy. Among agreements related to the energy sector signed between the two countries in March 2006 was an agreement for the construction of a US$3 billion oil refinery in the southern port town of Lobito. The refinery would be built by a new joint venture between the Angolan government run Sonangol Oil Company and China's state-owned Sinopec. The refinery whose construction is set to begin this year will produce 240,000 barrels a day, 80 percent of which will be for export, primarily to countries in the region.

### 2.4 Critics of the Chinese Presence in SADC region

The presence of Chinese firms in the SADC region prompted an anti-Chinese back-lash in the region. These perspectives among the Zambian businesspersons' perspectives may be interpreted in fear of imbalanced trade once mentioned by Nyerere. But even then it was an unequal relationship, as Mwalimu Julius Nyerere readily recognized. Tanzania-China relations, he conceded, were between "most unequal equals." It is more unequal now because China is a lot stronger economically and otherwise than it was a generation ago. This leads some to view China's economic dealings with Africa in terms of imperialism (Zeleza 2007). According to Chagutah (2007) small and medium enterprises across the region have found it increasingly difficult to cope with competition brought by Chinese imports.

Meanwhile textile manufacturers have called for protection of local industries which are struggling to remain viable in a market flooded by cheap Chinese imports. They claim that if China's presence is allowed to grow in the local market they will be left with little option but to lay off their workers.

Despite defiance and critics of the companies in the SADC region towards increase of Chinese business competitions, the SADC member states prefer Sino-African economic cooperation over and above Western influences. China, on the other hand as Chagutah (2007) argues, sees her presence in Southern Africa as purely developmental. China usually reinforces her standpoint based on her peaceful diplomatic policy of mutual respect to sovereignty and integrity, non aggression, non interference in each other's affairs, equality, mutual benefit and peaceful co-existence," [Zhanbin (2007) quoted by Chagutah (2007)].

### 2.5 China's investment in Namibia

The "flying geese" pattern of industrialisation experienced in South East Asia, meaning that successful Chinese business people usually move on other venture repeats itself in Namibia" (Dobler 2005 quoting Beäutigam 2003). In Namibia, the Chinese business approach is a hybrid of retailing and construction ventures.

In the early years of Namibia's independence the Chinese business focus was on small items such as clothes, shoes, toys, toasters and small electronics, but now they have made a big leap to penetrate the construction industry with significant focus on big government projects. According to Yan (ed) (2006) as quoting Muheua "many public facilities in Namibia, including stadiums and roads, are built with aids from China". Another example, "the Chinese government has made N$50 million available for the construction of the State House project," (Namibia Press Agency (NAMP) as quoted in the New Era of 30 May 2007). Sasman (2007) confirmed that around 20 agreements were signed between China and Namibia in four years time.

Moreover, China's interest in Namibia is not confined to construction and retail industries only. The banking industry is also touched although not very significantly. Recently, as Kakololo (2007) expounds, one of the Chinese leading financial institutions known as the Industrial and Commercial Bank of China (ICBC), acquired a 20 percent stake in the Namibian Standard Bank. One could argue that China's assistance could be perceived as reciprocal. China receives support from Namibia on various international issues such as the Taiwan question that concerns China's sovereignty and territorial integrity.

China's economic and business role in Namibia is confronted with mixed feelings. An experiment in the United States of America by Bongiorni and her family in 2005 to live "a year without made in China" reflects a correct analogy applicable to Namibia (Nampa/AFP in New Era 2007:5). According to Nampa/AFP (2007), Bongiorni's experiment proves that "we can live without Chinese imports, but swearing off Chinese products forever seems impractical." She further said, "during her year-long experiment, she ended up spending almost 70 dollars for tennis shoes of her son, compared to 10 to 15 dollars for those from China" (Nampa/AFP ibid). In Namibia one finds the same thing. In practice the Sino-Namibia relationship is not supported or rejected by all. Consumers talk of cheap prices for Chinese products, investors talk of imperfect competitions, while the trade unions talk of poor labour practices. Informed by these debates, the following sections will seek clarity on issues of retail investment, competition, consumer goods availability and price, labour practices and Affirmative Action practices in the Namibian context.

# 3. THE RETAILING INDUSTRY IN NAMIBIA

## 3.1 Retail as a national and international concept

For Wikipedia (2008), retailing consists of the sale of goods or merchandise from a fixed location, such as a department store or kiosk, or by post, in small or individual lots for direct consumption by the purchaser. Alexander (1997) refers to retailing as “retailers that are the final commercial link in the distribution chain. They sell to the final consumers or to customers who may not themselves consume the final product but who will not offer the product to resale”. International retail on the other hand as Alexander (1997) quotes Dawson (1993), refers to retail operations owned by a single company, in more than one country.

Given these definitions, this study contextualises the debate of the current retailing situation in Namibia within the existing business realms of the South African retailing situation. South Africa’s economic hegemony in the region overshadows all retailing activities not only in Namibia but in the whole of Southern Africa. To be frank, apart from the Chinese, all 100 percent of large and medium retailing companies visited during this study in Windhoek indicated that they were from South Africa, although some of them have Namibian shareholders and listed on the Namibian Stock-exchange (see interviews below). When it comes to operating in competitive retail market in South Africa, a question of Chinese retail businesses is also fundamental in that country. The South African government’s proposal for restricting quotas on the cheap Chinese textile imports to help shore up the ailing local textile industry was confronted with mixed perspectives.

According to Reuters (2006), the top shopping chains Woolworths, Edgars Consolidated Stores (Edcon), Mr. Price, Foschini, Truworths and unlisted Pepkor jointly criticised that restricting Chinese imports could boost prices for some clothes by 20-25 percent. By the same token, SABCNews (2006) explicates that debates is still raging over the trade and industry department’s proposed limit on Chinese clothing and textile imports to South Africa.

Moreover, South Africa’s trade unions claim that the quota will create more than 50 000 new jobs. The textile industry, on the other hand, argues that the quota could lead to price increases and stock shortages in the country (SABC News 2006). Michael (2006) quotes the World Bank, which alludes to the fact that “despite the outcry from many of the African countries against cheap Chinese imports, a new study by the World Bank says the presence of Asian giants in Africa holds a great potential for growth and job creation on the continent”. This argument creates the necessity of looking into the importance of Foreign Direct Investment within the context of the retail industry.

### 3.2 Retailing and Foreign Direct Investment (FDI)

The important theme of literature in this study is the direction of international retail activity. In this respect, this has currently grown out of early concern to identify international opportunities, and the influx of non-domestic retailers in the Namibian market. Since all countries are competing for FDI in the current waves of globalisation, Namibia is not an exception.

For Wikipedia (2007) Foreign Direct Investment (FDI) is defined as "investment made to acquire lasting interest in enterprises operating outside of the economy of the investor." Wikipedia further explains that the FDI relationship consists of a parent enterprise and a foreign affiliate which together form a Multinational Corporation (MNC). In this connection, it invites investigations on the current penetration of Chinese retailing businesses as part of positive FDI in Africa and Namibia. Although this could have some negative connotations, some benefits could also be drawn in allowing FDI in the retail industry.

In India for example, the attractiveness of the Indian retail sector, made the foreign retailers like Wal-Mart, Carrefour SA, Europe's largest retailer, and Tesco Plc, the UK's largest retailer, keen to enter this growing market, despite the Indian retail sector being closed to FDI. Therefore, the Indian Investment Commission suggested that 49 percent FDI be allowed in the Indian retail sector with restrictions on the number of outlets or location of stores (Business Insight International 2001). Within the European Union (EU), retailers have also followed these patterns. UK retailers have expanded into the Republic of Ireland, the Netherlands and France, all geographically proximate markets, and into Canada and North America markets, which are perceived to be culturally proximate (Alexander 1997). With reference to this argument, it could be concluded that the expansion of the Chinese retailers into the Namibian retail sector is not a unique phenomenon and that FDI within the retailing business also has a positive contribution to economic growth. However, the question remains whether the Chinese retailing business could be regarded as constructive FDI that makes the Namibian retailing industry prosper.

According to the UN (in Wikipedia 2007) FDI refers to when the parent company has minimum control in this case as owning 10 percent or more of the ordinary shares or voting power of an incorporated firm or its equivalent for an unincorporated firm; lower ownership shares are known as portfolio investment. This means that a certain degree of joint venture is observed between the foreign investor and the local partners. Hence, this normally is not the case with the Chinese retail business in Namibia. Although the Chinese business have a profound presence in the retailing industry in Namibia, it is not clear whether they share business with local Namibians, whether they have public companies registered at the Namibian Stock exchange, and in addition, to what extent they pay tax and to what extent they make use of banking facilities in Namibia.

### 3.3 The theories of retail

It is worthwhile to examine the concept of retail by highlighting some of the important theories of retail. Udiania (n.d) explains that the retail canvass keeps changing continuously due to:

- Changing customer requirements
- Economic development
- Falling borders
- New technologies and entrepreneurs

Traditionally, Namibia's retail industry was dominated by the South African retail companies and consumers' choice was more on South African products. The dynamics of mushrooming Chinese retail business in Namibia's retail industry have catalysed a prominent paradigm change. In this context, studies on the present and future retail industry in Namibia should be correctly integrated in the theories of retail inherent in the international context. In this regard, this study found only two of the important retail theories relevant to the interpretation of recent retail changes in Namibia. These theories are: the wheel of retailing and the accordion theories.

According to Udenia (n.d), the wheel of retailing theory informs that retailers enter the business at fairly low status, low prices and low cost operations. This helps them to compete with existing retailers and when they succeed they acquire more sophisticated and elaborate facilities. Finally, they mature as high cost, high price retailers who become vulnerable to new entrants.

The retail accordion theory on the other hand, as Udenia (n.d) indicated is centred on the concept of trading up, whereby retail development is linked to human habitation, expands with a geographical expansion of a society, starting with general stores neighbouring localities to specialist stores. These specialist retailers when matured start adding variety and become general stores. This means that if the retail business grows bigger, it makes room for potential newcomers at the bottom end of the industry. With this reference, the Chinese retail businesses in Namibia are at this stage characterised as being cheap shops and pro-poor. The trend may soon or later change and the Chinese retailers would gradually increase prices and even the quality to a more mature level. If this is the potential reality, are the Namibian small retailers ready to occupy the bottom end as newcomers? A concern is that when the Chinese retailers reach the mature level at which they compete with other retail giants such as Edgars, Woolworths, Truworths, Markhams and Foschini, other Chinese small retailers could come to occupy the bottom end and the cycle would persist at the expense of local retailers. Also note interviews below, especially with Pakote from the Investment Centre, where the issue of lack of capacity is emphasised as the stumbling block for the local business enthusiasts to start businesses.

## 4. INTERVIEWS WITH STAKEHOLDERS IN WINDHOEK

Windhoek is the capital city and the economic and buying centre of Namibia. According to the National Planning Commission (NPC) Population and Housing Census (2001), Windhoek urban area has a total of 223 364 residents. According to the seven year old Census, there were 53 428 households, with an average size of 4.2 people per household. This purchasing power is shared between competitive retailers of small, medium and large segments predominantly from South Africa and China. The Chinese retail businesses seem to have strong presence within the lower level of the retailing business and compete more with small scale retails including hawkers that are basically run by the Namibians. One conclusion drawn from this reflection is that the current retail battle in Namibian is predominantly between the small scale retail companies and the Chinese rather than with the larger South African retail companies. The Namibian retail companies engage in small scale business and mostly retail the products from South African retail companies or from the Chinese. The following results from interviews with local small retailers have confirmed this reality.

### 4.1 Respondents: Local Small Retailers in Windhoek

#### 4.1.1 Support of Chinese retail companies in Namibia

Five (5) owners of small retail shops around Windhoek were interviewed. On the question whether they support the presence of the Chinese retail shops in Namibia and Windhoek in particular 60% of the respondents did not support the presence of the Chinese retailers in Namibia because of the following reasons:

- They sell products of poor quality
- They exploit their workers
- They exploit the business opportunities and places of the small Namibian retailers.

However, the remaining 40% of the respondents support the presence of the Chinese retailers in Namibia with the main reason that the Chinese sell their products at affordable prices. The poor people who cannot buy expensive goods from other shops buy the Chinese products, instead. This conforms to the general theory of market liberalisation.

#### 4.1.2 Similarities of retail products

Small retailers were also asked whether they sold products similar to the Chinese'. The result was 60% of the respondents were negative. They particularly engaged in selling items such as sweet, snacks, toilet papers, beverages, groceries and homemade products, which the Chinese do not sell. The Chinese retailers concentrate on textiles, toys and to some extent appliances. This constitutes the basics of the difference between the Namibian small retailers and the Chinese.

### 4.1.3 Chinese Threat to small Namibian retailers

Further inquiry made was about a threat that the Chinese retailers might pose to the local small retailers and hawkers. The result was that 80% of the respondents who sell products similar to the Chinese' affirmed that there was a serious business threat, because the Namibian small retailers had lost their customers to the Chinese.  t present most of their customers opt to buy the Chinese products regardless of quality because they are very cheap, though not cheap and cheerful. In Namibia, it is a question of price rather than quality that determines the interest of one to purchase a product. Customers are not always influenced by other variables such as good presale service, business environment or value to buy products, but the major determinant factor is the price of the product.

### 4.1.4 The effect of the Chinese retailers on the Namibian Economy

All respondents were sceptical about the contribution that the Chinese retailers make to the national economy. They argued that the Chinese pay meagre salaries to their Namibian employees, and take the big chunk of profit to China. The respondents further argued that it is still not clear whether the Chinese retailers pay tax or not. Their banking behaviour is another issue. The respondents are of the conviction that the Chinese retailers do not bank in Namibia, hence it is not justified to support the notion that their contribution to the national economy is significant.

### 41.5 The Chinese Retailers – pro-poor or pro-rich

The respondents were asked to express their views on the general perceptions that the Chinese retailers are pro-poor because they sell their products at more affordable prices than their local or South African counterparts. Almost 99% of the respondents rejected the perception that the Chinese are selling cheap products to the poor. They argued that what the nation fails to understand is the problem of indirect cost. Of course the poor people buy cheap products from the Chinese retailers which are not durable. The customers of the Chinese retailers spent a lot of money by commuting regularly to the Chinese shops to buy the same products. They cited an example of buying a pair of shoes that last less than a month and come another month the same poor consumer returned to the Chinese retailer to buy another pair. The respondents concluded that this cannot be perceived as a cheap price, because a high indirect cost is attached to it, which would also include environmental concerns such as littering.

### 4.1.6 Buying Chinese products for resell

The respondents were inquired whether they buy items from the Chinese retailers to resell. Almost all respondents (99%) indicated that they buy items from the Chinese retailers to resell at higher prices. They argue that there are some places, especially in the rural areas where the presence of Chinese retailers is limited. The local retailers exploit those opportunities by buying products from the Chinese and resell them at higher prices. It becomes a paradox, although the respondents denounced the Chinese products as being of poor quality, yet they also sell them to other people in communities living in remote rural areas at higher prices.

### 4.1.7 Competition

On the question whether the Chinese retailers are good for competition in Namibia or not, 60% of respondents agreed that competition is always healthy to business in the country. Hence, there is nothing wrong to compete with the Chinese retailers. However, 40% of the respondents do not support competition between the local companies and the Chinese. They argue that it is unfair to compete with a foreign retailer whose products are very cheap and of poor quality. The fact is that many people prefer buying from the Chinese rather than from the locals because of the price, and because the Chinese are more innovative. They often introduce unusual products to the customers and this may attract more customers to buy from them. Therefore, the competition, in this regard is imperfect.

### 4.1.8 Small Retailers: General suggestions

All respondents (100%) were against the presence of the Chinese retailers in the country. They argued that the government is not 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.

It is essential for the government to put in place strict measures on the Chinese in terms of business operations. They also feel that the number of Chinese nationals is increasingly unabated, a trend that raises concerns that Namibia will soon become a second China. This creates another level of argument. This study found different opinions with regard to retail business in Namibia. For example, 99% of respondent business leaders in Windhoek indicated that Chinese retail businesses are not economically favourable to the country. This means that the Chinese retailing ventures have created a situation of imperfect competition being negatively affecting consumer choices and employees' remuneration and working conditions. The opinions of larger non-Chinese retail companies in Namibia are detailed in the next section.

### 4.2 Respondents: Large-scale retail companies in Windhoek

Within the global debate, Mboweni (2007) said that most commentators attribute the recent escalation of commodity prices to the increase in demand for raw materials by China in the wake of this country's ongoing economic growth and industrialisation. Mboweni further identified that two factors are frequently mentioned as part of the explanation of China's impact on global commodity prices. Firstly, China's large population of over 1,3 billion and the associated large pool of unskilled labour have contributed to increased competitiveness and has led to China being the leading manufacturing production centre of the world. This has in turn maintained the high demand for commodity inputs in manufacturing

Secondly, China's industrialisation comes at a time of ongoing globalisation, which has contributed globally to an overall demand for commodities. In this vein, this study solicited opinions from various large retail companies in Windhoek in respect of competition, price and quality factors within the Namibian retailing industry. The study focused on Edgars, Foschini, Markhams, Pepstores, Truworths, HIFI Corporation and Mr Price.

#### 4.2.1 Attitudes towards Chinese retailers in Namibia

The managers of Edgars, Markhams Pepstores, Truworths, Foschini and Mr Price acknowledged that the Chinese retailers are good to keep local business more competitive. Without them, selling goods at lower prices, competition would be less and price inflation would increase. The market regulates prices, because giant retailing companies cannot increase their prices fearing that they would lose customers to the Chinese. However, the manager from the HIFI Corporation has different opinions, namely that the Chinese are selling a “bunch of scrap,” therefore their presence within the Namibian business fraternity should not be appreciated.

#### 4.2.2 Selling of same brands

The respondents were asked whether they also sell products similar to the Chinese’. It transpires that 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. However, all managers indicated that, their customers are not the same. Chinese customers are quick fixers and are not formalised.

In confronting the current competition from the Chinese, large retailers have introduced a business strategy of segmentation. This means that large retailers in Namibia have organised themselves into groups of retailing businesses, for example EDCON which includes, (a) Edgars, (b) Jet, (c) Discom and (d) CNA. Truworths also formed a business chain with Identity, while Markahams, Foschini, American Swiss, etc. is another chain. They target middle and high income customers and they provide credit to their customers. In this regard, they do not feel direct competition from the Chinese retailers. Within this strategy, Edgars for example, focussed on the middle and upper segment which is not a focal point of the Chinese retailers.

#### 4.2.3 Business Threats Posed by the Chinese Businesses

The study also calls into question the way the large retailers in Windhoek are threatened by the Chinese retailers. As alluded to above, the only large retail companies badly affected by the Chinese retailers are Pepstores. These are the only shops that sell almost the same products within the price range of the Chinese. Jet and Discom on the other hand are part of a discount division of EDCON and their targets are middle to lower income target groups. Their competition with the Chinese retailers is also somewhat high. CNA which is mostly dealing with books competes with the Chinese to a small extent, especially in selling DVD games, TV games and movies. HIFI Corporation also faces the same level of competition with the Chinese retailers by selling items such as small portable radios and TV sets. According to Ndjavera (2008 interviews) the threat that the Chinese businesses posed to the local Namibian large retail businesses was significant in the first three years of their arrival, but now it has drastically diminished. Many people are today complaining of the poor quality of the Chinese goods and hence the interest in buying Chinese products is dramatically decreasing.

#### 4.2.4 Effect of the Chinese Businesses on the Namibian Economy

By questioning the effect of the Chinese businesses on the Namibian economy, the key informants from Edgars, Truworths and HIFI shared the same sentiments. They all argued that 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, fourthly, nobody is sure whether they bank in Namibia or if 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.

However, opinions from Pepstores and Mr Price reflect otherwise. They indicated that the Chinese also employ many people who would have be unemployed if the Chinese had not been in Namibia. The small amount of money that the Namibians get (that are employed by the Chinese), is ploughed back in the Namibian economy. In addition, the SMEs in Namibia or small retailers and hawkers also buy in bulk from the Chinese wholesalers to resell. Subsequently they create another level of competition amongst themselves, with the effect that the Chinese retailers that are good for the national economy.

### 4.2.5 Chinese Business being pro-poor

The study investigated the existing assumptions that the Chinese’s retailing businesses in Namibia are indeed pro-poor. Although all respondents agreed that the Chinese products are cheaper than those of the South African or Namibian retailers, reservations were also raised about other variables such as quality. More than 90% of respondents argued that Chinese products could be treated as expensive, because the quality of their products is too low. In addition, large retailers such as Edgars, Jet, Markhams, Foschini and HIFI, give credit to their customers on easy terms which even poor people can afford paying back every month, which is not the case with the Chinese. However, counter arguments from the Consumer News as in Heita (2008), reflects that, not all people can afford buying clothes on credit, hence the Chinese, especially at Oriental Plaza and China Town in Windhoek sell anything imaginable from blankets, clothes and shoes to furniture, solar panels and even 220-volt diesel generators with a mere N$2000 price tag. In this regard the Chinese could be regarded as pro-poor competitors.

Pepstores does not provide credit to their customers, but poor people may still buy their products through a lay-buying system. That aside, all respondents shared the same sentiments on the point of quality. They argued that their businesses have a “guarantee money back” policy on their products, while the Chinese do not provide such guarantee on their products. In this regard, one may conclude that the Chinese retailers themselves have little confidence in the quality of their products, therefore, they do not offer a guarantee.

### 4.2.6 Selling products from China

The existing evidence shows that large retailers in Namibia are also selling some products from China. Based on this, the study inquired about the issue of quality in this regard. The crux of the argument was on the difference between the products made in China sold by the Chinese retailers and other products made in China sold by Edgars, Foschini, Markhams, HIFI and Truworths. The respondents refuted the misconception that China does not produce products of high quality. Pote of the Consumer News in Heita (2008) also shared the same views that, “part of the market attitude towards Chinese products is based on the perception that any product from China is inferior”. Pote further argued that “today many products are manufactured in China, hence not all products made in China are of poor quality”. However, to protect the image of their companies they buy their products from the internationally well established Chinese producers. In contrast, Chinese retailers in Namibia sell every product made in their country, which most probably would be or were rejected in other countries in the world. This proves true to the interpretations that it is easy to sell products at the lower end of the quality range to African countries where very limited regulation of product standards exists.

### 4.2.7 Competition

On the question whether the Chinese retailers are good for business competition in Namibia, the respondents from large retail companies in Windhoek differ from the small retailers. Apart from Pepstores, all respondents are of the opinion that the Chinese retailers pose a minimal threat to their business if any. As stated above, since Chinese retailers focus more on the lower income level group, their threat is also contained at that level. However, Chinese businesses, in whatever form, are good for competition.

### 4.2.8 Suggestions

From the interviews it transpired that in a perfect market, increase of retail business should be in proportion with the level of population growth. If the segment of business is overloaded then a negative result is eminent. Whether the Namibian buying power is significant enough to carry the increasing retailing sector including the Chinese, is not clear. Another concern was about the Chinese style of recruitment. The Namibian policy on foreign retailers requires that investors should employ at least 90% Namibians. This is often not the case with the Chinese. They bring employees from China even for jobs that require limited skills. Namibia needs secondary industries to increase value added activities – this means that they should embark upon establishing factories in Namibia and produce goods in Namibia. Another concern is that the Chinese retail businesses in Namibia do not include social responsibility activities in their business plans. These retailers do not support social events such as sport or study schemes for young Namibian students. This is an indication that the Chinese retailers do not take Namibia's development as their primary concern.

## 5. INTERVIEWS: HOUSEHOLDS

The accelerated influx of migrants into Windhoek after Namibia's independence causes progressive settlement growth and poverty (the World Bank 2002). During 2001 almost 30 percent of the population living in Windhoek, including nearby Katutura, live in informal, unplanned communities, in sub-standard structures on un-surveyed land without legal titles (the World Bank 2002). For local small-scale businesses, these communities were historically their target market. However, a paradigm shift in terms of market competition occurred with the arrival of the Chinese competitions in Namibia targeting the same segment of market. This striking tide of business change was seized upon with mixed feelings by the communities and local business communities in Windhoek and Namibia in general.

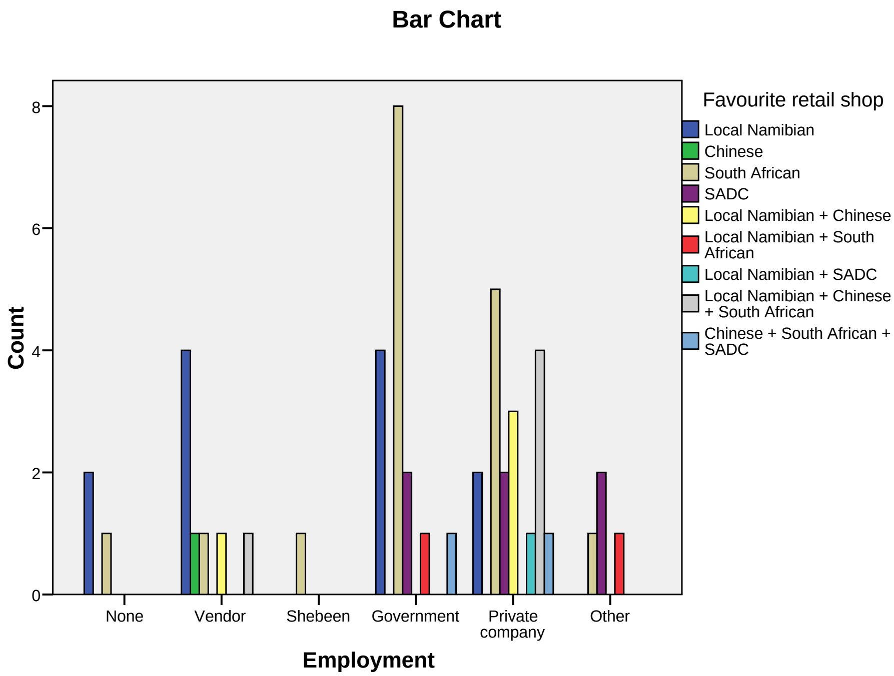
Recognition of the importance of using households' experiences as resources for business behaviour analysis has obviously implications for social structures of employment types and levels, education and income. Against this background, this study does not investigate the nature of business itself, but it concentrates on new business dynamics pursuant to the advent of the Chinese businesses and their meteoric mushrooming. In order to do this, interviews in a form of a survey were conducted among household consumers in the City of Windhoek that includes Katutura.

### 5.1 Respondents: Household Consumers in Windhoek

#### 5.1.1 Employment and Favourite Shops

In pursuing the analysis of change in the Namibian business landscape, this section inevitably concentrates on links between employment and shopping choices. The hypothesis in place portrays that there is a link between one's employment type and his or her choice of shopping centres. In the previous section the managers of large-scale businesses in Windhoek (see one of the above paragraphs) also hinted that employment types determine the categories of their customers in the market. For the purpose of this analysis, the major employment groups used are: Government employment, self-employment or vendor, employment in private companies and none (see Figure1 below).

**Figure 1: Household Consumers: Employment and Favourite retail shops**




*Source: Interviews 2008*

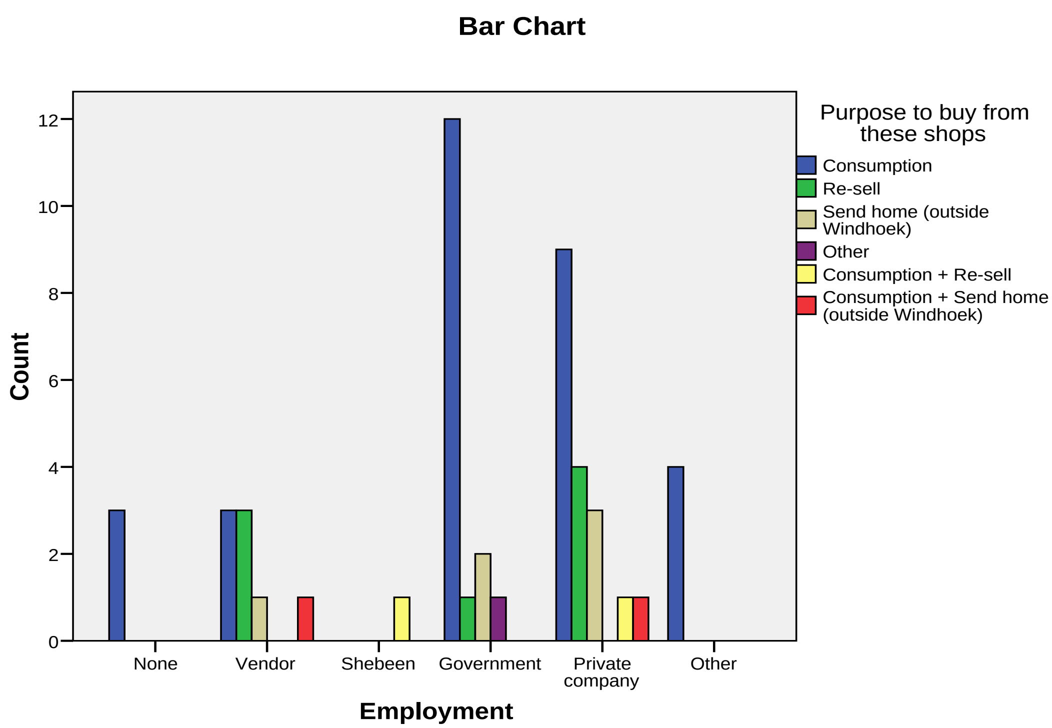
Drawing from Figure 1 above, about 80% of government employees buy more from South African originated large-scale shops such as Edgars, Truworths, Fonschini, Markhams, Jets and so forth. These findings tally with information provided by key informants from the large-scale retailers in Windhoek (see one of the above sub-paragraphs). The respondents share the same sentiments that they prefer buying from the South African originated retail shops because of the quality of their products and easy terms such as credit facilities or by credit or deposit cards ,which are not found in other shops including the Chinese. In contrast, 50% of small-scale vendors prefer buying from local shops and 12.5% of them portray a hybrid of Chinese and South-African originated retail shops.

In addition, 27.8% of respondents employed in private companies buy from the South African originated retail shops and only 16.7% of them buy from both the South African and Chinese retailers. Across the board, only a small percentage of the household respondents ranging from 2% to 4% buy their products from local retailers. In the light of this, the study may conclude that the South African originated retail shops remain the favourites among the respondents. Furthermore, since the public sector in Namibia is the largest employer, they would remain dominant employed customers of the retailing industry in the face of local small-scale and the Chinese retailers in the country. However, this finding cannot be automatically generalised over the whole of Namibia, because most of the South African big retail companies such as Edgars, Markhams, Fonchini, Truworths and HiFi Corporation are predominantly concentrated in the south and the middle of the country and on Walvisbay and Swakopmund. This implies that these shops are not found in the northern and eastern regions of Namibia and the consumers regardless of employment type are left with three options, i.e. either to buy from the Namibian small-scale or from the Chinese retailers in their proximity towns or to commute to the south for shopping.

### 5.1.2 Employment and Purposes of buying from Favourite Shops

Apart from employment categories discussed in subsection 5.1.1 above, the nature of employment also determines the purpose of individual households to buy from particular shops. For example, the government employees normally buy from the South African retail companies for consumption purposes only. The self-employed such as vendors and shebeen owners buy from the cheapest retailers for reselling purposes. Figure 2 below indicates these differences and dynamisms as follows.

**Figure 2: Household respondents: Employment and purposes of buying from favourite shops**




*Source: Interviews (2008)*

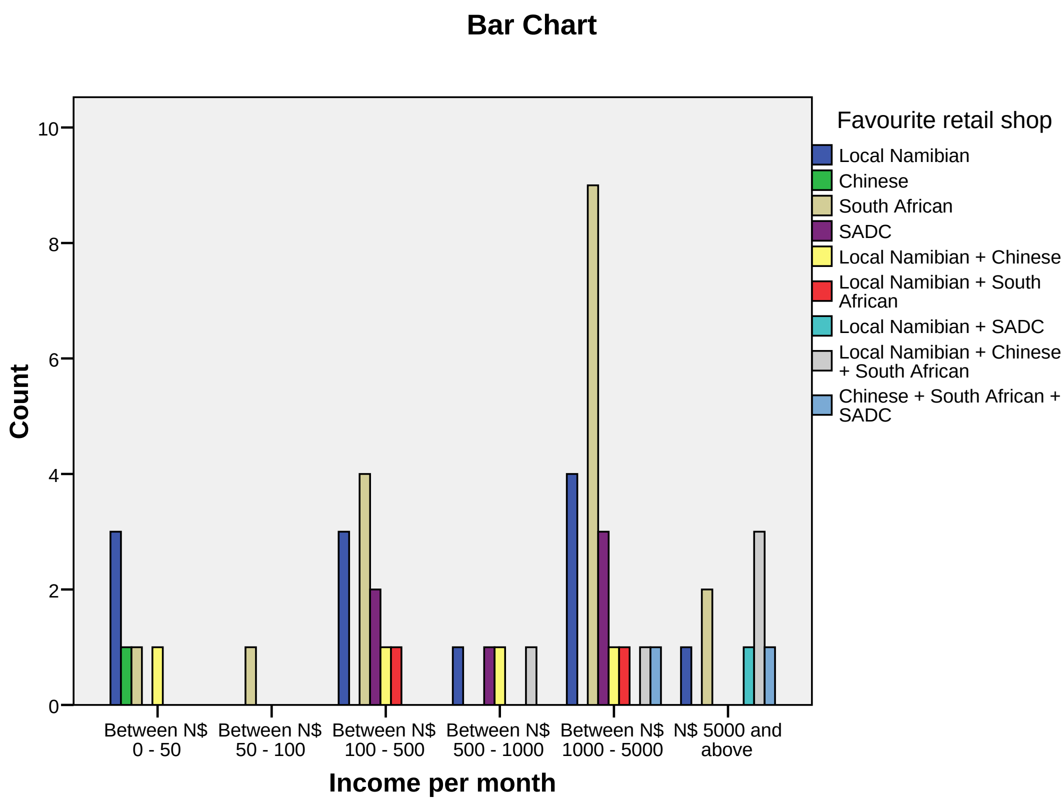
It is clear from Figure 2 above that the purpose of buying from a certain market is a function of employment sector of the individual. More evidently, more than 30% of unemployed individuals (indicated as none) purchase products for consumption purposes only. Vendor respondents portray a hybrid of purchasing purposes such as for consumption, resell and send home as remittances to families. Shebeen owners buy for consumption and resell respectively. As alluded to above, the government employed respondents indicated that they predominantly do their shopping for consumption purposes and to a lesser degree to send home or resell.

Most respondents across the board buy items such as bottles of beer for resale, therefore government employed respondents were not an exemption. In addition, it is also correct to argue that the majority of employees in Windhoek are either migrants from other regions or have their relatives in other regions or in rural areas, thus another dominant reason to buy from a certain market segment is to send bought products home. Government employed respondents also reflected this purpose. In addition, this was echoed by respondents employed in large scale private sector organisations such Insurance Companies, Banks, Large retail shops and Non-Governmental Organisations.

### 5.1.3 Income and Favourite Shops

The point of linking the employment sector to the individual's purchasing choice remains somewhat vague. Arguing from the holistic perspective, many and diverse factors influence purchasing choices of an individual household consumer. In this discussion, 'price' and 'income', are among others significant factors. The most important factor that influence the consumer's purchasing choices is the 'price'. However, linking the 'price' to the individual's income may lead to another level of conclusion. Meaning that, the consumer's income influences greatly his or her choice of the product or shopping centres. Those with high income are less influenced by prices, hence they can buy from any shop where they find attractive products. Figure 3 below justifies this fact.

**Figure 3: Household respondents: Income and Favourite Retail Shops**




*Source: Interviews 2008*

It is evident from the statistics above that most respondents, i.e. 30% with income between N$0 and N$50 buy from local small-scale Namibian retailers especially food and drinks such as '*vetkoeke*', meat and home made drinks and other items including, caps, knives, radio batteries, and less than 20% buy from the Chinese, South Africa or from both the Namibian and Chinese retailers.

As income increases as in Figure 3 above, so the consumer's purchasing behaviour also shift in favour of the South African large-scale retail shops. For example, with income between N$1000 and N$5000, more than 85% of respondents buy their products from the South African originated retail shops and only five percent of them buy from the local and the Chinese retailers. In addition, around 30% of respondents with income above N$5000 favour buying from the local, South African and even the Chinese retailers. This implies that their purchasing range is broader than that of lower income respondents. Their purchasing range include local small-scale, Chinese and upper-level retail segments.

### 5.1.4 Implications of Chinese Businesses in Africa, SADC and Namibia

Despite the broad acceptance of the fact that the Chinese retail businesses contribute immensely to employment opportunities in the country, there are questions as to how their employment absorption can impact given current criticisms. By mentioning criticism, one should investigate outside the box to establish the extent of validity these criticisms have. Awareness of the implications dogmatically attached to the operations of the Chinese retail businesses in the country was used as a variable of investigating among the household respondents (see statistics below).

**Table 1: Awareness of the implications of Chinese Businesses in Africa, SADC, Namibia**

| | **Number of respondents** | **Percentages** |
|---|---|---|
| Yes | 33 | 66 |
| No | 16 | 32 |
| Neural | 1 | 2 |
| Total | 50 | 100 |

*Sourse: Interviews (2008).*

From the data reflected in Table: 1 above, one can easily come to the conclusion that most respondents in Windhoek were aware of the implications of the Chinese businesses in Africa, SADC and Namibia, namely 66%. 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 exploitation of natural resources
- Killing of local businesses
- Money laundering and many people believing that the Chinese are not banking in Namibia, Africa or SADC
- Unwillingness to offer permanent jobs
- They use logs of well known international brands such as Adidas on fake products
- Population increase because the Chinese come with their families and sometimes they have children with Namibians.

Although the respondents have identified all these implications associated with the Chinese businesses in the country, the challenge remains that their awareness is not adequate. Meaning that their understanding and awareness are limited by other factors such level of education. For that reason, it transpired that the respondents could not even make a difference between the Chinese nationals and the Malaysian and other Asians. To them all Asian nationals similar to the Chinese are regarded as the ‘Chinese’. For example, the respondents also referred to the failed Malaysian textile factory popularly known in Namibia as Ramatex, as a Chinese project. Consequently, most respondents attach the blame of the failure of this project to the name of the Chinese.

### 5.1.5 Namibia's economic benefits from China-Namibia business relations

Critics argue that the contribution of the Chinese businesses including retailers to the Namibian economy is not significant. Against this background, and in view of the need to investigate trends and prospects of the China-Namibia business relationship, the economic benefits to Namibia are crucial. One imperative question was about the degree to which Namibia has benefited from these relations. A large number of the household respondents indicated that these business relationships are vital for the health of Namibia's economic and social development.

Of course, a small number of respondents had no knowledge about the answer to this question, but about 90% of the respondents indicated that the Chinese businesses are indeed helping Namibia's economy to grow. The point to make here is that, the Chinese employ many people who would not have been employed had the Chinese not been here. Most of the poor and uneducated people are currently employed by the Chinese and thus they can spend that money in the Namibian economy. Although, there are some feelings that the Chinese do not pay taxes, there are also some views that they are paying taxes just like all other businesses in the country. If the latter is the case, this should also be regarded as a contribution to the national economy.

Moreover, the household respondents also affirmed that Namibia is a developing country which is in dire need of FDI to develop. Therefore, investors that Namibia needs, include the Chinese. "We need transfer of technology and expertise, and we can only get these if we are not economic xenophobic", one respondent argued.

### 5.1.6 Perceptions of Chinese employees

The survey for this study has established that the two major malls for the Chinese businesses, i.e. the Hong Kong Park and the China Town Manufacture & Wholesale Centre in Windhoek's northern industrial area, employ more than 170 local people. However, the question here is not only the number of people employed, but the general condition of employment is also one of the most important variables. In Namibia, one of the general public's presuppositions was that the Chinese businesspersons treat their local employees with discontent. The analytical validity of this presupposition is justified further when trying to establish a link between the assumptions and the empirical data from the household respondents. When asked about the general conditions of the local people employed in the Chinese's businesses, the household respondents expressed discontent with the way the Chinese treat their local employees. Almost 100% of the respondents believed that the employees in the Chinese companies are treated unfairly. By consolidating the basis of their argument, the respondents cited the following as vivid examples of protests among members of the communities employed or have been employed by the Chinese in Namibia, namely:

- Low salaries
- No holidays
- No lunch time
- No respect for employees
- No clear contract with employees
- No obedience to the Namibian labour laws
- Lack off affiliation
- No pension
- No permanent jobs

Similarly, the same sentiments are expressed by the respondents employed by the local retail shops (see section: Comparative data: Local vs. Chinese employees below).

Apart from these negativities, the household respondents also expressed gratitude towards the Chinese businesses for various affordable products they sell to the poor communities. This goes along with the old saying that, "*every cloud has silver linings"*. The Chinese businesses, too, have their advantages and disadvantages just like the local and South African originated businesses have.

Therefore, when aiming at throwing additional light on the general situation of the Chinese businesses and their operations in the country, inquiries within the households was shifted to the positive side of the matter. With reference to the satisfaction of the basic needs, the question was asked about the most important items that the household respondents commonly buy from the Chinese retailers rather than from other retailers. About 85% of the respondents indicated clothes and shoes as the most preferred commodity that they buy from the Chinese shops. Ten percent (10%) buy their building materials such as baked clay bricks from the Chinese, while the remainder five percent do not buy anything from the Chinese shops. The former argued that the Chinese merchandises are affordable and the latter argued that it is of poor quality.

# 6. RETAILING INDUSTRY INTERVIEWS: COMPARATIVE DATA LOCAL VS CHINESE EMPLOYEES

By investigating the critical *sui generis* factors and issues of concern within arguments against the presence of the Chinese retailers in Namibia, this study involves a comparative approach. The methodological path to the study of the Chinese businesses and their operations in Namibia would allow more clarity and can provide the basis for a hierarchy of realities to emerge.

## 6.1 Gender

Epistemologically, this section of the study starts with gender representations and experiences as sources of data. Hence, gender dimensions constitute important dynamics of data in this section. The interview specifically targeted employees (male and female) in both the small-scale local and the Chinese retail businesses in order to compare gender representations (see Table 2 below).

**Table 2: Employees in local and Chinese retail businesses by gender**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| Male | 13 | 52.0 | 6 | 24.0 |
| Female | 12 | 48.0 | 19 | 76.0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

Statistics in Table 2 above reveal that of 25 respondents in both small-scale local and Chinese retail shops, 52.0% (N=13) of respondents employed by local retailers were male compared to merely 24.0% (N=6) of their Chinese counterparts. Significantly, 48.0% (N=12) females were employed in the local small-scale retail shops compared to 76.0% (N=19) females in the Chinese retail shops. This indicates that the Chinese retailers employ more women than their local counterparts. The reason might be that the retail work is easier for women.

## 6.2 Age categories

Age is another variable that influence individuals' choice of employment type. One general assumption in the Namibian context is that, older people are not much interested in working as shopkeepers. If they failed to be employed in formal jobs such as in the government or in big companies, they usually prefer to be self-employed, stay home or engaged in subsistence type of employment. Therefore, the study found that the large number of respondents both in the local small-scale and the Chinese retail shops are younger than 36 years old (see Table 3 below).

**Table 3: Employees in local and Chinese retail businesses by age**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| 20-35 | 23 | 92.0 | 25 | 100 |
| 36-49 | 2 | 8.0 | 0 | 0 |
| 49+ | 0 | 0 | 0 | 0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

It emerged that, all 100% (N=25) of respondents in the Chinese retail shops were in the age group of 20-35 compared to 92.0% (N=23) in the local small-scale retail shops. Thus, the patterns emerging from Table: 3 above warrant some comments. First, it is interesting to note that the difference between the number of respondent employees in the local and the Chinese retailers is not significant. This is probably due to the strong links between age and choice of employment type or because of the employers' tendencies of employing young people for various reasons. Second, although the working conditions in the Chinese businesses are criticised, it could be accepted that the Chinese' retail businesses also contributed significantly to the national endeavour of combating unemployment among the youth.

## 6.3 Education

The education level is perceived as another striking feature of the data among the respondents. Based on normative assumptions, employment conditions and education requirements are inseparable variables. Education levels and qualifications usually influence the contractual agreement between employer and employees in terms of job related conditions and wages. The lower the education level, the higher the risk of bad employment conditions. By investigating these phenomena in the context of local and Chinese retailers as employers, the following table provides the percentage breakdown of the education levels of the respondents.

**Table 4: Employees in local and Chinese retail businesses by education:**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| **Education levels** | **Number** | **Percentage** | **Number** | **Percentage** |
| Primary | 2 | 8.0 | 8 | 32.0 |
| Secondary (Matric or A-Level) | 18 | 72.0 | 15 | 60.0 |
| Tertiary (higher than secondary) | 4 | 16.0 | 2 | 8.0 |
| Other | 1 | 4.0 | 0 | 0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

It emerged from the data in Table 4 above that, a large percentage of respondents both in the local and the Chinese retailers reached a secondary education level, i.e. 72% (N=18) for the local and 60% (N=15) for the Chinese. This implies that most of the school drop-outs between grades 8-12 are currently employed in the small-scale retail industry. The data also consolidate the reality that there is a relationship between education and employment in small-scale retail industry in Namibia including the Chinese retailers. For example, only 16% (N=4) of the employees with tertiary education were respondents in the local retailers.

The highly qualified people, for example, with tertiary education qualifications, are hardly inclined working in the local small-scale or the Chinese' retail shops. Therefore, only 16.0% (N=4) of respondents with tertiary education, were employed by the local retailers and 8.0% (N=2) of respondents for the Chinese. More interestingly, 32.0% (N=8) of the respondents with merely primary education were employed by the Chinese compared to the only 8.0% (N=2) of the respondents employed by the local retailer. Although many people indicated dissatisfaction with the presence of the Chinese businesses in Namibia, the advantage of employment provision to a certain degree can also be noted. For example, in this case they employ people with lower education levels than the local or the South African retailers.

## 6.4 Language

Investigation also inquired about the languages spoken by the respondents working in both the local and the Chinese retail shops in Windhoek. The reason of this inquiry was to investigate whether some of the respondents were foreigners or the employers are biased in employment selections in terms of ethnic groups in the country (see Table 5 below).

**Table 5: Language: Employees in local and Chinese retail businesses**

| **Language** | **Local** | | **Chinese** | |
|---|---|---|---|---|
| | **Number** | **Percentage** | **Number** | **Percentage** |
| Kavango/Umbundu | 0 | 0 | 1 | 4.0 |
| Afrikaans | 6 | 24.0 | 0 | 0 |
| Damara/Nama | 5 | 20.0 | 0 | 0 |
| German | 1 | 4.0 | 0 | 0 |
| Oshiwanbo | 12 | 48.0 | 24 | 96. |
| Silozi | 1 | 4.0 | | 0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

Table 5 above indicates that 48.0% (N=12) of respondents in the small-scale local retail shops are conversant in the Oshiwambo language compared to 96% (N=24) of their Chinese counterparts. This implies that the Chinese retailers employ more Oshiwambo speaking than any other ethnic groups. The local retailers, for example, employ people from different backgrounds in terms of languages and ethnicity. In this case, it was not established whether the Oshiwambo speaking employees were the only people inclined to work for the Chinese. Hence, the link between ethnicity and employment in the Chinese retail shops remains an open question. It was also noted that the Chinese retailers also employed one respondent speaking an Angolan language, namely, '*Umbundu'*

## 6.5 Level of employment

The general perception in Namibia is that, the most people employed in the Chinese retail shops are not holding important positions such as managers or even cashiers. In the light of this, this study compares job portfolios of the small-scale local retailer employers and their Chinese counterparts assuming that the highest one is the manager followed by the cashier and the lowest the shopkeeper (see Table 6 below).

**Table 6: Level of employment (local vs. Chinese retail) businesses**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| Manager | 1 | 4.0 | 0 | 0 |
| Cashier | 16 | 64.0 | 3 | 12.0 |
| Shopkeeper | 8 | 32.0 | 22 | 88.0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

Table 6 above clearly evidenced that the local retail employers can have their employees as managers (4.0% i.e. N=1), cashiers (64% i.e. N=16) as well as shopkeepers (32.0% i.e. N=8). The Chinese on the hand, all 88% (N=22) of the respondents indicated to have been employed as shopkeepers and only 12.0% (N=3) of them employed as cashiers. This implies that the Namibians employed by the Chinese retailers only occupy lower level positions that cannot provide them with adequate competencies for the future to progress to higher positions. In contrast, it could also be assumed that local retailers can have local people in their management or cashier levels because these businesses are usually organised on a family or relative basis, whereas the Chinese might have little confidence in local employees because they do all the sensitive tasks such as cashing in and cashing up themselves.

## 6.5 Wages

Another important variable investigated was the level of income of the respondents. This serves as a benchmark to compare wages of the respondents employed by local retailers and those employed by the Chinese retailers. The reason was to probe the existing hypothetical beliefs that the Chinese exploit their local employees in terms of salaries. The results are statistically reflected in Table 7 below.

**Table 7: Employees in local and Chinese retail businesses by wage**

| Wages/per month | Local | | Chinese | |
|---|---|---|---|---|
| **Between** | **Number** | **Percentage** | **Number** | **Percentage** |
| N$50-100 | 0 | 0 | 2 | 8.0 |
| N$100-500 | 2 | 8.0 | 19 | 76.0 |
| N$500-1000 | 11 | 44.0 | 4 | 16.0 |
| N$1000-5000 | 12 | 48.0 | 0 | 0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

It appears in Table 7 above that 76.0% (N=19) of respondents in the Chinese retail shops have their wages in the range of N$100-500 per month compared to 44.0% (N-11) of their local small-scale retailers counterparts. In addition, 44.0% (N=11) 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% (N=4) of their Chinese counterparts. None of the respondents in the Chinese retailers had a wage earner in the range of N$1000-5000 a month as compared to 48.0% (N=12) of the respondents in the small-scale local retailers. This proves that there is a degree of truth in the general assumption that the Chinese retailers pay lower wages to their employees. However, this could also be perceived in the mirror of their profit margins based on low prices of their products. The fraction would be that the smaller the profit margin, the smaller the wage margins of the employees.

## 6.6 Job Status

Investigation inquired about the respondents' job status in terms of permanence and casual revealed the following: A provisional conclusion points out a great variance between the respondents in the local small-scale retails and their counterparts in the Chinese retail shops (see statistics below).

**Table 8: Job status: Employees (local vs. Chinese) retail businesses by status**

| | Local | | Chinese | |
|---|---|---|---|---|
| Status | Number | Percentage | Number | Percentage |
| Casual | 11 | 44.0 | 17 | 68.0 |
| Permanent | 14 | 56.0 | 8 | 32.0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008)*

The contextual data in Table 8 above reveal that the Chinese retailers have a large number of respondents employed as casuals. That is, 68.0% (N=17) of the respondents working in Chinese retail shops are casual compared to 44.0% (N=11) of their local counterparts. Only 32.0% (N=8) of the respondents in the Chinese retail shops indicated being employed permanently compared to 56.0% (N=14) in the local small-scale retails. It was not further established in this study why the Chinese retailers prefer casual rather than permanent employees. However, evidence from the trade unions indicates that it is cheaper to employ casual employees than permanent employees.

The permanent employees make the business burden heavy because of many legal requirements and responsibilities that the business should honour such as medical aids, social security and even housing schemes. In this respect, most businesses and not only the Chinese use the casual employment strategy, for example African Personnel Services, to avoid the aforementioned responsibilities as stipulated in the Namibian Labour Act. However, in terms of the new Labour Act, no provision is made for contract employment.

### 6.7 Employment conditions

It was generally noted that the employment conditions of the Chinese employees is a national outcry. The Trade Unions interviewed (see key informants) clearly stated that the Chinese have no concern about the labour conditions of their employees. In addition, they ignore the Labour Laws of the country. Based on this background, this study has examined the essence of this assumption and Table 9 below presents the outcome:

**Table 9: Employment conditions: Employees in local vs. Chinese retail businesses**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| Conditions | Number | Percentage | Number | Percentage |
| Excellent | 5 | 20.0 | 0 | 0 |
| Good | 6 | 24.0 | 1 | 4.0 |
| Better | 11 | 44.0 | 9 | 36.0 |
| Satisfactory | 2 | 8.0 | 4 | 16.0 |
| Unsatisfactory | 1 | 4.0 | 11 | 44.0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008)*

As indicated above, 44.0% (N=11) of respondents in the local small-scale retailers referred to their employment conditions as better compared to 36.0% (N=9) of their counterparts in the Chinese retail shops. In this reference, the difference is not significant. On the variable of un-satisfaction, only 4.0% (N=1) of respondents in the local small-scale retails rated their jobs as unsatisfactory compared to 44.0% (N=11) of the respondents in the Chinese retails. Also, at least 20.0% (N=5) of the respondents in the local small-scale retails felt that their job was excellent, and in contrast, none of the Chinese employee respondents found his or her job excellent. This can be generalised that employees in the Chinese retail shop are not satisfied with their work conditions/

Most of respondents explained that, they are not allowed to communicate with their relatives at the workplace. The reason in this regard, is the language barrier that makes the Chinese employers suspicious of any conversations between their employees and other visitors at their workplace. The Chinese businesspersons were of late the victims of theft and even of armed robbery, hence their suspicions could be attributed to fear. In a separate argument, the employee respondents in the Chinese retail shops complained that, they are not free to join trade unions or even social security, and if they do so, it should be a secret (see Table 10):

**Table 10: Membership and affiliations: Local Small-scale vs. Chinese Retailers**

| | Local | | Chinese | |
|---|---|---|---|---|
| **Affiliation** | **Number** | **Percentage** | **Number** | **Percentage** |
| None | 6 | 24.0 | 10 | 40.0 |
| Social security | 16 | 64.0 | 8 | 32.0 |
| Social security + Medical Aid | 1 | 4.0 | 1 | 4.0 |
| Trade Union + Social security | 1 | 4.0 | 6 | 24.0 |
| Trade Union + Social security and Medical Aid | 1 | 4.0 | | |
| | | | | |
| Total | 25 | 100 | 25 | 100 |

*Sources: Interviews (2008).*

Drawing from data in Table 10 above, only 24.0% (N=6) 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% (N=10) of respondents in the Chinese retail shops. Quite interestingly, 64.0% (N=16) of the respondents in the local small scale retails do have social security membership compared to a mere 32.0% (N=8) of their Chinese counterparts.

In addition, none of the respondents in the Chinese retail shops do have membership of a trade union, social security and medical aid at the same time. This leads to the conclusion that, respondents both in the local and Chinese retail shops are not well taken care of in terms affiliations to trade unions, social security and medical aid, although the situation in the Chinese retail businesses is comparatively worse.

## 6.8 Purpose of employment by gender

In this section the study investigates the existing paradox that the respondents working in retail shops especially for the Chinese were not satisfied with the conditions of employment and they also have limited rights in terms of facilitations, but they remain in the employment of these companies. Table: 11 below, explains the purposes of the respondents to work in the above mentioned businesses:

**Table 11: Purpose for working for the particular retailer**

| | Local | | Chinese | |
|---|---|---|---|---|
| **Purpose** | **Number** | **Percentage** | **Number** | **Percentage** |
| Favourite job | 5 | 20.0 | 0 | 0 |
| Only available job | 8 | 32.0 | 2 | 8.0 |
| For survival | 11 | 44.0 | 23 | 92.0 |
| Other | 1 | 4.0 | 0 | 0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008)*

It appears that 20.0% (N=5) of the respondents in the local small-scale retails indicated that it was their favourite job compared to 0% in the Chinese retail shops. In addition, about 92.0% (N=23) of respondents in the Chinese retail shops compared to 44.0 (N=11) of the local small-scale retails, indicated that they only work to survive and it is not their favourite jobs. This has brought this study to the conclusion that a large number of people working for the Chinese are just hanging in there, either while they are looking for other jobs or because they failed to get jobs elsewhere in the labour market. The problem would be that these people are extremely at risk of being abused because they have very limited hope of finding other jobs if they quit from their Chinese employment.

# 7. ANALYSIS OF THE CONTRUCTION INDUSTRY

## 7.1 Chinese Impact on Construction in Namibia

The Centre for Chinese Studies at the University of Stellenbosch executed a thorough study of Chinese involvement in Angola, Zambia, Sierra Leone and Tanzania. The outcome of this study can be used as a benchmark for local development in Namibia and for identifying cross cutting market trends. The latter study's comparisons were based on the following criteria, namely: Tendering, access to capital, labour, procurement and quality of workmanship, (Centre for Chinese Studies 2005:7). The said mentioned criteria were very useful for the purposes of this study and for verification of cross cutting trends.

## 7.2 Criteria for Impact Valuation

### 7.2.1 Quality and Standards

Cases are known of Chinese companies completing substandard work, however they have proved themselves capable of achieving extremely high quality work as demonstrated in Zambia, Centre for Chinese Studies (2005:68). The issue about high quality of workmanship is confirmed by Kathindi of the Ministry of Works Transport and Communication Insight (2006:20) in Namibia. However, not all construction and/building material produced by Chinese is of acceptable quality. The latter study (2005:7) found that if building regulations and codes are in place and effectively enforced, the standard of work done by Chinese was found by the majority of stakeholders to be very high, (Centre for Chinese Studies 2005: 7). Cases are known in Namibia where for example bricks could be of lesser quality. However, if one compares the prices of these bricks to the 'top' of the range quality bricks, the Chinese bricks are more than three and even four times cheaper than local bricks. The said bricks provide value for money and an opportunity for a large number of local people to afford houses for the first time since independence. The quality of workmanship of Chinese construction in Namibia is not verified, but if it is the same as in Angola and Tanzania, then it is safe to assume that it is of fair to good quality and in some cases it could be even of superior quality as experienced in Zambia.

### 7.2.2 Procurement and Materials

For Chinese companies, it is cheaper to import Chinese construction equipment compared to buying equipment from the local Namibian and/or South African market. A disadvantage of the import of construction equipment is that it reduces the market share of local producers and in effect also reduces local job opportunities. However, it is debatable to what extent local market share is affected because if the assumption is justified that a substantial percentage of equipment is imported from other countries of which South Africa is the main supplier, than the latter argument is void. An advantage of importing construction equipment is that it decreases local prices to the advantage of government, commercial property owners and private home owners.

### 7.2.3 Labour

Some Chinese site managers as well as skilled Chinese workers and unskilled local workers live on construction sites. Transport problems, absenteeism and late completion of projects are solved by living on-site. Profit margins are also increased and workers can work in shifts. Cases are known of workers in Angola, Zambia, Sierra Leone and Tanzania of shift workers working 12 hours that share the same bed on a 24 hour basis, (Centre for Chinese Studies 2005: 70).

Based on a 2005 price parity, unskilled Chinese labour receive in China the equivalent of $ 1-5 per day, Centre for Chinese Studies (2005: 70) that is extremely low compared to the Namibian labour standard in the construction industry of N$ 8 per hour, thus N$ 64 per day. Cases were reported where Chinese construction companies pay below the accepted minimum wage in the range of N$ 2.77 per hour (about N$ 25 per day) *Republikein* (2007: 2) to N$ 3 per hour, (Weidlich 2007). When summoned to appear in court all known cases seemed to have been settled out of court, (Insight 2006: 19). In some instances, Chinese construction companies were not registered with the Employment and Equity Commissioner and as required by law also not registered with the Construction Industry Federation (CIF) or the Metal and Allied Namibian Workers Union (MANWU). A MANWU representative said to Insight (2006: 19) that some Chinese companies paid a flat wage of N$ 500 per month.

When the representative investigated the workers' grievances and made site visits, most old workers were replaced and the case was dropped. Insight (2006: 19) further argues that there were talks of Chinese companies bringing in large number of Chinese workers and even rumours of Chinese convicts in order to win state projects. However, a Chinese construction company representative interviewed by Insight (2006: 21) denied these allegations and said that over the years many rumours were spread in order to discredit Chinese contractors in Namibia. The Employment and Equity Commissioner, Usiku said to Insight (2006: 20) that he is aware that the Chinese are deliberately hiding the facts but that he is in no position to prove that. He suspects that the Chinese registered a small number of their employees with the Social Security Commission (SSC) and employ the rest as casual labour.

In terms of the outflow if wage earnings to Chinese families at home, it reduces Namibian domestic spending. What is positive about lower wages is that it provides the opportunity to more wage earners to earn at least a living, how meagre that wage may be compared to a smaller number of better paid wage earners, is open for debate.

### 7.2.4 Productivity

Chinese workers is said to be hard workers that are very productive compared to the local workforce. Chinese workers are prepared to work long hours, motivated by worse conditions at home where the average Chinese unskilled worker based on 2005 price parity earns $ 1-5 per day. Lee of a Chinese construction company claimed that where a local bricklayer is able to lay 150 to 300 bricks per day, a Chinese bricklayer is capable of laying 1000 bricks per day, Insight (2006: 21).

### 7.2.5 Access to Capital

Chinese companies do have access to cheaper capital compared to local companies. This competitive edge is one of the biggest advantages of Chinese companies over local construction companies. Due to China's unconditional research and development and financial support of State Owned Enterprises (SOEs) to find new markets, capital can be secured at very low interest rates from public sector banking, (Centre for Chinese Studies 2005: 11). Access to cheaper capital can compensate for weaknesses and/or uncompetitiveness in other areas such as specialised technical knowledge needed for local construction conditions.

### 7.2.6 Costing and Price

Chinese contractors use a low-cost bidding strategy, based on lower skilled labour and lower managerial costs, (Alden and Davies 2006: 90). Some cases are known about Chinese companies working on a five percent profit margin in Zambia, Angola, Sierra Leone and Tanzania. However, this unsustainable high risk practise is not the norm in Namibia. Local Chinese contractors are prepared to work on a ten percent profit margin in Namibia compared to local companies and South African companies that are used to exploit consumers by applying up to a 50% profit margin. Lee of a Chinese construction company said that the South African hold on the industry was so strong that some companies were operating on a 60% profit margin on some projects, Insight (2006: 21).

With company tax at 36%, Namibia is one of the countries with the highest company tax rates in the world. The high company tax rate undoubtedly contributes towards the former outrageous profit margins of local and South African construction companies before the Chinese competitors reduced the profit margins to the advantage of Government, owners of commercial property and private home owners.

### 7.2.7 Large Scale and Technical Projects

Western companies still do have a competitive edge in terms of construction projects that require technical skills and knowledge of local conditions, but this edge over the Chinese is reducing and will most probably be neutralised in the next five to ten years. Chinese companies do have the ability to undertake large scale projects compared to local companies, but will increasingly also start to undertake smaller projects, (Centre for Chinese Studies 2005: 77).

### 7.2.8 Skills Transfer

Chinese companies import skilled personnel for tendering, quantity surveying and site managers. Unskilled labour is employed locally. As a result of the skewed composition of the labour force, limited skills transfer is taking place. Language barriers can also be a contributing factor that hinder skills transfer, especially if taken into consideration that a substantial amount of unskilled workers are not familiar with the Chinese version of English. A low skills level of local workers is present in Zambia, Angola, Sierra Leone and Tanzania, (Centre for Chinese Studies 2005: 7). This could be a reason why Chinese contractors very rarely subcontract work to local construction companies. If one accepts the argument of lower productivity of local workers compared to Chinese workers and higher profit margins of local contractors, it makes a substantial argument why Chinese contractors is not keen on subcontracting.

Forming joint ventures with Chinese contractors is an option for local contractors. At the Southern Africa Regional Construction Industry Council (SARCIC) Conference held in Lusaka, Zambia during October 2005, the Tanzanian representative reported that the influx of Chinese contractors marginalised the local contractors and a proposal was submitted to government to encourage joint ventures, Insight (2006:20). If Chinese contractors do not have a lot to gain from such a relationship in terms of acquiring specialised skills or securing more tenders compared to the current situation, Chinese contractors will not be keen to be lured in such ventures where Chinese companies are dominant in the market, controlling between one third and two-thirds of the construction market, (Insight 2006: 19).

### 7.2.9 Technology

Many techniques and practices that Chinese companies bring are low-tech and relatively easy for African construction companies to emulate compared to the often specialised and capital intensive equipment used by Western companies, Centre for Chinese Studies 2005: 5). The area of origin of the Chinese company determines to a large extent the quality of technology applied. Companies from the remote and inland areas offset normally lower tech technology compared to companies from the south and coastal areas.

### 7.2.10 Tendering

Cobus van Wyngaarten, Insight (2006:19) said Chinese contractors are thorough with their paperwork submitted to the Tender Board compared to local construction companies. Recent cases are known about four Chinese companies that were successful in securing construction projects in spite of allegations that they were not compliant with labour law practices, registration with the Employment Equity Commissioner and/or are not registered as tax payers. Some of these cases are in the process of litigation as initiated by unsuccessful bidders such as Murray and Roberts, (Heita 2007: 1-2). As to the legitimacy of these claims, one can only speculate at this point in time. If these allegations are going to stand in court, only then will it be timely to identify and investigate possible causes.

### 7.2.11 Timeliness of Completion

In countries such as Zambia, Angola, Sierra Leone and Tanzania, Chinese companies are known for on time completion of projects. From media reports in Namibia it is possible to say that on time completion of projects is the norm.

### 7.2.12 Taxes

Complaints were raised about some Chinese companies that are not registered as tax payers at Inland Revenue, however tenders were allocated to them, (Heita 2007: 1&2). However, it is not the Tender Board's responsibility to oversee the registration of Chinese companies as tax payers before tenders are awarded but on the other hand, if it is not, what about Inland Revenue?

Chinese companies in countries such as Angola, Zambia, Tanzania and Sierra Leone were granted tax breaks on the importation of construction materials, Centre for Chinese Studies (2005: 69). The latter tax breaks could also have been granted in Namibia, however it is unconfirmed.

### 7.2.12 Good Governance and Sustainability

The lack of corporate governance codes and the system of commercial law within China fail to regulate Chinese State Owned Enterprises (SOE) practice in the international economy, (Alden and Davies 2006: 89). As Chinese companies is closing the gap in terms of improving labour practices and gaining improved technical expertise about local conditions and operations, they will become more in pace with global trends such as good governance and sustainability. Establishing vested interests in African countries will eventually change China's foreign economic policy from bilateral to multi lateral agreements and protecting vested interests. However, it can also be said that Chinese support to African countries during the liberation struggle and commitment to economic development are themselves a manifestation of Chinese upholding justice and human rights of African people, a letter in *The Namibian* written by Gan (2006). The latter argument can be interpreted as China's contribution to good governance in Africa and Namibia. The comparable trend of Chinese companies' involvement in Namibia is not different from any other Western company's involvement in African countries. As Alden and Davies (2006: 95) said, in the long run, perhaps it is the drive to emulate Western best practice that will be the determining factor in Chinese corporate conduct in Africa.

## 8. CONSTRUCTION INDUSTRY INTERVIEWS: COMPARATIVE DATA LOCAL BUSINESSES VS CHINESE BUSINESSES

### 8.1 Gender

A structured questionnaire was used as basis to investigate a non-representative sampling of 25 employees and workers representing five Chinese businesses in construction. Gender dimensions also constitute important dynamics of data in this section. The construction business requires hard physical labour that is more suitable for men than for women. The interviews specifically targeted employees (male and female) in both the Chinese and local construction industry to compare gender representations (see Table 12 below):

**Table 12: Employees in local and Chinese construction businesses by gender**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| Male | 24 | 96.0 | 6 | 25.0 |
| Female | 1 | 4.0 | - | - |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

All workers surveyed, i.e. 100% (N=25) 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. There are also other variables that affect these disparities such as age and education and these will be discussed below:

### 8.2 Age categories

Age is another variable that influence individuals' choice of employment. Older people are not much interested in performing hard physical labour if they have a choice of being self-employed, staying at home and engaged in subsistence employment such as rangeland farming and crop production.

Faced by unemployment in excess of one third of the economic active population, the youth have no other choice rather than grabbing opportunities in the construction industry. This is confirmed in Table 13 below:

**Table 13: Employees in local and Chinese construction businesses by age**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| 20-35 | 19 | 76.0 | 23 | 92.0 |
| 36-49 | 6 | 24.0 | 2 | 8.0 |
| 49+ | 0 | 0 | 0 | 0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

Statistics in Table 13 depicts that all 92.0% (N=23) of respondents in the Chinese construction business were in the age group of 20-35 compared to 76.0% (N=19) respondents in the local construction companies. Remarkably, only 8% (N=2) of the respondents in the Chinese construction companies were between 36 and 49 years of age. The variation in terms of comparative results of employment by age with the employees in both the local and the Chinese construction companies is not significant. Construction work requires a lot of energy, which young people have. Therefore, it is justified for these companies to employ young people.

### 8.3 Education

Common perceptions and general myths portray education as unnecessary in the construction industry. Apart from engineers who are normally found in larger construction companies, it is commonly believed that builders especially in emerging construction companies do not require secondary and tertiary education to do the job. Attesting to these assumptions, this study investigated the educational standards of employees in both the local and the Chinese construction companies, see Table 14 below for the results:

**Table 14: Employees in local and Chinese construction companies by education:**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| **Education levels** | **Number** | **Percentage** | **Number** | **Percentage** |
| **None** | 3 | 12.0 | 1 | 4.0 |
| Primary | 12 | 48.0 | 20 | 80.0 |
| Secondary (Matric or A-Level) | 7 | 28.0 | 4 | 16.0 |
| Tertiary (higher than secondary) | 3 | 12.0 | - | - |
| Other | 1 | 4.0 | 0 | 0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

From the data in Table 14 above, it is possible to deduct that in the construction industry, tendencies of employment are similar to those of the retailers (see retailers above). In terms of educational level, for example, 80% (N=20) of respondents in Chinese companies completed primary education and 16% (N=4) of them secondary education and 4.0% (N=1) do not have any formal education. In contrast, 28.0% (N=7) of the respondents in local construction companies completed their primary education and 12.0% (N=3) of them have tertiary qualifications. However, the margin for respondents completed primary education only is also high among the respondents in the local construction companies, i.e. 48.0% (N=12).

From the comparative figures, for example, at the secondary education level, it is possible to deduct that of all employees interviewed, it seemed that the Chinese businesses do employ less educated workers. However, it could also be interpreted that educated people in the country are not inclined to work in the construction industry and most educated people prefer white collar employment.

### 8.4 Language

The relationship between ethnicity and employment in the construction industry was also investigated, see Table 15 below:

**Table 15: Language: Employees in local and Chinese construction businesses**

| | Local | | Chinese | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| Kavango/Umbundu | - | - | - | - |
| Afrikaans | 6 | 24.0 | - | - |
| English | - | - | 1 | 4.0 |
| Damara/Nama | - | - | - | - |
| German | - | - | - | - |
| Oshiwanbo | 16 | 64.0 | 24 | 96. |
| Silozi | - | - | - | - |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

From Table 15 above, the majority, 64.0% (N=16) of respondents in the local construction companies interviewed indicated that Oshiwambo is their first choice of language, followed by 24.0% who preferred Afrikaans as their first choice of language. Compared to workers employed by the Chinese construction business, 96% indicated that Oshiwambo is their first choice of language and 4.0% (N=1) preferred English. The 32% difference can be an indication that the Chinese construction business either prefer to employ more Oshiwambo speaking workers or such workers prefer to work for Chinese construction companies compared to local ones.

### 8.5 Level of employment

The construction industry does have different categories. In general, there are two important types of construction, namely: Building construction and heavy/highway construction (Wikipedia 2008). Wikipedia (2008) further explains that building construction is the process of adding structure to property, for example, small renovations, such as addition of a room, or renovation of a bathroom. Heavy/civil construction is the process adding infrastructure to build our environment. Heavy/civil construction projects are also undertaken by large private corporations. For the sake of this study, a research bias is acknowledged that the survey did not concentrate on small scale builders in the building construction category, but more on heavy/civil construction. The reason was that the Chinese construction companies are not focused on renovations as such. In that respect, the level of employment in terms of management and other positions were evaluated, see Table 16 below for results:

**Table 16: Level of employment: Employees in local and Chinese construction businesses**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| Manager | - | | 1 | 4.0 |
| Builder | 17 | 68.0 | 18 | 72.0 |
| Other | 8 | 32.0 | 6 | 24.0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

As indicated in Table 16 above, most respondents in both the local and Chinese construction businesses are builders. Builders represented 68.0% of all interviewees and the remainder 32% indicated 'other' level of employment. The comparative level of employment with the Chinese construction business is insignificant. Builders represented 76% of all employed with only 4% employed in management positions.

## 8.6 Wages

Before we look at the comparative wages of employees in both the local and the Chinese construction businesses, it is vital to present the stipulated minimum wages in Namibia. According to the Government Gazette No 3392 (2005), the minimum wages of different categories of employment were stipulated with effect from 1 April 2005 (see Table 17 below):

**Table 17: Minimum wages**

| Category | N$ Rate per hour | |
|---|---|---|
| Labourer | | 7.15 |
| | Semi-skilled | Artisan |
| Painter | 8.68 | 12.13 |
| VA Tiler/ Carpet layer/ Tiler | 9.41 | 13.44 |
| Plumber | 10.09 | 15.31 |
| Brick layer/ Plaster | 9.98 | 15.31 |
| Electrician | 10.94 | 15.99 |
| Carpenter | | |
| Joiner | | |
| Welder | | |
| Master Craftsman (incl. coded welder) | | |
| Leading Hand (incl. leading hand plumber, leading hand steel fixer and leading hand welder) | | |
| Leading Hand steel fixer & leading hand welder | | |
| Construction Driver (dumper) | | 7.60 |
| Construction Driver (light vehicle) | | 10.77 |
| Construction Driver (medium vehicle) | | 12.76 |
| Construction Driver (heavy vehicle) | | 13.21 |
| Construction Planter Operator(medium duty) | | 10.94 |
| Construction Planter Operator (heavy duty) | | 14.18 |
| Construction Mechanic (Gr.2 incl. welder, mild steel) | | 14.06 |
| Storekeeper Gr. 1 | | 9.98 |
| Storekeeper Gr. 2 | | 8.05 |

| | | |
|---|---|---|
| Timekeeper Gr. 1 | | 9.98 |
| Timekeeper Gr. 2 | | 9.07 |
| Security Guard per 12 hour shift | | 57.04 |
| Brick-maker | | 9.87 |
| Clerk | | 10.43 |

*Source: Government Gazette No. 3392 15 March 2005.*

With reference to the minimum wages reflected in Table 17 above it is worthwhile to look at the minimum productive levels.

The minimum wage rates as determined and agreed upon above are also subject to minimum productivity levels below. Failure to maintain productivity levels will be addressed by additional training or disciplinary and incapacity procedures as the case can be (Government Gazette 2005), for example:

1. Labourer: Excavations in pickable material
   (not exceeding 2m deep, — 2 to 7m$^2$/day
   Feeling under surface beds — 5 to 7m$^2$/day
   Concrete (mix and place in tam of 1 artisan/10 labourers — 3 to 6m$^2$/day
2. Bricklayer/Plaster
   Stock bricks — 675 no/day
   Face bricks — 450 no/day
   Plaster to horizontal soffits — 22,5m$^2$ /day

Critics to these minimum wages indicate that some amount of work prescribed is impossible to finish on the indicated time, for example, a labourer to make an excavation of 2 to 7m per day is impossible if the surface is rocky. In such a case, the labourer can be exploited because the employer may use these prescriptions as a pretext to pay the employee a wage which is less than the effort put vs that the output of work produced.

With reference to an analysis of current wages for employees in both the local and Chinese construction businesses above, it also imperative to establish how these wages may be relevant to the following data obtained through interviews (see Table 18 below).

**Table 18: Employees in local and Chinese construction businesses**

| **Wages/per month** | **Local** | | **Chinese** | |
|---|---|---|---|---|
| Between | Number | Percentage | Number | Percentage |
| N$50-100 | - | - | - | - |
| N$100-500 | 6 | 24.0 | 5 | 20.0 |
| N$500-1000 | 6 | 24.0 | 17 | 68.0 |
| N$1000-5000 | 12 | 48.0 | 3 | 12.0 |
| N$5000 and above | 1 | 4.0 | - | - |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008).*

Table 18 above indicates that 24.0% (N=6) of the respondents in the local construction companies as compared to 20.0% (N=5) of their Chinese counterparts do have wages in the range of N$100-500 per month. This implies that both employment categories in the construction industry are exploiting their employees. By justifying this fact, let us take the stipulated minimum wage of a semi-skilled Bricklayer (Table 17) of N$9.98 per hour and convert is to a minimum monthly wage, we calculate: N$9.98 x 8hrs x 6 days x 4 weeks = N$2235.52.

It is clear that there is a difference of N$1735.52 between the current actual wage of the semi-skilled bricklayer and the minimum wage. Income per month in the range of N$500-N$1000 represented 68.0% (N=17) of the respondents in the Chinese construction companies compared to 24.0% (N=6) of the local construction companies.

In addition, it is interesting to note that local companies pay wages in the range N$1000-N$5000 as 48.0% (N=12) of the respondents indicated compared to none of the Chinese construction companies. The conclusion is that, workers employed by the Chinese construction business that are doing the same type of jobs, seems to be earning less than the comparative workers in the employment of the local construction business.

## 8.7 Citizenship

An investigation was also conducted in the construction industry about the citizenship of employees. This was done based on the general assumption that most employees in the Chinese construction businesses were not Namibian. See Table 19 for the outcomes:

**Table 19: Citizenship of respondents**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| | **Number** | **Percentage** | **Number** | **Percentage** |
| Namibians | 23 | 92.0 | 25 | 100 |
| Other (Zimbabweans) | 2 | 8.0 | - | - |
| Total | 25 | 100 | - | - |

*Source: Interviews (2008)*

It is interesting to find that the outcome was contrary to a null hypothesis that the Chinese construction companies employ certain foreigners at the expense of Namibians. All 100% (N=25) of the respondents in the Chinese construction companies indicated that they were Namibian compared to 92.0% (N=23) of their local counterparts. In the Namibian construction companies, 8% of the respondents were Zimbabweans. The 8% difference is not of any significance to make any deductions.

## 8.8 Job Status

Under normal circumstances, casual workers may be taken on from time to time for short periods to fulfil short term requirements. They are paid through the casual payroll and they are not considered to be company employees. It is important to ensure that the rates are equal to, or in excess of, the National Minimum Wage (see Table 17 above). In this regard, the study inquired about the job statuses in both the local and Chinese construction businesses (see the results in the following Table 20):

**Table 20: Job status: Employees in local and Chinese construction businesses**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| Status | Number | Percentage | Number | Percentage |
| Casual | 17 | 68.0 | 15 | 60.0 |
| Permanent | 8 | 32.0 | 10 | 40.0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008)*

For the local construction companies, casual employment represented 68% of all respondents, followed by 32% permanently employed. Compared to the Chinese construction business, the corresponding casual employment status is less, namely 60%. Both the Chinese construction and local construction companies made use of casual labourers and in both cases casual employment formed the bulk of all employed. Casual employees' cost to company are probably less than employees that are permanently employed and could be a reason for making use of casual workers rather than employ them on a permanent basis. Once the new Labour Act of 2007 is implemented, it will be interesting to investigate the impact on the construction industry because workers that are currently employed as casuals are expected to be permanently employed or not employed at all.

### 8.9 Employment conditions

In terms of section 20 (1) to sub section (3) of the Social Security Commission Act No 34 of 1994, every employer shall, in the prescribed manner and within the prescribed period, register;

(a) himself or herself with the Commission as an employer, and
(b) every employee employed by him or her, as an employee.

The Act (21 (1) further stipulates that every employee registered under section 20 shall be a member of:

(a) the Maternity Leave, Sick Leave and Death Benefit Fund
(b) The National Medical Benefit Fund, except if he or she is a member of any other medical fund or scheme approved by the Minister on the recommendation of the Commission;
(c) The National Pension Fund, except if he or she is a member of any other pension fund or scheme approved by the Minister or recommendation of the Commission.

Based on provisions of this Act, it transpires that Basic Conditions of Employment applies to all employers and workers, and regulates employment conditions such as leave, for example:

- Leave Entitlements: Sick leave, parental leave, personal carers' leave, bereavement leave and jury leave are some examples of leave allowed under awards or agreements.
- Annual Holiday Leave
- Long Service Leave

These conditions also extended to include working hours (ordinary, Sundays and public holidays), employment contracts, employee records, deductions, pay slips, overtime, notice of termination and severance payments, occupational health and safety (OH&S), guarding against harassment, discrimination and unfair dismissal. In the absence of these mentioned employment conditions, an employee will feel unhappy and find the job unsatisfactory. (See Table 21 below):

**Table 21: Employment conditions**

| | **Local** | | **Chinese** | |
|---|---|---|---|---|
| Conditions | Number | Percentage | Number | Percentage |
| Excellent | 4 | 16.0 | 1 | 4 |
| Good | 6 | 24.0 | | |
| Better | 4 | 16.0 | 4 | 16.0 |
| Satisfactory | 4 | 16.0 | 2 | 8.0 |
| Unsatisfactory | 7 | 28.0 | 18 | 72.0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Interviews (2008)*

By benchmarking the statistical data with the general basic employment conditions above, it transpires that local construction companies are somewhat better because only 28.0% (N=7) of the respondents are unsatisfied with their employment conditions compared to 72.0% (N=18) of the Chinese construction companies. The employment conditions of local construction businesses represented a more equal spread amongst the various categories, namely 24% represented ‘good’, followed by ‘excellent’, ‘better’ and ‘satisfactory’, all three representing 16%.

Although 16.0% (N=4) of the respondents in the Chinese construction businesses described their work conditions as ‘better’, this could be overshadowed by a high percentage of dissatisfied respondents. Hence, this can lead to the conclusion that the general treatment of employees in the Chinese construction businesses is not good.

### 8.10 Membership of organised labour and Social Security

According to Article 21 (e) of the Constitution of the Republic of Namibia of 1990, “all persons shall have the right to freedom of association, which shall include freedom to form and join associations or unions, including trade unions and political parties.” Based on the views of trade union respondents, this Constitutional provision is observed by many employees in Namibia including the Chinese construction companies. To test the essence of this hypothesis, (Table 22) below shows the statistical evidence:

**Table 22: Membership and affiliations**

| | Local | | Chinese | |
|---|---|---|---|---|
| **Affiliation** | **Number** | **Percentage** | **Number** | **Percentage** |
| None | 20 | 80.0 | 14 | 56.0 |
| Trade Union | 4 | 16.0 | 10 | 40.0 |
| Social security | 1 | 4.0 | 1 | 4.0 |
| Total | 25 | 100 | 25 | 100 |

*Sources: Interviews (2008).*

Of all respondents in local construction companies, 80% do not belong to organised labour, 16% belong to a trade union and 4% do have social security membership. Compared to the Chinese construction business, 56% do not belong to organised labour. The 24% difference can be of significance but cannot be explained without executing a follow-up study. It appears that it is not only the Chinese construction companies that are having employees without trade union and social security membership, but the local ones are even worse. On the other hand, if employees prefer not to be associated with a trade union, it is also their democratic and fundamental right. However, nothing conclusive can be deducted without a follow-up study to identify reasons for non-membership of organised labour and social security.

### 8.11 Levels of support for Chinese presence

In Namibia, there is a negative portrayal of some Chinese business people or products in some sections of the local media. There are some negative reports about China in sections of Namibia's media. Some cases may have happened because the Chinese were not familiar with Namibian legislation and/or culture. This situation created myths that Chinese businesspersons should not be supported. By investigating this problem, the study inquired the employees in the Chinese and those in local companies to establish the polar of their views (see Table 23 below).

**Table 23: Support of presence of the Chinese construction businesses in Namibia**

| | Local | | Chinese | |
|---|---|---|---|---|
| **Support** | **Number** | **Percentage** | **Number** | **Percentage** |
| Yes | 2 | 8.0 | 5 | 20.0 |
| No | 23 | 92.0 | 20 | 80.0 |
| Total | 25 | 100 | 25 | 100 |

*Source: Inter views (2008)*

Of all interviewees in the local construction companies, 92% (N=23) indicated that they do not support the Chinese in terms of their contribution to Namibia. Compared to interviewees of the Chinese construction business, the corresponding percentage is 80%. This negative perception can also be put into context of the previously mentioned 72% interviewees (Table 21 above) who indicated that they are unsatisfied with their employment condition. But, this also reflects that those who are working with the Chinese are better in supporting the Chinese business in the country than those who are not working for the Chinese.

However, the difference is so small that it can be regarded as insignificant to justify that the Chinese construction companies have enough popularity among their own employees.

## 9. RESPONDENTS: KEY INFORMANTS

Experience drawn from this study implies that conducting research in the Namibian public sector is restricted. In this regard, attempts made to interview key informants from ministries earmarked as would-be important sources of information for this study such as the Ministry of Finance, were partially successful. Key informants identified in the ministries indicated that they are not authorised to release information to researchers. Since the intention of this study was to compare opinions from different sectors of the Namibian society, this problem has become one of the serious limitations to the study.

### 9.1 The Government

#### 9.1.1 NAMIBIA INVESTMENT CENTRE

According to Moses Pakote (2008) an official of the Investment Centre, the major focus of the Chinese in Namibia is to invest in terms of manufacturing, construction, business, property development and trade. The Chinese trade activities concentrate on border towns of Oshikango, Rundu and Katima Mulilo where the typical market is from Angola, Zambia, Zimbabwe and Botswana, while their retail businesses take place throughout the country. In this regard, the government recognises the positive impact of Chinese businesses on consumer welfare, income distribution and poverty levels. However, still, there is a minimum wage, especially in the construction sector, but non for employees working in the retail sector. The labour law in place fills this gap, however it just need enforcement.

On inquiries about the government's position towards the increase of the Chinese businesses in Namibia and the general outcry regarding their threat to the local businesses especially SMEs, Pakote argues that the government of Namibia 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 xenophobia. On the notion that the Chinese are penetrating and competing with local SMEs such as running corner shops, saloons taxis, Pakote concurs with the fact that it is not fair. However, it is on the other hand, not right to have the minimum law exclusively for the Chinese. In addition, the current 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.

Deduced from this provision of the Act, the Chinese have the right to engage in any business activity in the country, unless the Minister finds it incorrect and decides otherwise 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…

It is the obligation of the government to protect the Namibian businesses when they are in threat, for example operation of taxis and corner shops by the Chinese and other foreign businesses may require intervention by the Minister. However, for the retail business this should be considered with care and when it is done it should be across the board and procedurally. It is not realistic to partially critique the Chinese businesses, particularly the retailers, while other foreign businesses are not subject to these critics.

The fact remains that if the government orders the Chinese businesses to leave Namibia today, it is obvious that the South African retailers will move in tomorrow and they will also go to rural areas as the Chinese do today. This is true because the Namibians do not have the capacity to open retail shops to the extent of what the Chinese are doing today. Namibia does not have the manufacturing capacity, hence the local businesspersons only sell products from other countries including China. Therefore, if the Chinese retailers leave Namibia now, inflation will increase due to a shortage of commodities.

The local businesses, especially the SMEs are blocked by many obstacles. Among them, are the current policies of the financial institutions in Namibia, which are not supporting the local business activities. Apart from Bank Windhoek, all banks are South African and they tend to make South Africa their primary concern and thus the Namibian SMEs remained dwindled. Take for example, a village such as Oshikuku. 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 somehow

.

The government recognises the significant contribution of the Chinese businesses to the Namibian economy. At independence not much in terms of foreign investment came into the country. The South African companies such as Group 5 and Stocks & Stocks exploited all the construction opportunities in the country in a monopolistic way. Consequently, the government had to pay exorbitant prices because there was no balanced competition, and the prices of the retail products were rapidly increasing. Prices increased at a lower rate since the Chinese businesses came to Namibia. The Speech by the Chinese Embassy (2008) supports Pakote 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%.

Pakote also argued that, currently, Namibia's Rossing Uranium export is going to China and India. Namibia's export to China will exceed the consumer goods imported from China and in that light Namibia will in the long run be the beneficiary.

Finally, Pakote, suggested that if business activities in Namibia are to be successfully regulated the Competition Commission should be reactivated, the Foreign Investment Act should be amended and the industrial policy be implemented .

**9.1.2 ADVISORS - MINISTRY OF TRADE AND INDUSTRY**

Although it was also not allowed to furnish information to researchers in the Ministry of Trade and Industry, some employees decided to answer some questions in their personal capacity. According to Hiang (2008 interviewed) the Chinese strategy to import goods into Namibia is quite competitive. They consolidate goods in one container in order to reduce cost. This means that they do not import goods in Namibia as individual retailers but they group themselves and import in a single consolidated consignment.

Seemingly, there are only two major Chinese companies operating from China town in Windhoek, which import goods from China in bulk from which the small Chinese outlets in the country buy to retail. Other Chinese companies in South Africa also sell products to the Chinese retailers in Namibia to sell to the Namibian retailers and consumers. On the question whether these companies pay tax, Hiang argued that it is worthwhile and legal to pay tax and if the Chinese retailers do not pay tax then it is illegal. The respondent further argued that there is no way that a business operates in the country without paying tax.

It was also inquired whether the Chinese retailers' activities are detrimentally to the emerging local SMEs or not. This inquiry coincided with the call from the group of indigenous Namibian business people from Omusati, Oshana, Oshikoto, and Ohangwena regions against the proliferation of the Chinese businesses in the retail and other sectors they previously dominate. According to Ingwafa (2008) as quoting Mukwiilongo, the Chairman of the group, Chinese investors of all types and sizes have rapidly swept aside local businesses penetrating such sectors as retail and wholesale, driving locals out of business. In this regard the key informant from the Ministry of Trade and Industry argued that it is better to prepare the indigenous businesspeople to confront new competitors. For example, it is advisable for the indigenous business people to also make use of the two Chinese companies to import their goods directly from China to compete with them in the country on an equal basis.

On the question why the government does not regulate business operations in the country with the intention to assist the local businesspeople in the face of external competitors such as the Chinese, she responded that the idea is practical. She further explained that the government has always been willing to assist the local businesspeople but there are still many obstacles in order succeed in this regard. One problem is that the locals do not have the capacity and moreover, people in Namibia are more individualistic and they are not always prepared to work together as a group as the Chinese do, therefore they fail. In Namibia, SMEs prefer working as individuals or as family businesses without proper strategies of making profits and growth.

Another problem is a lack of education in business matters. 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 make their products expensive and reduced the turnover. For example, if a retailer buys stock of N$500 and instead of adding 7% for profit he/she adds 20%, consequently, the stock would remain longer in the shop and/or the products would become obsolete and the business may become uncompetitive. 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.

Inquiries further investigated why some big local retailers such as, Edgars, Foshini, Markhams, Truworths, etc. also sell Chinese products at higher prices contrary to what the Chinese themselves sell in Namibia. The key informant argued that not everything produced in China is of poor quality as some people argue. In China the products are graded, A, B, C and D, and sold according to levels of development in the world regions. The products in Grade A are sold to the American, European and to a certain extent Asian markets. Grade B products are sold in Asia and other niche markets or better developed countries such as Brazil and Morocco. Grade C products are sold to Mexico and Grade D products which are very inferior go to poor African countries including Namibia. South Africa is to a certain extent also buying products in Grade C from China and those are the ones that we find in big retail shops in Namibia and South Africa.

**9.1.3 TENDER BOARD**

According to the Tender Board Act No 16 of 1996 (1) (a) the Tender Board shall be responsible for the procurement of goods and services for the government on behalf of the government by "concluding an agreement with any person within or outside Namibia for the furnishing of goods and services to the government or for letting or hiring of anything or the acquisition or granting of any rights for or on behalf of the government or for the disposal of government property". However, many critics indicate the government exempting the Chinese businesses under unclear conditions. In this regard, the Act stipulates that "subject to the provisions of subsection (2), on such conditions as it may determine, exempt any person with whom an agreement has been concluded from compliance with such agreement or condone the failure of that person to comply with such agreement", section (7) (1) (G). However the Act further agues that, "no exemption, condonation, settlement or amendment which may be to the prejudice of the government shall be granted, negotiated or made under paragraph (g) of subsection (1) without prior approval of the Treasurery" section (7) subsection (2).

In the light of this Act, and within the wave of critics about the Chinese businesses in Namibia, Onesmus, the former Director of the Tender Board, supported the presence of Chinese business in Namibia. She argues that they open the market for increased competition that resulted in more competitive prices. Onesmus (June 2008 interview) acknowledged that supervision of construction projects is a problem as well as Chinese businesses' compliance with labour legislation.

The Ministry of Works, Transport and Communication (MWTC) is responsible for supervision of government construction projects. However, the Ministry contracts out a large portion of the supervision of construction projects to private engineering and construction companies who are not always complying with supervision standards as required by the Tender Board. The MWTC does not have the capacity to audit the contracted out supervision of construction projects to other engineering and construction companies with the result that tender specifications of construction projects are not always complied with.

Onesmus (2008) indicated that the process of public international tenders is time consuming and is taking too long to be finalised. Construction companies that submit tenders to the Tender Board that employ more than 25 employees or workers on a permanent basis are required to attach Affirmative Action Certificates to demonstrate compliance with regulations of employment equity and labour legislation, such as registration with the Social Security Commission. However, companies receive a grace period to comply with the said regulations and during the grace period it is possible that tenders are awarded to companies that do not fully comply with all regulations. Onesmus (2008) stated that it is not the Tender Board's responsibility to ensure that companies comply with the said regulations after the awarding of tenders.

On average, Chinese construction tenders received are 15%-20% cheaper on price than local construction companies. On multi-million dollar construction projects, it can be a significant difference. Savings on government construction projects enable the government to spend such savings on other higher priority services such as poverty alleviation, education and health.

According to Onesmus (2008) 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 in 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.

Onesmus (2008) concurred with the idea that as a future requirement for tender allocation, it should be required from Chinese construction companies to form joint ventures with their local counterparts. This can lay the foundation for the transfer of skills to Namibians and enable the improvement of local construction companies' productivity over time.

#### 9.1.4 OFFICE OF THE LABOUR COMMISSIONER

Generally, Africa's exposure to Asians, especially Chinese, was historically limited. China's expansion to Africa has just recently grown (Shingwandja, Labour Commissioner 2008 interview). Namibia, through SWAPO had good relations with China during the liberation struggle, but that relationship was more military. After Namibia's independence the relationship between Namibia and China became more inclusive in terms of socio-economic and even political ties. On these grounds, more and more Chinese businesses flocked into the country and consequently many Namibians were employed in these businesses. Many problems emerged from the outset of the arrival of the Chinese businesses in Namibia. The labour structure in China is characterised as totally different from the Namibian one.

The tripartite labour system of the Namibian government, the trade unions, and the employers differ in many ways from the Chinese state controlled labour system. This has created another problematic dimension, since Namibia has labour laws which are not known to the Chinese employers in Namibia. In China, employees do not question issues related to their job conditions as is the case in Namibia, hence this has became a serious dilemma to the Chinese employers in Namibia. Another serious problem that leads to industrial misunderstanding between the Chinese employers and their Namibian employees is language. The Chinese employers cannot communicate properly in English which is Namibia's official language, and their Namibian employees also can not speak Chinese, which may contribute to unnecessary labour disputes

To the question of characterisation of Chinese ventures in Namibia, Shingwandja, argued that there are two types of Chinese business missions in Namibia. One, there are individual Chinese who spontaneously came to Namibia to look for business opportunities. Two, there is a group of state owned companies operating similarly to other parastatals in Namibia, and they venture more in the construction industry.

The group of individual Chinese who come to Namibia for exploration of business opportunities includes predominantly mushrooming retailers in the country. They team up with Namibian job seekers and most of their employees are working for the first time. In another observation, most of the employees in the Chinese businesses are Oshiwambo speaking, of which the reason unknown. Although the Chinese Embassy is explicit to imply that they expect their home companies to comply with the Namibian laws, this expectation never turns itself into practice. For example, you would find the Chinese construction work being carried out after sunset, which is contrary to health an safety of employees. However, practice should not be confined to the Chinese construction businesses only, since the Namibian and South African companies also do it. Another problem of the Chinese companies in Namibia is disobedience to the stipulated recruiting procedures and labour laws. The Chinese employers do not ask national IDs or birth certificates when they recruit. This results in them employing underage children and non-Namibians with no work permits, which is contrary to the Namibian laws.

In Rundu, for example, the Chinese Company, called upon First Wall Property Investment (Pty) Ltd, that has been in commotion with parents after the company employed children of the age group of 13 to 21 years (Shingwandja 200). Unbelievably, the management of First Wall Investment (Pty) Ltd did not have the records of their employees and they did not know their names. The intervention of the Office of the Labour Commission was also made difficult by reactions from the community in Rundu. While some were complaining about the practice, others went to the Chinese company to beg for work or they surrender their children to be employed as child labour to bring income home, possibly an illustration of the severity of poverty and unemployment in Namibia.

On the question of China-Namibia investment cooperation, Shingwandja, disputed that the Chinese are not interested in investment at all, but in self-establishment inn Southern Africa. Creating corner-shops and small retailers or operating taxis should not be regarded as investment that the country requires from foreign investors. Therefore, Namibia should develop protection laws for SMEs. For example, Close Corporations (CCs) should not be allowed for foreigners. The practice in the fishing sector should also apply here. The government policy on fishing is crystal clear that no foreigner is allowed to establish a fishing company in Namibia unless in a joint venture with a Namibian company. In addition, the situation would probably be improved after the new Labour Act has been implemented. The new Labour Act No 11 of 2007 section 138 (2) and (3) stipulates the following:

> The state must not issue a licence to an employer, or enter into a contract with an employer for the provision of goods or services to the State, unless that employer has given a written undertaking as described in subsection (3). Subsection (3) In an undertaking contemplated in subsection (2), the employer must undertake to ensure that every individual directly or indirectly employed for the purpose of exercising rights under the licence, or for the purpose of providing goods or services under the contract, is employed on terms and conditions not less favourable than:
>
> (a) those provided for in a collective agreement in that industry or those prevailing for similar work in the industry and the region in which the employees are employed; or
>
> (b) those prevailing in the nearest appropriate region, if similar work is not performed.

Apart from the Labour Act, the Labour Commissioner also suggests that the *status quo* should only change if the government and its organisations allocate tenders to companies, both national and international, that comply to the letter of the following legislation:

- Affirmative Action Act
- Taxation Act, and
- Social Security Act

**9.2 CHINESE EMBASSY IN WINDHOEK: GENERAL VIEWS**

It transpired that information from the Ministry of Trade and Industry validated in many ways information of the Chinese Embassy. Kungyuan (Chinese Counsellor in Namibia) (2008 interviewed) argued that the problem concerning retailing competition in Namibia does not necessarily lie with the increase of Chinese retailers in the country or the low prices on their products as such. This argument should rather be extended further to a lack of a common strategy among the Namibian retailers in the face of international competition. Kashuupulwa (2008), critiqued the anti-Chinese views to be in conflict with the Constitution of the Republic of Namibia, the government Policy of Free Enterprises. He demanded a government policy to protect local business entrepreneurs to compete in the business sector.

Kungyuan explained that China and Namibia being traditional friends and by ensuring the healthy development of the economic relations, especially to protect the reciprocal investment in both countries, 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 for Namibian business in China as well. Du Pisani as quoted by Sasman (2008) also suggested that the role of China in Africa should be seen beyond the following three dimensions as it is currently considered in public discussions:

- China's growth as an economic and industrial global giant
- China's positioning as a knowledge society with pre-requisite technological development
- China's growing demand for raw materials and particularly energy sources in Africa; and its search for markets within Africa with much of south-eastern Asia's markets saturated; and China's enhanced political importance globally.

Those three issues are the obvious issues in discussions about China and Africa. However, according to Du Pisani, there are other issues at stake. It is a valid argument as Du Pisani further stated that one needs to look at another neglected dimension of Chinese Africa relations which is the contribution that China is making to the continent. Amongst this, China engaged in writing off bilateral debt amounting to US$1.4 billion, bilateral debt built up by 31 African countries with China (Sasman 2008 as quoted by Du Pisani).

In Namibia, as Kungyuan clarified, the economic cooperation and trade ties between China and Namibia realised in rapid growth in recent years, with bilateral trade volume in 2004 exceeding US$400 million. On the issue of social responsibility, Kungyuan felt that China plays a gigantic role in supporting Namibia during its infancy at independence, for example:

- China supported the new Namibia by donating and building many sets of low-cost houses, drilling of boreholes, constructing of irrigation projects and donated large quantities of farming machinery and office utensils.
- In concurrency with the growth of the Chinese economy, especially in the new millennium, the Chinese Government also increased its aid to Namibia. For example, by building two Regional Council Offices in the northern regions, the residential part of the new State House which is under construction, and the primary design of the Military Academy to be aided by China (all mentioned were completed); and the Vocational

Training Centre intended for the training of the youth that is under consideration.

- Finally, after the 2006 Beijing Summit of the China-Africa Cooperation Forum and the successful state visit to Namibia by President Hu Jintao in 2007 the considerable upsurge of economic aid programs to Namibia followed. For instance, the government of China has committed a substantial package of projects including 1 billion RMB Yuan of Confessional loans for several projects, 100 million USD as Preferential Buyers' Credit, donating and constructing of two rural primary schools and a medium sized hospital to mention only some.

About the concern of local businesses that Chinese firms are killing the local market, Kungyuan argued that, although this could be really detrimental to local businesses there is still light at the end of the tunnel. For example, when China engaged in its economic reform from a closed to an open economy 30 years ago, she also experienced the same situation. Local business people in China were strongly objecting to foreign investors particularly at a small-scale level. However, in the long run it was evident that the lack of technology and the need of joint ventures with foreign partners were the real threat and not foreign competition. The Chinese businesses people in conjunction with state machinery embarked upon a new strategy of broadening business acumen among them and this has taken China to greater heights.

Along this line of argumentation, it is justified to support Kashuupulwa's views that the Namibian business people need proper guidelines, through consultations with other stakeholders in the business sector such as the Ministry of Trade and Industry, the Ministry of Foreign Affairs, the regional and local authorities, the representatives of the trade unions, the Namibia Chamber of Commerce and Industry and other civil organisations for inputs in order to establish a business approach which is not in conflict with the country's liberal economic policy.

On the question as to what extent Chinese businesses contribute to the Namibian economy, Kungyuan argues that, according to international practice, the government of the receiving country of the foreign investment, in this case Namibia, need 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 the local economy in other words, the FDI statistics system.

The general perception in Namibia is that Chinese business people in Namibia do not adhere to national laws such as the labour law and tendering procedures. Their registration and tax payments are also vague. However, according to

Kungyuan, Namibia is a democratic country with a complete legal system. Therefore, all the foreign funded enterprises must be duly registered with relevant offices/ministries/agencies of Namibia, to gain the legal status being a legal person and to open bank accounts and to gain its VAT code and registration before they start with business. In addition, Kungyuan argues, 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.

### 9.2.1 The Chinese Embassy's position

According to Jun (Second Secretary for Economic Affairs, Embassy of China interviewed May 2008), by the end of 2006, the total amount of FDI from China reached 6.6 billion U$, 9% of the total amount of investment outside China.

For the past 50 years, China made an investment of more than 800 projects in Africa, including 137 agricultural and 133 infrastructure projects. Since 2000, China built 6000 km of roads, 3000 km of railways and 8 big power plants in Africa.

China's investment in Namibia are mostly in the private sector, including building materials, textile, farming, real estate development, trade and manufacturing, with total investment of 20 million US$. Since no system exists in Namibia to capture Chinese FDI statistics, the Chinese Embassy could not provide a figure for China's FDI in Namibia.

The Chinese government is encouraging and promoting both the public and the private sector to invest in Namibia. Currently the embassy of China is guiding investment from China to be made in manufacturing, agriculture and infrastructure such as roads, railways and harbour construction.

Jun (2008) said that the Chinese Embassy "have heard of too much debates in the media in this country, and we find that some of them are based on prejudice or perceptions, and some are caused by misunderstanding or lack of common knowledge. Chinese business's presence in Namibia has already caused a lot of jealousy from the vested group and the competitors for their strong competitiveness. Chinese enterprises in Namibia are duly registered with the Government of Namibia, and they are welcome as long as they are operating lawfully. The government of Namibia fully understands their contribution to the local economy, and they fully understand that competition will bring more benefits to the local people and government than monopolisation of the same business".

Jun (2008) indicated in no uncertain terms that the Chinese Government has long maintained that all Chinese investors must abide by the laws and regulations of the residing countries and support the Government of Namibia to take actions against illegal operations of business.

### 9.3 TRADE UNIONS AND NCCI

According to Jauch (2004), Namibia has about 30 trade unions, grouped into two federations and several un-affiliated unions. The largest trade union federation is the National Union of Namibian Workers (NUNW) which represents 60 000 - 70 000 workers. Jauch (2004) further explains that the NUNW played a key role during Namibia's liberation struggle and continues to be affiliated to the ruling SWAPO party. Unions outside the NUNW rejected this party-political link and formed a new rival federation in 2002, known as the Trade Union Congress of Namibia (TUCNA). For this study the Construction Industry Federation (CIF) and its branch the Metal and Allied Namibian Workers Union (MANWU), affiliating to the NUNW and the Namibian Wholesale & Retail Workers Union (NWRWU) and NBWU affiliating to TUCNA were selected for interviews.

### 9.3.1 Namibian Workers Union (MANWU)]

Jonas, [the Khomas Branch Organiser of the Metal and Allied Namibian Workers Union (MANWU)] (2008 interviewed) acknowledged memberships of the employees from the Chinese businesses. On the question whether in her branch they do have Chinese employees as members of MANWU, Jonas (2008) affirms that they do and many of them especially from the construction industry and companies that make mattresses are joining the union on a daily basis. This argument contradicts the notion that the Chinese employees do not join trade unions.

However, on the question about the major problems that MANWU encounter when dealing with labour related issues within the Chinese businesses as compared to similar local companies, Jonas (2008) indicates differently. She argues that the problem with the Chinese businesspeople is that “they do not follow the Namibian laws, more especially the Labour Act”. In this regard the Namibians employed in Chinese companies are exposed to harsh conditions such as: they are not provided with protective clothes and they are not paid the minimum wages of for example N$8.50 per hour as stipulated. The treatment of employees is equivalent to violation of human rights and it is characterised by unfair dismissal, intimidation at workplace and discouragement to join trade unions. That aside, there is also a problem of communication due to language barriers and this may also result in poor labour, human and industrial relations.

Inquiries also probed the justification that the Chinese businesses in Namibia are alleviating poverty and decreasing unemployment. However, from the trade union point of view, Jonas (2008) objects. She explains that, “this justification is incorrect because if, for example, you are paying N$2.7/hour and this payment is made at the end of the day, it cannot alleviate poverty in any way.” Moreover, this is also an indication that the Chinese businesses are reluctant to employ people permanently. In this sense, Jonas (2008) does not support the presence of Chinese businesses in Namibia, because they are exploiting people and the main mission of a trade union is to fight all tendencies of exploitation of employees.

Moreover, to ascertain whether there are some benefits that the Namibians employed in the Chinese companies may enjoy, Jonas (ibid) indicates none. She argues that the Chinese employers do not allow the Namibians to grow, since there is no skills transfer and no joint ventures. The Namibian employees only work as casuals and for survival. Based on this, Jonas (2008) suggests that, the Ministry of Trade and Industry should be serious in scrutinising potential investors before they enter the country. She eventually criticises the New Labour Act that it is still not strong enough, because the fines to those who exploits the Namibian employees is too lenient.

### 9.3.2 Namibian Wholesale & Retail Workers Union (NWRWU)

Interviews were also conducted with the Secretary General of the Namibia Wholesale & Retail Workers Union NWRWU May 2008, Mr. Mabuku, Josua Ilukena. Concerning the question on whether the NWRWU and NBWU have memberships of the Chinese employees, Ilukena's (2008) answer was "yes" and "no". He explains that it was 'no' because it is difficult to organise them and it is also difficult to engage the Chinese employers for that purpose. Normally it is the stop order documents for the employees that make the trade union recognised by the employer, and that is usually the obstacle in the Chinese businesses. The Chinese businesspersons prefer their employees paying themselves rather than through stop order facilities. However, the answer is also "yes" because membership of the Chinese employees is based on individuals without proper recognition agreement between the union and the Chinese employers.

It was also inquired whether NWRWU encounters some major problems when dealing with labour related issues within the Chinese businesses. Ilukena (2008) asserts that a major problem is communication and thus it is difficult to interpret the Namibian laws to the Chinese. Moreover, the Chinese employers hardly ever comply with the Namibian labour laws and policies.

Based on the question requiring Ilukela to define the government position on the Chinese labour disputes in terms of salaries, he explained that the government's voice is not loudly heard in this regard. Therefore, it is also difficult to determine whether the government is aware of what happens to the people employed by the Chinese. For example, the Chinese employees are paid fairly meagre allowances and not salaries, which can be reduced when they fail to come to work once in a while.

Another question posed was on the justification that the Chinese businesses in the country are alleviating poverty and decreasing unemployment. Although Ilukena (ibid) agreed to the point that the Chinese provide employment to many Namibians, he also expressed some reservation in this regard. One thing is that the wages that the Chinese pay their employees is not sufficient to impact on poverty. Hence, the *status quo* is tantamount to unemployment. This could also be regarded as a disguise that gives the impression to the world that the problem of unemployment in Namibia is decreasing considering the large number of people employed in the Chinese businesses, who are practically equal to unemployed citizens. The Chinese workers are usually employed on a casual basis and they can be fired any time. Thus, it is incorrect to regard them as being employed. In this regard, NWRWU does not support the presence of the Chinese companies in Namibia.

Although, Ilukena acknowledged that the Namibians, especially those employed in the Chinese construction companies may benefit in terms of skills transfer, he also expressed a need of more Namibians to be employed and trained. He opposed the current trend of production done in China to retail in Namibia and he supported the approach of establishing industries in Namibia in order for the country to export retail goods to other countries. This may provide a solution to unemployment and poverty in Namibia.

#### 9.3.3 NAMIBIA CHAMBER OF COMMERCE AND INDUSTRY (NCCI)

Finally, the study was enriched with views from the Namibia Chamber of Commerce and industry. In this regard interviews were conducted with Mr Tarah Shaanika: CEO Namibia Chamber of Commerce and Industry (NCCI) June 2008. Inquiries were made on how NCCI perceives the major objectives of the Chinese in Namibia. According to Shaanika (2008) the speculation is that they want to establish a strong business presence and take advantage of business opportunities in Namibia. Shaanika further argues that the Chinese could possibly be aiming at big construction projects and mineral resources.

Moreover, on the question as to what extent does the Chinese investment influence the Namibian economy, Shaanika (2008) said that:

> “investment flow from China has been on the rise in recent years especially in the areas of infrastructure development/maintenance and mining. This has a huge impact on the economy in terms of development and to some extent, competitiveness. However, the Chinese presence has also caused the closing down of indigenous businesses and fuelled bribery and corruption. Chinese offer bribes to get business and that is bad for the economy. In addition, a lot of their business is done in illegal manner”.

It was also inquired whether the NCCI supports the presence and increase of Chinese businesses in Namibia. Shaanika explains that the Chamber supports the presence of Chinese businesses in Namibia for as long as they conduct themselves in a legal and fair manner. According to him problems that Namibia experience in her business relations with China are language (communication) barriers and the offering of bribes.

The study was also in the interest of establishing whether the Chamber was aware of the fact that the local business communities, especially SMEs are not in favour of China's businesses in the country. In this light, Shaanika (2008) argues that local SMEs do have strong negative perceptions about Chinese businesses in Namibia. They exhibit some sort of uncompetitive behaviour when conducting their businesses.

On the question about what the impact of the Chinese businesses is on consumer welfare, income distribution and poverty levels, Shaanika (2008) has the opinion that the "presence of Chinese businesses will not help us resolve poverty and unequal distribution of income. Their workers are imported and the few Namibian workers employed by them are grossly underpaid. They also sell low value products which appear cheap but don't last. So, in terms of consumer welfare, they are not really helpful".

#### 9.3.4 Views from the Construction Industry Federation (CIF) (Not a Trade Union)

According to Schmidt the Secretary General of Construction Industry Federation (CIF), (June 2008 interviewed), currently, no Chinese construction company is registered as member of the CIF anymore.

Schmidt (2008) indicated that there is no justification that Chinese business in the country contributed to poverty alleviation and a decrease of the unemployment rate. According to the Schmidt (2008), 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", Schmidt (2008). She further indicated that no skills transfer is taking place, no joint ventures and/or any other benefits is taking place except competition as already mentioned.

Schmidt (2008) indicated the "apparent presence of only one 'tendering agency' for several Chinese construction companies".

### 9.3.5 A workshop and participants' contributions

The study ends with a presentation of findings to stakeholders and members of the general public. The dialogue was open and inputs from the participants indicate mixed views. Some participants showed serious reservations about the Chinese businesses in the country, citing issues such non-compliance with Namibian laws, whilst some feel that it is good for the Chinese businesses to remain in the country to sustain reasonable business competition. It was argued that the Chinese businesses are not the only ones that disobey the laws, but local businesses are also culprits.

Among ideas suggested by the participants was that the study should be extended to include the whole country. If the study is extended to include all the regions (including the remote areas), it is possible that the findings could be different to the findings of the current study. Some also suggested expanding the study to a country wide study and not confined to retail and construction only. Some felt that China is making a tremendous contribution towards the Namibian economy. Forming joint ventures could be an advantageous strategy for the transfer of skills to Namibians. It was felt that Namibia should address the problem not as a Namibia–China problem but in a more uniform and holistic manner.

Participants also thought it vital to analyse African systems and specific negotiation and bargaining postures. Some thought that it is all a matter of size in the business world. China is geographically almost half the size of the African continent, their population is more than 1.326 billion (19.7% of total world population) and Namibia just more than two million. There is no way that Namibia and Africa can compete with China at this time. Namibia needs to protect the lower end of the retail sector. Finally, some held that education is the vehicle to ensure the development of our human resources, to increase competitiveness and to increase our bargaining power in Africa in order to benefit more from trade agreements.

## 10 CONCLUSIONS AND RECOMMENDATIONS

The purpose of this study was to probe into implications of business operations of both local and foreign retail and construction business in Namibia. The major focus was on the comparisons between the local, South African and Chinese businesses in the country. The principal questions to which this study tries to find an answer are:

1. 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?
2. What has been the local response to the increased Chinese presence?
3. 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?

Informed by these research questions, this has reach at the following conclusions:

### 10.1 Conclusions

The implications of the Chinese business operations are felt in the entire continent. However, it was found that the Chinese businesses are not always detrimental to the national economies as the general perception could imply. China has pledged to invest more in Africa and is expected to be the largest investor in the continent in the immediate future.

An interesting finding of this study is that the Chinese retail and construction companies are relatively newcomer players to the Namibian business field. However, China in general does have a long relationship with the Namibian people traced to the period of the liberation struggle.

Chinese businesses are prepared to work hard and to be competitive. Local players have no choice but to adapt to the increased push for higher productivity, to operate at lower profit margins, focus on areas where Chinese retail and construction is weaker, such as at the middle to higher end of the retail segments; and technical and specialised construction projects where knowledge of local conditions is of critical importance.

Other weaknesses which were found are that Chinese retailers focus on the lower end of the market and do not provide credit as other South African retailers. Therefore, the biggest outcry in terms of the outcome of this study about the Chinese retailers is on local retailers at the bottom end of the market that buy from the Chinese and resell their products at a higher price.

For local businesses to cry foul would not enable them to outsmart an increasingly globalise market represented by the arrival of foreign investors including the Chinese companies that receive strong support from the Chinese Government, Chinese State Owned Enterprises (SOEs) and various public and Non Governmental Organisations (NGOs).

Another area of contention from which this study has drawn some important conclusions is the implication of the issue of protectionism which to some extent is contrary to international commercial regulations such as those of the World Trade Organisation (WTO). This has created a paradox that the local business persons especially in the SME sector expect the Government's intervention to protect marginalised economic segments at the bottom end of the retail and construction industry and to ensure their survival while the government is also expected to honour its commitments to the international trade compacts.

## 10.2 Recommendations

Based on the conclusions above this study recommends that:

Forming joint ventures with Chinese companies is one option that can be considered to capacitate the local business communities.

Government can change the local rules to enable foreign companies to form joint ventures with local businesses to ensure a quicker transfer of skills. However, it must be attractive and affordable for Chinese companies to pursue joint ventures, otherwise local consumers are going to feel the punch when Chinese companies focused their efforts on other countries where conditions are more favourable.

Local workers should improve their productivity to compete on equal footing with increased competition from Chinese workers. Such protection must be accompanied by initiatives from Government and the banking sector to contract experts in Chinese retail and construction to enable skills transfer to local business people.

The Namibian business people should obtain proper guidelines, through consultations with other stakeholders in the business sector such as the Ministry of Trade and Industry, the Ministry of Foreign Affairs, regional and local authorities, representatives of trade unions, the Namibia Chamber of Commerce and Industry and other civil organisations for inputs in order to establish a business approach which is supportive of Namibia's open and liberal economic policy.

All Government role-players should embark upon the development of a foreign direct investment (FDI) statistics system. This will entails the drafting of foreign investment guidelines and incentives, introduce and supervise the operation of foreign investment, collect statistics and calculate the effects that may be brought about, and make frequent assessments in monetary terms, of the Chinese businesses' contribution to Namibia's economy.

The Ministry of Trade and Industry should do spot checks to determine if Chinese business is operating with trading licences. The Ministry of Works, Transport and Communication should improve their auditing of the contracting out, of the supervision of on-site inspections and monitoring of tender specifications.

The Ministry of Finance should monitor the registering of Chinese companies as taxpayers. The Social Security Commission should execute spot checks to determine which Chinese companies do have 25 permanent employees/workers that are not registered at the Social Security Commission as employers. The Employment and Equity Commissioner should do the same in terms of monitoring the implementation of Affirmative Action Plans, and the Labour Commissioner ensuring compliance with labour legislation.

All the offices/ministries/agencies involved should develop guidelines for existing and new Chinese business that will ensure an integrated and step by step monitoring and auditing of Chinese business systems and integrate the execution of Government and legal administrative regulations.

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