



Transitions in Namibia

WHICH CHANGES FOR WHOM?

Editor
Henning Melber

Cover:

The restored steam tractor outside the coastal town of Swakopmund was made in Germany and brought to the country in 1896. It should replace ox wagons as a means of transport in the further colonization of Namibia's interior. The 2.8 tons heavy machine in need of lots of water never managed it through the sands of the Namib desert. The local colonizers named it after the German reformer Martin Luther, who in 1521 had declared: "Here I stand – may God help me. I can not otherwise." Today a national monument and put behind glass, Namibia's "Martin Luther" remains an early symbol for the failure of grand visions.

Indexing terms:

Social change
Economic change
Cultural change
Political development
Liberation
Decentralization
Gender relations
International relations
Economic and social development
Post-independence
Namibia

Cover photos: Henning Melber
Language checking: Peter Colenbrander
© The authors and Nordiska Afrikainstitutet 2007
ISBN 978-91-7106-582-7
Printed in Sweden by Elanders Gotab AB, Stockholm 2007

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Old ties or new shackles? China in Namibia

Gregor Dobler

One of the first things you see of Namibia when you drive into the country from Angola on Oshikango's main road (after passing large billboards promoting the frequent use of Tafel Lager, Coca Cola and Safe Ryder condoms) are the large red letters on the brown wall of a new warehouse complex, welcoming you to 'China Town.' China Town is one of two large complexes currently under construction in Oshikango by Chinese investors (the other is called 'China Village'). Together, they will add about 70 new Chinese shops to the 20 odd already in existence in Oshikango.¹

China Village and China Town are very real symbols of China's growing presence in Africa. Both shop owners and investors are Chinese, the complex was built by Chinese construction companies, and the new shops' prospective Angolan clients will pay for the Chinese goods with petrodollars in turn earned largely from exports to China.²

Symbolic as they may be, the new shops are just a small example of China's growing influence in Africa. The People's Republic re-entered the African scene only towards the turn of the millennium, but since then the country's engagement in Africa has been growing at a truly amazing pace and China's rise as an economic and political power is likely to change Africa's international relations more profoundly than any other major trend since the crumbling of the Soviet Union and the end of apartheid. China's high need for raw materials and the equally high output of the country's immensely competitive export industry have profoundly altered terms of trade and thus affected the distribution of wealth both between and within many African countries, while the political engagement accompanying economic expansion has changed the African diplomatic landscape.

In Oshikango's China Village, three major trends of China's growing influence on African countries are visible in a nutshell: Africa is supplying China with commodities for its expanding industries while importing more and more goods manufactured by these industries. China's economic engagement is accompanied by financial aid that has contributed to the creation of a market for Chinese industries – most visible in the con-

1. The construction of China Town had started slightly earlier, in 2004. The investment was made by the pioneering 'Chinese' businessman in independent Namibia, ironically a Taiwanese national who had already built Windhoek's China Town. China Village was built by another long-standing expatriate mainland Chinese businessman for about N\$ 25 m.
2. According to ITC trademap data (UNCTAD), China imported 25% of Angola's total oil exports in 2003, with oil exports making up 99.9% of total Angolan exports to China (Goldstein et al. 2006:32). The IMF's Direction of Trade data state that 36% of total Angolan exports went to China in 2004 (Goldstein et al. 2006:30), while oil accounted for 91.7% of Angola's overall exports.

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struction sector, where the market share of Chinese companies has been rapidly growing throughout Southern Africa.

These three elements – commodity export, competition in the construction industry and the import of manufactured goods by Chinese migrant entrepreneurs – will be used in the current article as examples to assess China's role in the Namibian economy. The aim of this overview is neither to praise China's growing presence as a South-South alternative to neocolonialism nor to deplore it as new economic imperialism. Instead, the article intends to show the extent to which the Namibian economy is already linked to the Chinese. The real question will not be whether to applaud or condemn the Chinese influence, but how to channel it in ways that benefit Namibia instead of cementing its old role in global structures of economic and political dependency.

Before concentrating on Namibia, however, it is useful to review some of the major trends in China-Africa relations.

China in Africa: Some major trends

During the Cold War years, China's interest in Africa was largely political. The People's Republic was trying to overcome its political isolation through links with the continent's socialist governments and liberation movements. Economic benefits for China were mostly small or negative. China-Africa cooperation rested largely on a rhetoric of anti-imperialistic solidarity symbolised by the Bandung conference in 1955: the 'Afro-Asian bloc' was seeking to counter the dominance of Western colonial countries.

Since Chinese economic reforms triggered an unprecedented economic boom based on manufacturing, China's interests in Africa have shifted from the political arena to the economic.³ The main motivation is the increasing need for the raw materials of industrial production. Today, China is the world's largest producer of personal computers: even in 2001, 50% of all cameras, 30% of all air conditioners and 25% of all washing machines were manufactured in China.⁴ In order to sustain an average annual economic growth of around 8%, China needs to secure the import of a wide array of commodities and it is mainly due to Chinese demand that world market prices for virtually all commodities have risen sharply over the last years. Between 2000 and 2003, China contributed 76%, 95%, 99% and 100% of the increase in global demand for aluminium, steel, nickel and copper respectively (Kaplinsky, McCormick, Morris 2006:5). The most visible example of growing Chinese demand, however, is oil. China changed from a net exporter of petrol to a net importer in 2001 and has since been seeking new import markets in African countries such as Sudan, Chad and Angola. Today, the country procures 28% of its oil and natural gas from Africa (*CCS China Monitor* 04, 2006:3).

On the other hand, Chinese exports of manufactured goods to African countries have been increasing tremendously. Imports from China still represented only 6.5% of African imports in 2004, but this figure was only 1% in 1990. Since 2000, African

3. For an overview, see e.g., Alden 2005; Goldstein et al. 2006; Humphrey, Messner 2006; Kaplinsky, McCormick, Morris 2006, Lyman 2005; Payne, Veney 1998; Shinn 2005.

4. www.worldbank.org/transitionnewsletter/octnovdec02/pgs4-6.htm (14 Oct 2005).

imports from China have shown average annual growth rates of 33% (Goldstein et al. 2006:7f.).

China's increasing demand for commodities and its high output of cheap manufactured goods have shifted terms of trade in favour of countries exporting raw materials and importing manufactured goods – among them many African countries. They profit from higher export gains and cheaper import prices. Without the appropriate policy measures, however, China's emergence may cement the dependency of many African countries on the export of raw materials – an economic position that tends to come with high vulnerability due to price volatility and with high inequality due to corruption and rent-seeking.

The main losers in the shift in the terms of trade have been countries exporting manufactured goods. In Africa, the textile sector has suffered most severely from Chinese competition on third markets after the trade barriers for Chinese textile imports to the US and the EU were partially lifted in 2004 (see Volker Winterfeld's article on Ramatex in this volume).

While China used economic aid to gain political benefits during the Cold War years, this relation has shifted today. The People's Republic promotes its trade interests by political means: high profile diplomacy and the rhetoric of anti-colonial solidarity are still omnipresent 50 years after Bandung. Chinese foreign policy in Africa relies on a large number of embassies and on many high-profile visits to and from Africa. Chinese foreign ministers have been visiting African countries every year since the late 1980s, and Chinese presidents have made frequent official visits to the continent. Whenever Chinese diplomats meet their African counterparts, both sides stress mutual friendship and common interests as formerly colonised developing countries. As the Chinese Africa policy issued in early 2006 puts it, "Sharing similar historical experience, China and Africa have all along sympathized with and supported each other in the struggle for national liberation and forged a profound friendship." The Chinese government stresses "African countries' independent choice of road"⁵ and does not link aid to political conditionalities – apart from the acceptance of the 'one China principle,' prohibiting official relations to Taiwan.⁶ This policy of non-interference paved the way for substantial oil deals with Sudan and infrastructure projects and military deals in Zimbabwe when these countries were internationally isolated and shunned by both Western donors and multinationals.

All in all, China has been very successful in establishing and maintaining the rhetoric of mutual solidarity and South-South cooperation. This insistence on common interests and historic friendship often masks very tangible economic and political advantages for China. Its political impact in Africa, however, is considerable – all the more as it comes with real benefits, like debt relief, diplomatic cooperation in the international arena and an increasing amount of development assistance.

5. The Africa policy is available on various official internet sites; a handy pdf version was prepared by the Institute for Security Studies: http://www.iss.co.za/af/regorg/unity_to_union/pdfs/chinafrica/afpolicyjan06.pdf (26 May 2006).

6. China has been quite successful in enforcing its Taiwan policy in Africa. In 2000, only eight African states still had official relations with Taiwan. Liberia (2003) and Senegal (2005) have since sided with China, leaving only Burkina Faso, Chad, The Gambia, Malawi, São Tomé and Príncipe and Swaziland.

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China-Namibia diplomatic ties are no exception to the general trend. They are rooted in Chinese support of SWAPO and the liberation struggle before 1990. In 1964, when Moscow and Beijing were competing for allies among Africa's left wing liberation movements, Sam Nujoma was invited to Beijing: he came back with funds he used to buy a Land Rover for SWAPO's exile work and with high esteem for the Chinese leadership (Appolus 2004). SWAPO was officially allied to Moscow and never really changed sides, while the rival SWANU movement was on China's side for some time (Gibson 1972:120-31). In spite of these rivalries, relations between the People's Republic and SWAPO remained good (for a detailed analysis, see Taylor 1997). China's support in the UN Security Council for Namibia's case against the South African occupation and the detachment of military instructors to train SWAPO's PLAN combatants in Tanzania are often evoked by politicians from both sides, as is the fact that China was one of the first countries to establish diplomatic relations with the newly independent state in 1990. Still today, SWAPO party sees China as a natural ally and as a partner in the struggle for economic independence from neocolonialism.

Over the years, Sam Nujoma has visited China 12 times, often accompanied by important trade delegations. On his last official visit in 2004, he was presented with the Chinese translation of his autobiography – a well-received symbolic gesture typical of Chinese-African diplomatic relations. Jiang Zemin came to Namibia in 1996 and other high-level representatives of both countries exchange visits on a regular basis. On all these occasions, both sides have stressed mutual friendship and the common struggle for a more just world system, often mentioning stronger South-South ties as a means to improve African lives. As He Shijing, Chinese chargé d'affaires in Namibia, put it, "We both faced a common task and struggle against imperialism, but now have a similar one which is for the economic development of our countries."⁷

Primary sector commodities

Although Namibian exports rely heavily on primary sector commodities, direct Chinese involvement in the Namibia raw material market has until now not been very prominent. While Chinese firms are concluding deals with commodity exporters all over the continent, no major contracts have been negotiated with Namibian producers yet. This is partly due to the tight control over Namibia's mineral production through established distribution networks and long-term contracts. In 2003, 41% of overall Namibian exports were diamonds, exclusively controlled by Namdeb, a joint venture between De Beers and the Namibian government, and 15% consisted of other mineral products (mainly copper, uranium and zinc) stemming from large mines mostly owned and controlled by overseas firms (Directorate of International Trade 2005:4).

As there are no known oil reserves in Namibia, Chinese interests in this field have so far been confined to neighbouring Angola. The most substantial Namibian exploration deal of recent years, however, included a Chinese contractor. In February 2005, Circle Oil (an oil company based in Limerick, Ireland, and listed on the London Stock

7. *New Era*, 16/06/2003. The statement was made on the occasion of a donation of \$ 30,000 to SWAPO party by the Chinese Communist Party, earmarked for printing and distribution of party materials.

Exchange Alternative Investment Market) announced an agreement by which China Shine H F, a Chinese state-owned company was said to take over 72% of Circle Oil's prospecting licence (later upgraded to an exploration licence) covering most of northern Namibia: Circle Oil was to retain 18% and the Namibian state-owned NAMCOR 10%. High expectations were somewhat dampened when it turned out that China Shine would pay its share not in cash but by drilling at least three wells and acquiring seismic data, but still, the company's budget for the Namibian project was announced to be over \$ 1 bn and 2,000 workers were expected to start work on the ground in late 2005. In June 2006, however, the deal was still not finalised and Circle Oil was negotiating with other possible investors, as China Shine had not yet fulfilled its commitments and no work had started on the ground.⁸

In 2004, Namibia's Rössing mine became the first Western producer to export uranium oxide to China. The mine increased its output to counter the negative effects of the weak US dollar and found a willing buyer in China's national nuclear industry. So far, the amounts exported have been rather small (106 tons in 2004, *Allgemeine Zeitung*, 14/7/2005 and 109 tons in 2005, *Republikein*, 7/6/2006), but as China is planning to increase its nuclear power-generating capacity from 6 GW to over 30 GW by 2020 while a second Namibian uranium mine is scheduled to become operational in late 2006, uranium oxide exports from Namibia to China may increase in the future.⁹

The most important field of primary sector exports to China is less publicised, as it does not involve mineral resources: Chinese firms have invested in joint ventures in Namibia's fishing industry since independence and in 2003 about 80% of Namibian exports to China consisted of fish and fish products.

Overall, the export of Namibian primary sector commodities to China (as indeed Namibian exports to China as a whole) is rather insignificant if compared to, for example, Angolan exports to China. The indirect effects of China's emergence on the Namibian primary sector economy, however, are large. As outlined above, commodity prices have risen sharply over the last years mainly due to the increasing Chinese and Indian demand. World market copper prices, for example, rose by 58% in 2004 (Goldstein et al. 2006:31), largely triggered by rising demand from China (and, to a lesser degree, from India). This should have profited Ongopolo Mining and Processing, the principal Namibian copper producer, after a strong South African Rand had negatively affected the company in the years before 2004. The expansion process took longer than expected, however, and the debts amassed while financing new production sites proved fatal for the company. Amid allegations of mismanagement, Ongopolo was taken over by the British company Weatherly International in June 2006.

World market prices for other minerals produced by Namibia – mostly uranium, zinc, gold and marble – have risen sharply since 2004, helping the Namibian economy to achieve a growth rate of 5.9% in 2004.¹⁰ The commodity boom has triggered inten-

8. See, among others: http://www.circleoil.com/site/news/press_release28012005.htm; http://www.circleoil.com/site/news/press_release03022006.html; http://www.circleoil.com/site/documents/Interim_Report_%20June302005.pdf (all 26 June 2006).

9. <http://www.altonsa.co.za/rossing/reports/Rossing%20Stakeholder%20Report%202004.pdf> (26 June 2006)

10. Increase in real GDP. This exceptionally high figure is partly due to a 39% increase in diamond production after the extension of the Elisabeth Bay mine and an increase in offshore mining

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sive prospecting activity in the country. New mining sites for zinc, uranium, copper and gold have become operational or are scheduled to become operational in the near future, while the projected life of existing mines is constantly extended due to higher marginal gains. Rössing, for example, has announced that the uranium mine's projected life has been extended from 2009 to 2016.

Due to the rise of China in the world economy, terms of trade become more favourable for commodity exporters such as Namibia (just as they became less favourable after the end of the Soviet Union, when exports from the former Soviet Union increased competition and made prices crumble). Depending on the political and economic framework, however, this can be a mixed blessing. Income from mining is not sustainable, but will cease over time: it will only provide the means for sustainable growth when it is used to further the economic potential of a country in other sectors. Unlike the export of manufactured goods, however, the export of primary commodities creates income without any constructive effort, often tempting elites to seek quick rents rather than to invest in sustainable economic development. Commodity exports thus often increase vulnerability from external factors without benefiting larger portions of the population.

This is aggravated when world market demand and prices for a commodity are volatile. Many economists have voiced concern about China's effect on commodity price volatility. China is regarded as a swing producer, quickly adapting its export production to changes in the price for manufactured goods. Due to the size of the Chinese economy and its high importance for global commodity demand, shifts in the country's production can quickly affect world market prices (for a more detailed discussion, see e.g., Goldstein et al. 2006:31).

It is too early to assess the effects of China's rise on the 'resource curse' and on the vulnerability of the Namibian economy. One thing, however, is clear: when a country's dependency on commodity exports increases, the economic policy framework must become more intelligent and more resourceful. Partly due to China's growing weight in the world economy, the relative importance of commodity export for the Namibian economy is increasing. It remains to be seen if economic policy follows, translating improving terms of trade into improved livelihoods for the majority of Namibian citizens.

Construction industry

Many export contracts in the mining and energy sector have been facilitated through active Chinese diplomacy in Africa. The same channel has been decisive for infrastructure projects and for the Chinese construction industry in general. Chinese building contractors have often made their first appearance on African markets through public projects funded by Chinese government loans or grants (for an early assessment of the strategies, see Bräutigam 1983). It has, of course, long been common for Western governments to link development assistance to contracts for the donor country's industry and it comes as no surprise that China is imitating the practice. It seems, however, that

activity; but other mining grew by 30.5%, profiting from the fact that a new zinc mine became operational (<http://www.bon.com.na/docs/pub/economic%20outlook%202005-06.PDF>, 26 June 2006).

China is playing the game more skilfully – and in some cases more ruthlessly – than Western donor countries.

The list of public contracts awarded to Chinese companies and backed by Chinese government money is long. In Angola, China today accounts for over 60% of the country's foreign loans. From 2002 to early 2006, Angola received \$ 5.5 bn in Chinese loans and an additional \$ 3 bn was granted in June 2006 (*CCS China Monitor*, 04/2006:16; *The Namibian*, 27/06/2006). The major part of that sum has been awarded through the Chinese Eximbank for a credit line for reconstruction, guaranteed by oil exports. The building projects financed with the amount are mostly carried through by Chinese firms – among many others, hundreds of kilometres of road construction, a \$ 3 bn oil refinery in Lobito (*CCS China Monitor* 03/2006:19), 44 15-floor buildings in Cabinda and 5,000 additional apartments in a village nearby.¹¹ Copper mining by China-based Pan Asia Oasis Inc. is also profiting from a \$ 211 m loan from the Chinese government to rebuild roads leading to the area.¹²

Chinese help for its own industry not only comprises loans and guarantees, it also includes logistical and political support. In Mozambique, for example, the Chinese embassy is actively informing Chinese construction companies of upcoming tenders. Partly due to this promotion of tender opportunities, a third of Mozambique's current road construction projects (approx. 600 km of roads) are carried out by Chinese road contractors (Bosten 2006:5f).

While projects of that size have so far been absent in Namibia, a large variety of prominent public construction contracts have gone to Chinese companies. China Jiangsu International Namibia Ltd. was responsible for the construction of the supreme court in Windhoek (1994–97), the new police and prison training college in the same city (1996–97) and the new magistrate's court in Karutura (1997–99). China Beijing Corporation for International Economic Co-operation built 102 houses in Katima Mulilo in 1999, funded through an interest-free Chinese government loan. Northern Tannery in Ondangwa, built in 2000–02 and shut down in 2006, was financed by the Chinese government as well and constructed by China Nanjing International Namibia Construction (*The Namibian*, 14/06/2000). The private Chinese firm New Era Investment was responsible for, among many other public projects, the new town council building in Helao Nafidi Town, inaugurated in April 2006 by President Pohamba.

The most prominent instance of Chinese involvement in public construction projects is the new State House on the outskirts of Windhoek. As with Heroes' Acre, the main contractors are North Korean firms. After the Chinese government donated N\$ 55 m

11. "The planning and projection of the city's project is expected to match Asian and European urban concepts while utmost care will be taken to ensure that it falls within the lifestyle and architectonic characteristics of the country, Ju Lizao, a representative of the Chinese firm said. This urbanisation project will create 4,000 local and 1,000 Chinese jobs at minimum cost while ensuring quality. The project is expected to span over 30 months." *CCS China Monitor*, 03/2006:18.

12. *CCS China Monitor* 10/2005:23. These loans and grants widen the political margin for the Angolan government, allowing non-compliance with Western and international donor agendas. A Chinese soft loan of \$ 2 bn to Angola came after Western donors postponed a donors' conference meeting due to concerns about corruption. The loan came with a grace period of 5 years and is repayable over 17 years at 1.5%. It is bound to be spent on Chinese contracts – and helped China outbid India on an oil deal. (Kaplinsky, McCormick, Morris 2006:30).

for the construction of State House in 2002 ("with no strings attached," as a spokesman of the Namibian government told the press), a Chinese company was given a share in the project without public tender. In May 2005, another generous grant by the Chinese government for the building of the new State House was announced, but its amount was not disclosed. In April 2006, during the budget debate in parliament, it surfaced that the presidential home attached to State House would be wholly donated by the Chinese government and built by Chinese companies. It was announced that the Chinese government would tender for the construction in China (*The Namibian*, 21/04/2006), thereby possibly introducing new players to the Namibian market.

While Chinese construction companies came into the Namibian market in the late 1990s by tendering for public projects often backed by Chinese government money, they have since moved into the private sector and are making life very difficult for the remaining Namibian and South African construction companies. Chinese companies' market share is estimated to be "anywhere between a third and two thirds of the construction market" (*Insight Namibia* 04/2006:19) and it is growing. The main reason for the Chinese success is pricing: Chinese firms are undercutting Namibian competitors on a regular basis. Experts say that profit margins on government construction projects have declined from 30% to 10% or 15% due to Chinese companies (*Insight Namibia* 04/2006:20) – a reduction that simultaneously saves public funds and creates local unemployment. Chinese contractors claim that their success is due to hard work, reliability and efficiency, while local construction companies were characterised by inflated profit margins, the frequent missing of deadlines and low productivity prior to the arrival of international competitors.

Local companies reply by accusing Chinese firms of unfair competition. Industry representatives such as the CIF (Construction Industry Federation) have claimed that Chinese firms profited from preferential treatment in the allocation of tenders and that government was unwilling to force Chinese companies to comply with Namibian labour laws. They even spread rumours that convicts were used as forced labour on the construction sites in order to cut costs. Allegations of political protection and favouritism are difficult to prove or disprove. While it is not unlikely that political influence and corruption play a role in large public contracts (government infrastructure projects are notoriously prone to corruption worldwide), I have not come across any tangible proof of rigged tenders or unfair competition. At the very least, these allegations are an indicator of the growing resentment against Chinese competitors among local businesspeople.

All in all, while Chinese competition makes life difficult for the Namibian construction industry, Chinese competition seems to have had a favourable effect on productivity and efficiency in the sector and lowered construction costs in the country. Chinese firms should, however, be more rigorously supervised as to their compliance with Namibian labour laws, and, where public tenders are concerned, preferential treatment of local firms or stricter regulations regarding the employment of local workers should certainly be considered.

Chinese migrant entrepreneurs

China shops

In everyday life, the most striking aspect of China's growing importance for Namibia is the omnipresence of Chinese shops in the country, selling everything from tractors to sports bags, from camping tables to pirated perfumes. There is no Namibian town without its China shop, and in many larger villages the only shop selling anything other than sugar, cooking oil, soap and beer is owned by a Chinese migrant. All of these migrants have come from China since 1990, looking for business opportunities outside the highly regulated and crowded Chinese economy.

The following overview is informed by a case study in Oshikango, the main trading post on the Angolan border – a special situation, as most shops in the town are living off the offshore wholesale trade into Angola (for more details see Dobler 2005, 2007, 2008).¹³ Many aspects, however, from trade organisation to the difficulties with work permits, are general features of the life of Chinese migrants in Namibia.

Oshikango is a small but vibrant town on the border with Angola. Due to the town's position on the main road linking Namibia to Angola, it is also the main trade hub between the two countries. Large warehouses sell all kinds of imported goods wholesale to Angolan traders. Most of the warehouses operate offshore – the goods are imported 'in bond' for export to Angola, without paying Namibian import duties and taxes on them. The most important goods traded in Oshikango are used cars, beer and liquor, furniture, white goods and clothing articles. Chinese shops mainly deal in clothing, textiles, shoes, electronics and all kinds of cheap consumer goods, but also in motorcycles, furniture and small tractors.

Oshikango is the ideal place to do business in the Angolan market without actually investing in Angola. Political and economic conditions are stable and foreseeable, and an excellent road (and in the near future a railway line) links the town to the Southern African ports of Durban, Cape Town and Walvis Bay. Many investors are still reluctant to invest in Angola: they fear political interference and insecurity, and are unwilling to comply with the more demanding Angolan rules for foreign investments (like the obligation to form a joint venture with an Angolan partner). Since about 2003, however, Oshikango has lost some of its appeal. Apart from infrastructure development in Angola, giving viable in-country alternatives to Angolan wholesalers, this is mainly due to the strong Rand and to the enforcement of Angolan import duties. A large part of the Angolan economy functions on a US-dollar basis. While one US dollar would buy 13 Rands/Namibian Dollars in 2003, it was worth only N\$ 6.2 in early 2006, significantly lessening Angolan buying power in Oshikango.¹⁴ An even heavier blow came in 2004, when Angola employed the British firm Crown Agents to supervise the custom's office in Santa Clara, the Angolan border post opposite Oshikango. Before that, import

13. Thirteen months of fieldwork were carried out in 2004 and 2006, focusing on economic and political transformation in the border boom town. To protect my informants, who partly entrusted me with rather sensitive business information, I have tried to make them unrecognisable in my descriptions. This accounts for my often rather vague ascription of citations.

14. Consequences for Angolan clients are not as heavy as one might expect, as many imports to Oshikango are also paid in US dollars, particularly used cars, furniture and all kinds of Chinese goods. Beer and liquor sales, however, have been highly affected by the strong Rand.

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duties and consumption taxes, introduced in 2002 and amounting to up to 60%, were often avoided through bribery. As this practice continues at other border posts, many Angolan traders make large and costly detours in order to import goods purchased in Oshikango through the Katwitwe or Calueque border posts.

Most Chinese-owned shops in Oshikango sell wholesale to the Angolan market. They import large quantities of goods: many shops receive up to ten 40 foot containers of merchandise per month. For larger quantities, the goods are usually ordered directly from the factory, while lesser quantities are bought through wholesalers in China. The ability to deal with Chinese suppliers and government offices and to find new articles or better suppliers for the same article is the main asset Chinese traders in Oshikango have. "The problem is to bring the things here. Once they are here, selling is easy. Angolans buy everything," a trader told me. The cultural skills necessary to buy successfully on the cheap Chinese market (obviously including language skills) makes them exclusive and prevents Namibian competition. The cultural skills for selling in Oshikango are acquired by most migrants on the job – including rudimentary English and Portuguese.¹⁵

Due to their access to Chinese markets, the migrant entrepreneurs can undercut prices for comparable goods produced elsewhere. You can buy leather belts for N\$ 5, radio cassette players for N\$ 40 or soccer shoes for N\$ 45 (Namibian retail prices, including all taxes). Quality is poor for some goods, but not for all: Chinese traders often complain that Angolan and Namibian customers do not perceive differences in quality and only compare prices.

The profit margins of the first Chinese traders were very high, but competition quickly led to lower margins. Chinese shops in Oshikango are fierce competitors for each other. They do not fix prices, nor are they shy to copy successful business ideas from their neighbours. Whenever new merchandise introduced by one of the shops is selling nicely, other shops are quick to order similar items and sell them at lower prices. Even brands established by one of the larger traders have been pirated by his colleagues through different Chinese factories.

The Chinese migrants come to Namibia to create a living for themselves and to escape the constraints of the Chinese domestic economy. They expend a lot of energy, hard work and creativity on their business, and many of them are very successful. However, their work benefits not only themselves and their families, it is also of enormous relevance to the Chinese economy. Today, Chinese migrant entrepreneurs are living in every country of the world, and in every African town there are Chinese shops selling goods produced in the People's Republic. The single shops are often small, but collectively they form a highly efficient network of sales outlets for Chinese industries largely independent of government initiatives. The Chinese government has certainly changed emigration rules and created greater room for business initiatives and its diplomats are constantly busy with securing the favours of foreign governments, but the main input for Chinese shops comes from the migrant entrepreneurs. If there is today no country in

15. There is, however, a generational gap here: while the older Chinese migrants often do not speak any foreign language before coming to Namibia, many of the young have a good working knowledge of English. This reflects the enormous improvements in the Chinese education system in the last two decades.

the world where Chinese goods do not form part of people's everyday life, that is largely due to these migrants.

Starting from a very low basis, Namibia's imports from China have grown at a staggering pace since approximately the turn of the millennium. According to ITS trade data, Namibian imports of manufactured goods from China have grown from \$ 132,700 in 1996 to \$ 1.5 m in 1999, \$ 9.3 m in 2002 and more than \$ 20 m in 2003. As the growth rates reflect the process of adjustment due to China's integration into the world markets, they will eventually slow down when China's relative weight in the world economy is reflected by its weight on the Namibian market. Until that point is reached, however, both Namibian businesses and traditional exporters on the Namibian market will have to live with constantly declining market shares and dwindling margins.

Problems of legality

For most Chinese nationals in Namibia today, getting a work permit is the single most essential prerequisite for success in business. "When we are here, we can always make money in some way or the other. If we have to go back to China, it is much more difficult." The days when one could easily get a work permit for establishing a retail shop are over. Chinese shops are present in every Namibian town, and both the public and politicians are growing more and more concerned about the negative effects on local industries and on the locally owned retail trade. It has even become difficult for shop owners to get work permits for relatives as assistants in their businesses, and a new migrant without connections (and more often than not without the necessary language skills) does not have a realistic chance on his own to get a work permit issued. There are, however, still several options for new migrants.

Perhaps the most common option is to pay established Chinese businessmen in Namibia who act as immigration brokers. They take charge of the necessary documents and provide both housing and a work place for the new arrival. Their charges can amount to well over N\$ 100,000. Most of that sum is gradually paid back by working for the broker. After about three or four years, when they have paid back the broker's fees, new arrivals have also acquired the necessary skills and local knowledge to start a business of their own.

A second option seems to be more common still. Instead of paying a broker for the whole package, new migrants (either people with business experience elsewhere and some capital, or new business partners or relatives of Chinese living in Namibia) only pay for the service of a well-connected Chinese person who assists them in getting their work permit. Informants differed as to the price of this service, but the average sum mentioned was about N\$ 20,000. All informants were convinced that part of that sum went to senior Home Affairs officials, the rest to the broker, but they were unclear about the respective shares.

While migrants complain about the rising sums involved, they accept them as the unavoidable entrance fee into a new world of opportunities. They are taught the rules of the game by their predecessors and they care more about the outcome than about legality. None of these rules are made by them, anyway. If they are concerned about the lack of legality, it is because it heightens both their risks and the leverage of the brokers. "You

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With work permits becoming scarcer or more expensive, more and more Chinese entrepreneurs are looking for alternative, cheaper ways to come by them – or simply ignore the risks of illegality. There are Chinese citizens who have been living in the country for years on a long expired tourist visa, relying on their luck not to get caught. A more promising way for creative entrepreneurs is to serve – or to do lip service to – the penchants of their host country's officials. While the Namibian government has gradually realised that there may be enough Chinese retail shops in Namibia, they are still keen to attract investors for manufacturing. More and more Chinese are thus thinking about establishing production facilities in Namibia. There is, for example, a Chinese firm producing duvets for export in the otherwise more or less manufacturing-deserted Oshikango Export Processing Zone (EPZ) park. Nothing could be more welcome to Namibia, even if the cotton, the textiles and the sewing machines are imported from China. I was at first puzzled why anyone should care to sew duvets in Namibia instead of importing them from China at lower costs. The answer, at least according to the general consensus of Chinese pavement radio, is simple: the main outcome of the venture is not duvets, but work permits. "With such a workshop, you will get work permits for maybe 20 or 30 technicians. Two or three of them actually work there, the rest is working somewhere in a shop."

The shops the additional migrants are working in often have no connection to the manufacturing business. Work permits have actually become just another commodity, a source of income for Chinese businessmen established in Namibia. Many of them are now busy establishing all sorts of manufacturing plants in order to sell the opportunity of legal employment to fellow countrymen. They typically spend about N\$ 50,000 for the import of machinery, money easily recovered by the selling of three work permits.

Chinese who have been in the country for some time and are keen on establishing their own businesses usually keep a close watch on government policy. When President Pohamba in a speech urged Namibians to enhance computer skills and infrastructure, a young Chinese took it as a sign that a computer service and training centre could meet with the favour of Home Affairs. "Everybody talks about manufacturing. But service is, I think, good too. It is good for Namibia. And you don't need so much money. If you import machines, even if they don't work, just for show, you have to pay a lot of money for transport. With computers, that could work. I can still do some business at the same time."

Immigration laws are a field of state administration in which migrants all over the world are likely to become criminal at one point or another. Most of those who have tried to get a work permit or a new ID card from Home Affairs will probably understand, if not approve of, the temptation for somebody who is neither proficient in the language nor familiar with the system to get his papers in a more expeditious way. Illicit activities of Chinese nationals in Namibia are not limited to immigration offences, however. There are indicators that organised crime in Namibia has its Chinese face, too. Chinese shops in Windhoek are paying for 'protection': the gangs who control that business are equally involved in international drug dealing into and through Namibia,

in cigarette smuggling and in the human trafficking of illegal prostitutes from South Africa to Namibia. In the north, Chinese nationals are involved in large-scale illegal currency deals, privately buying US dollars earned in the cross-border trade from local businessmen and reselling them at slightly higher rates in South Africa. I was unable to establish the source of the funds used for these currency deals, but due to the high risk involved, there is some likelihood of reinvestment of illicit gains and of money laundering.¹⁶

Economic benefits?

The business opportunities in Namibia certainly benefit the Chinese migrant entrepreneurs. But how much does their work benefit the Namibian economy and the Namibian people? To answer this question (and to decide what stance the Namibian government should adopt towards Chinese businesses), it is useful to distinguish short-term effects from long-term hopes and aims.

In the short run, the presence of Chinese shops makes some goods more accessible to the average consumer. Clothing, blankets, mattresses or shoes have become a lot cheaper – not to mention the plethora of unnecessary gadgets one can buy in China shops all over Namibia. Upper class consumers may raise a dismissive eyebrow at the quality, or argue that many of these items are rather useless. But for many people, a cheap radio of inferior quality at an affordable price looks more convincing than one of superior quality that is beyond their means, and even 'unnecessary' material possessions can create a strong feeling of exclusion if you are not able to afford them.

In addition to that, Chinese businesses create employment for Namibians. Once Oshikango's China Village is completed, around 200 Namibian people will find a job there. Most China shops in Namibia actually employ at least some people – shop assistants, store hands or security guards. Most of these jobs are for unskilled workers, however, and there have been many complaints about ill-treatment of workers.

In the short run, while Chinese shops benefit some of the more vulnerable Namibians, it is doubtful whether these benefits outweigh the losses experienced by existing businesses and, most importantly, the export of profits earned to China where they can no longer fuel the Namibian economy. The real issues, however, emerge in a long-term perspective. Throughout history, migrant entrepreneurs, and especially foreign shop owners, have been accused of parasitism and exploitation. But history equally abounds with examples of the constructive economic role played by migrant entrepreneurs who come into a country with capital, energy and new skills. What really mat-

16. Most of these allegations, however, rest on informed hearsay only. While some Chinese nationals were convicted in Windhoek and Walvis Bay for, among other things, cigarette contraband, drug dealing, armed assault and attempted murder, neither major structures of organised crime nor its links to South African gangs have so far emerged in court cases. The most prominent case judged in court involved a charge of heroin dealing and a burst from an illegally owned R4 automatic rifle in the upmarket Windhoek Country Club resort (See *The Namibian*, 13/08/2004, 11/11/2004). When, in 2003, smuggled cigarettes for over N\$ 15 m were seized, "Police said it suspected that the source was a well organised syndicate from China. Contraband cigarettes are normally transported from China to Durban in South Africa before being shipped to Walvis Bay and back to South Africa." (*The Namibian* 6/02/2003).

ters for the Namibian economy is not whether the Namibian government should grant more or less work permits, or whether Chinese shops compete with existing ones owned by Namibians. The real question is whether the self-interest of Chinese migrants can be channelled into directions that will create genuine development, skills transfer and added value that stays within the Namibian economy.

Deborah Bräutigam (2003) has shown how, in the case of Mauritius, Chinese businessmen have moved from trade into manufacturing, creating the germs of successful indigenous industrialisation. This has not happened in Namibia yet and there are not many signs that it is about to happen. Government is certainly trying to push Chinese investors in that direction, but I know of only two or three 'real' Chinese manufacturing investments in Namibia, compared to hundreds of Chinese shops and a growing number of Potemkin villages in the manufacturing sector. Trade is still easier, more lucrative and less risky than manufacturing – not only for Chinese migrants. But competition among shops is already tough and profit margins will decline further. Many established Chinese shop owners are already looking for different markets where they can swim ahead of the crowd (two of them told me they wanted to move to Iraq as soon as the situation becomes a bit more stable; for a parallel example see Haugen and Carling 2005). If Namibia can offer them alternative investment opportunities outside trading, they might be induced to put their formidable energy, and their money, into projects that really further economic development.

Conclusion

This overview of the role China plays for the Namibian economy is far from exhaustive. I have concentrated on primary commodities, the construction industry and retail trade by migrant entrepreneurs only, leaving many other issues aside. There are many further fields where China's growing presence has large consequences for Namibia – from military cooperation, technical assistance and cultural exchange programmes to traditional Chinese medicine or the growing number of twinning agreements between Namibian and Chinese towns, let alone diplomatic ties at government level.

But even such a short review, bound to be outdated soon, shows how much the balance of the world economy has already shifted towards China. Africa (and the world) will have to face this fact, instead of wishing it did not happen. Only then can African countries implement policy measures that will allow them to benefit from the Chinese boom. More favourable terms of trade may, of course, make a crucial difference to commodity exporters, but unless China's role is rendered more constructive through economic legislation and diplomacy, Oshikango's China Village could become a symbol for the revamping of the old economic world system with a different trade partner – once again reducing African countries to the export of raw materials and the import of manufactured goods.

Notwithstanding that danger, China's emergence can create real possibilities. Quite apart from its interest in raw materials, there are signs that China is really willing to contribute to development in Africa, from the surge of donor moneys coming from the People's Republic to the willingness of the Chinese government to reduce textile exports to Southern Africa in order to protect local industries. On a local scale, the immense

energy and creativity of Chinese migrants in Namibia could certainly be put to more constructive use than to obtaining and selling work permits, or the import of broken machinery for false manufacturing sites. African governments will not change China's role in the world economy nor the leverage that comes with it, but policy measures they implement now may contribute to transforming its consequences and may determine whether China's emergence will reshuffle the cards in Africa's international economic relations or simply change the players.

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